

ANNEXURE 2A

CHAPTER	NEW DIRECTIVES
1	-
2	201-001
3	300-001 311.1(1)-001
4	-
5	500-001
6	602-001 604-001 605-001 606-001
7	702-001 708-001
8	-
9	-
10	-
11	-
12	1201-001 1202-001 1203-001
13	1303-001
14	-
15	-
16	-

EXERCISE OF POWERS OF THE EXCHANGE	No. 201-001
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Relevant to : [Rule 201.1(2)(l)]
 Introduced with effect from : []
 Amended : []
 POs' Circular No(s). : N/A
 Refer also to Directive No(s). : []

1. Rule 201.(1)(2)(l)

This Rule empowers the Exchange to require the Participating Organisations and Registered Persons to provide reports, information or documents to the Exchange in relation to any matter under these Rules or Directives.

In exercising the above powers, the Exchange may require the Participating Organisation or Registered Persons to undertake the following actions:

1.1 Reports, Information or Documents

- (a) require a Participating Organisation or any Registered Person to provide the Exchange with accurate information about its business and transactions in such format, mode whether electronic or otherwise, specified by the Exchange;
- (b) require a Participating Organisation or any Registered Person to provide the Exchange with the documents in his possession, custody, power or control;
- (c) if a document requested by the Exchange cannot be produced, require the Participating Organisation or Registered Person to:
 - (i) inform the Exchange of the details of the location of the document and person having possession of such document; and
 - (ii) use best effort to secure the documents;
- (d) interview the Participating Organisation or Registered Person and require the Registered Person or the Participating Organisation to answer questions or provide explanations, and record such answers and explanations electronically or otherwise;
- (e) require the attendance, upon reasonable notice, of any Registered Person or employee or agent (or any employee of such Registered Person or agent) of a Participating Organisation at a specified date, time and place, to answer questions, provide explanations or give evidence and require the Registered Person or the Participating Organisation to procure such attendance;
- (f) require the provision of information on any person who is to be, is or has been a Registered Person or employee or agent of the Participating Organisation or engaged in its business or any person who is to be, is or has been an employee or agent of a Registered Person or engaged in its business;
- (g) send any officer of the Exchange or Exchange Holding Company, to a Participating Organisation's or Registered Person's premises at any time for the purpose of investigations and to ensure compliance with these Rules; and
- (h) obtain copies of or extracts from documents or information, and require the person compiling such documents or information to provide an explanation for any of such documents or information

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Comment [B1]: This was previously Rule 1205.1 in relation to supply of information for audit and inspection. We have now generalised the requirements to be made applicable to any instances when a PO is required to provide information or report.

Comment [B2]: "Registered Person" is defined in Chapter 1 to mean any person registered with the Exchange other than PO. Such definition extends the obligations under this Rule to officers and agents of the Participating Organisation. This is to enhance [1]

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EXERCISE OF POWERS OF THE EXCHANGE	No. 201-001
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- 1.2 Any statement, information or document submitted by the Participating Organisation or the Registered Person to the Exchange pursuant to Rule 201.1(2)(l) is deemed to be authorised by the Participating Organisation and the Exchange may rely on such statement, information or document.
- 1.3 Any statement, information and documents submitted by the Participating Organisation or Registered Person to the Exchange must not be false or misleading.

[End of Directive]

Comment [B3]: Inserted to clarify that the Exchange may rely on the statement, information or document submitted by the Participating Organisation or the Registered Person to the Exchange pursuant to Rule 201.1(2)(l) and that such statement, information or document that are submitted to the Exchange is deemed to be authorised by the PO.

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Page 1: [1] Comment [B2]	Bursa	29-11-10 1:30:00 PM
<p>“Registered Person” is defined in Chapter 1 to mean any person registered with the Exchange other than PO. Such definition extends the obligations under this Rule to officers and agents of the Participating Organisation. This is to enhance our ability to obtain information for inspection and investigation purposes.</p>		
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<p>provision forthwith by a Participating Organisation, its registered person(s) and/or employees of</p>		
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<p>provision forthwith by a Participating Organisation, its registered person(s) and/or employees of</p>		
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<p>the production forthwith by a Participating Organisation, its registered person(s) and/or employees of</p>		
Page 1: [3] Deleted	Bursa	04-06-08 8:57:00 AM
<p>the production forthwith by a Participating Organisation, its registered person(s) and/or employees of</p>		
Page 1: [4] Deleted	Bursa	04-06-08 9:34:00 AM
<p>and if, any such documents cannot be produced, require the</p>		
Page 1: [5] Deleted	Bursa	04-06-08 9:27:00 AM
<p>, its registered person(s) and/or employees</p>		
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<p>state to the best of his knowledge and belief where and in whose possession, custody, power or control they are</p>		
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<p>require the Participating Organisation, its registered person(s) and/or employees to</p>		
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<p>registered person(s), employee or agent (or any employee of such registered person(s) or agent of a Participating Organisation</p>		
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<p>registered person(s), employee or agent (or any employee of such registered person(s) or agent of a Participating Organisation</p>		
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<p>registered person(s),</p>		

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**DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES
PURSUANT TO CHAPTER 3 OF THE RULES**

No. 300-001

Relevant to : Rules 301.2(1), 301.4(1), 301.8, 302.2(1), ~~302.10(4)~~, ~~302.12~~,
310.9 and 310.10
Introduced with effect from : []/[]/20[]
Amended : N/A
POs' Circular No(s). : N/A
Refer also to Directive No(s). : N/A

- Deleted: 302.3(1)(a),
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- Comment [B1]: Previously, Rule 302.2(1).
- Deleted: **Application:** Any person desirous of being registered as a Participating Organisation shall
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- Comment [B2]: Doing away with requiring certified true copies of documents.
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- Comment [B3]: To cater for the fact that at the point of application for registration with the Exchange, the CMSL would not have been issued yet.
- Deleted: dealer's licence and, where the applicant is an Investment Bank, a valid ... [1]
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- Comment [B6]: Previously, Rule 302.2 ... [6]
- Comment [B7]: Previously, Rule 302.2 ... [8]
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Introduction

(1) This Directive set out the application procedures for applications to the Exchange under Chapter 3 of the Rules.

1. Rule 301.2(1)(a)

To become a Participating Organisation, this Rule requires an applicant to apply to the Exchange in accordance with the requirements the Exchange stipulates.

The following sets out the requirements of the Exchange to become a Participating Organisation under this Rule:

1.1 Participating Organisation

(1) An applicant must complete and submit an application to the Exchange in the form set out in Appendix 1A, accompanied by:

- (a) copies of the applicant's memorandum and articles of association or other constituent documents evidencing the applicant's:
 - (i) directors and shareholders; and
 - (ii) authorised and paid-up capital;
- (b) evidence that the applicant's application for a Capital Markets Services Licence for Dealing in Securities has been approved;
- (c) any additional document required for an application for admission to a specific category of Participating Organisation;
- (d) payment of the non-refundable application fee set out in Schedule 1 (if any);
- (e) an undertaking in the form set out in Appendix 2A; and
- (f) such evidence the Exchange regards as satisfactory to show that, at the time of the application, the Participating Organisation is able to comply with the financial requirements in Chapter 13 of the Rules.

2. Rule 301.4(1)

This Rule requires a Participating Organisation to notify the Exchange if the Participating Organisation changes status from one category to another (based on the categorisation stipulated under Rule 301.2(5)).

The following procedures apply in respect of the relevant notification required under this Rule:

2.1 Change of status to Investment Bank

- ~~(1) If a Participating Organisation obtains approval to operate as an Investment Bank, the Participating Organisation must notify the Exchange in writing.~~
- ~~(2) The notification must be given at least 7 days prior to the Participating Organisation commencing business as an Investment Bank.~~
- ~~(3) A Participating Organisation must submit to the Exchange, the following documents together with the above notice:

 - ~~(a) copies of the applicant's memorandum and articles of association or other constituent documents evidencing the applicant's:

 - ~~(i) directors and shareholders; and~~
 - ~~(ii) authorised and paid-up capital;~~~~
 - ~~(b) a copy of the Participating Organisation's Capital Markets Services Licence for Dealing in Securities;~~
 - ~~(c) a copy of the merchant banking licence issued by the Central Bank pursuant to Section 5 of BAFIA; and~~
 - ~~(d) the relevant documents required under the Companies Act to evidence the change of name of the Participating Organisation (if any).~~~~

3. Rules 302.1(1) and 302.2(1)(a)

~~Rule 302.1(1) imposes an obligation on a Participating Organisation to register with the Exchange persons enumerated under Rule 302.1(1).~~

~~The following procedures apply in respect of an application for registration of the following Registered Person:~~

3.1 Chief Executive Officer

- ~~(1) A Participating Organisation must complete and submit to the Exchange the form set out in Appendix 1B, accompanied by:

 - ~~(a) a copy of the Capital Markets Services Representative's Licence for Dealing in Securities or evidence that the application for a Capital Markets Services Representative's Licence for Dealing in Securities (if applicable) has been approved, in the event the Chief Executive Officer is a Capital Markets Services Representative Licence holder or intends to hold one;~~
 - ~~(b) a copy of the notification given by the Participating Organisation to the Commission of the appointment of the Chief Executive Officer as required by the Commission;~~
 - ~~(c) a copy of the Central Bank's approval to the Chief Executive Officer's appointment as a Chief Executive Officer of the Investment Bank;~~~~

- ~~Comment [B8]: Previously, Rule 301A.1(2).~~
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- ~~Comment [B9]: Deleted as there is a general requirement under Chapter 2 for a person to provide any other document that the Exchange requests and a requirement in Rule 301.6(1)(c) that the PO must comply with any directive issued by the Exchange.~~
- ~~Deleted: and such other documents as may be requested by the Exchange~~
- ~~Comment [B10]: Investment Bank is already defined in Rule 101.1(1).~~
- ~~Deleted: For the purpose of this Rule ... [10]~~
- ~~Comment [B11]: Previously, Rule 304A.1(2).~~
- ~~Comment [B12]: Covered under Para ... [12]~~
- ~~Comment [B13]: Unnecessary to mak ... [14]~~
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- ~~Comment [B14]: To cater for the fact ... [16]~~
- ~~Comment [B15]: Doing away with req ... [17]~~
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- ~~Deleted: of the Central Bank~~

(d) a copy of the Chief Executive Officer's identification card (if Malaysian) or passport (if not Malaysian);

(e) 2 identity card sized photographs of the Chief Executive Officer;

(f) payment of the non-refundable fee set out in Schedule 1 (if any); and

(g) an undertaking in the form set out in Appendix 2B.

(2) The application to register the Chief Executive Officer must be made on the same day the notification referred to in Paragraph 3.1(1)(b) is given to the Commission.

(3) The effective date of registration of a Chief Executive Officer will be the date the Chief Executive Officer was appointed by the Participating Organisation.

3.2 Head of Dealing

(1) A Participating Organisation must complete and submit to the Exchange the form set out in Appendix 1B, accompanied by:

(a) a copy of the proposed Head of Dealing's Capital Markets Services Representative's Licence for Dealing in Securities or evidence that the proposed Head of Dealing's application for a Capital Markets Services Representative's Licence for Dealing in Securities has been approved;

(b) evidence of the Commission's approval of the proposed Head of Dealing's appointment as a Head of Dealing of the Participating Organisation;

(c) a copy of the proposed Head of Dealing's identification card (if Malaysian) or passport (if not Malaysian);

(d) 2 identity card sized photographs of the proposed Head of Dealing;

(e) payment of the non-refundable fee set out in Schedule 1 (if any);

(f) an undertaking in the form set out in Appendix 2B; and

(g) if more than 1 Head of Dealing is appointed by the Participating Organisation, the respective area and scope of responsibility of each Head of Dealing.

(2) The effective date of registration of a Head of Dealing will be the date the Head of Dealing's name is entered in the Register.

3.3 Head of Operations

(1) A Participating Organisation must complete and submit to the Exchange the form set out in Appendix 1B, accompanied by:

(a) evidence of the Commission's approval of the proposed Head of Operations' appointment as a head of operations of the Participating Organisation;

Comment [B16]: Incorporating the requirement in PO's Circular G 1422 of 1992.

Comment [B17]: Incorporating the requirement in PO's Circular G 524 of 1992.

Comment [B18]: The application and other applicable fees are set out in Schedule 1.

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Comment [B19]: Doing away with requiring applicant's to furnish statutory declarations in line with item 1 of our proposals for the revamp of Chapters 3 to 5.

Deleted: (e) a statutory declaration by the Chief Executive Officer as to the veracity of all information provided in the form prescribed in Appendix 2B if he is a licensed person, or Appendix 2C (if he is not a licensed person); and¶

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Comment [B20]: Previously, contained in Rule 304A.1(2).

Comment [B21]: Previously, Rule 303.8(1). To note that the prohibition on assuming the functions of a Registered Person in Rule 302.4 does not apply to Chief Executive Officers and Directors. As such, the effective date of (... [20])

Comment [B22]: Previously, Rule 305.2(2).

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Comment [B23]: To cater for the fact (... [23])

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Comment [B25]: Incorporating the (... [25])

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Comment [B29]: To clarify that the eff (... [33])

Comment [B30]: Previously, Rule 306.2(2).

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Comment [B31]: Doing away with req (... [35])

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(b) a copy of the proposed Head of Operation's identification card (if Malaysian) or passport (if not Malaysian);

(c) 2 identity card sized photographs of the proposed Head of Operations;

(d) payment of the non-refundable fee set out in Schedule 1 (if any);

(e) an undertaking in the form set out in Appendix 2B; and

(f) if more than one Head of Operations is appointed by the Participating Organisation, the respective area and scope of responsibility of each Head of Operations;

(2) The effective date of registration of a Head of Operations will be the date the Head of Operations' name is entered in the Register.

3.4 Head of Compliance

(1) A Participating Organisation must complete and submit to the Exchange the form set out in Appendix 1B, accompanied by:

(a) evidence of the Commission's approval of the proposed Head of Compliance's appointment as a head of compliance of the Participating Organisation;

(b) a copy of the proposed Head of Compliance's identification card (if Malaysian) or passport (if not Malaysian);

(c) 2 identity card sized photographs of the proposed Head of Compliance;

(d) payment of the non-refundable fee set out in Schedule 1 (if any);

(e) an undertaking in the form set out in Appendix 2B; and

(f) if more than 1 Head of Compliance is appointed by the Participating Organisation, the respective area and scope of responsibility of each Head of Compliance;

(2) The effective date of registration of a Head of Compliance will be the date the Head of Compliance's name is entered in the Register.

3.5 Head Group Compliance

(1) A Participating Organisation must complete and submit to the Exchange the form set out in Appendix 1B, accompanied by:

(a) a copy of the proposed Head Group Compliance's identification card (if Malaysian) or passport (if not Malaysian);

(b) 2 identity card sized photographs of the proposed Head Group Compliance;

(c) payment of the non-refundable fee set out in Schedule 1 (if any); and

(d) an undertaking in the form set out in Appendix 2B; and

Comment [B32]: Incorporating the requirement in PO's Circular G 1422 of 1992.

Comment [B33]: Incorporating the requirement in PO's Circular G 524 of 1992.

Comment [B34]: The application and other applicable fees are set out in Schedule 1. Currently no application fee or registration fee is payable by a Head of Operations. This is clear from Schedule 1 of this directive.

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Comment [B35]: Doing away with requiring applicant's to furnish statutory declarations in line with item 1 of our proposals for the revamp of Chapters 3 to 5.

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Comment [B36]: To clarify that the effective date of registration is the date the relevant Registered Person's name is entered into the relevant Register. To note that Rule 302.4 prohibits the Registered Person from assuming the functions unless first registered with us.

Comment [B37]: Previously, Rule 307.2(2).

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Comment [B38]: Doing away with requiring certified true copies of documents in line (... [41])

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Comment [B42]: To clarify that the eff (... [48])

Comment [B43]: Previously, Rule 307A.2(1).

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Comment [B44]: Doing away with req (... [51])

Comment [B45]: Incorporating the (... [52])

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Comment [B46]: Incorporating the (... [53])

Comment [B47]: The application and (... [54])

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(e) if more than 1 Head Group Compliance is appointed by the Participating Organisation, the respective area and scope of responsibility of each Head Group Compliance.

(2) The effective date of registration of a Head Group Compliance will be the date the Head Group Compliance's name is entered in the Register.

3.6 Director

(1) A Participating Organisation must complete and submit to the Exchange the form set out in Appendix 1B, accompanied by:

(a) a copy of the notification given by the Participating Organisation to the Commission of the appointment of the Director as required by the Commission;

(b) a copy of the Director's identification card (if Malaysian) or passport (if not Malaysian);

(c) 2 identity card sized photographs of the proposed Director;

(d) payment of the non-refundable fee set out in Schedule 1 (if any); and

(e) an undertaking in the form set out in Appendix 2B.

(2) The application to register the Director must be made on the same day the notification referred to in Paragraph 3.6(1)(a) is given to the Commission.

(3) The effective date of registration of a Director will be the date the Director was appointed by the Participating Organisation.

3.7 Dealer's Representative

(1) A Participating Organisation must complete and submit to the Exchange the form set out in Appendix 1B, accompanied by:

(a) a copy of the Dealer's Representative's Capital Markets Services Representative's Licence for Dealing in Securities or evidence that the proposed Dealer's Representative's application for a Capital Markets Services Representative's Licence for Dealing in Securities has been approved;

(b) a copy of the Dealer's Representative's identification card (if Malaysian) or passport (if not Malaysian);

(c) 2 identity card sized photographs of the Dealer's Representative;

(d) payment of the non-refundable fee set out in Schedule 1 (if any); and

(e) an undertaking in the form set out in Appendix 2B.

(2) The effective date of registration of a Dealer's Representative will be the date the Dealer's Representative's name is entered in the Register.

3.8 Registration of a person falling within 2 or more categories of Registered Person

Comment [B48]: Consequential to the inclusion of Rule 308.1(2).

Comment [B49]: To clarify that the effective date of registration is the date the relevant Registered Person's name is entered into the relevant Register. To note that Rule 302.4 prohibits the Registered Person from assuming the functions unless first registered with us.

Comment [B50]: Previously, Rule 308.1(2).

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Comment [B51]: Incorporating the requirement in PO's Circular G 1422 of 1992.

Comment [B52]: Incorporating the requirement in PO's Circular G 524 of 1992.

Comment [B53]: The application and other applicable fees are set out in Schedule 1.

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Comment [B54]: Doing away with requiring applicant's to furnish statutory declarations.

Deleted: (c) a statutory declaration by the director as to the veracity of all information provided in the form prescribed in Appendix 2C, or in the case of a director who holds a dealer's representative's licence, Appendix 2B; and

Deleted: d...) an undertaking to the E... [58]

Comment [B55]: Previously, Rule 303.8(1). To note that the prohibition on assuming the functions of a Registered Person in Rule 302.4 does not apply to Chief Executive Officers and Directors. As such, the effective date of registration of the CEO and a Director will be the date of the CEO or Director was app... [59]

Comment [B56]: Previously, Rule 310.3(2).

Deleted: 2

Deleted: Registration procedures: ... [60]

Deleted: certified true copy of a valid ... [61]

Comment [B57]: To cater for the fact ... [62]

Comment [B58]: Incorporating the ... [63]

Comment [B59]: Incorporating the ... [64]

Comment [B60]: The application and ... [65]

Comment [B61]: Doing away with req... [67]

Deleted: ¶ ... [66]

Deleted: ¶

Deleted: c...) an undertaking to the E... [68]

Deleted: ¶

Comment [B62]: To clarify that the eff... [69]

Comment [B63]: To clarify that if a pe... [70]

Deleted: ¶

**DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES
PURSUANT TO CHAPTER 3 OF THE RULES**

No. 300-001

- (1) A Participating Organisation must register the Participating Organisation's proposed Registered Person under all categories applicable to that proposed Registered Person.
- (2) A Participating Organisation registering a person under two or more categories of Registered Person need not pay the fees the Exchange stipulates (if any) for each category. The Participating Organisation must pay the fees the Exchange stipulates (if any) for the category with the highest total fees charged.

For example:

A Head of Dealing must be registered as both a Head of Dealing and a Dealer's Representative.

The total admission, application and monthly subscription fees (for the first month) for the registration of a Head of Dealing and Dealer's Representative is set out below.

As the amount payable for the registration of a Head of Dealing is higher than a Dealer's Representative, that person must pay the fees for the registration of a Head of Dealing. That person need not pay any fees for registering as a Dealer's Representative.

	<u>Total fees payable for the first month of registration</u>	<u>Head of Dealing (RM)</u>	<u>Dealer's Representative (RM)</u>
(a) <u>Application fee</u>		<u>1,000.00</u>	<u>-</u>
(b) <u>Registration fee</u>		<u>2,500.00</u>	<u>500.00</u>
(c) <u>Monthly subscription fee</u>		<u>300.00</u>	<u>-</u>
<u>Aggregate fees payable</u>		<u>3,800.00</u>	<u>500.00</u>

4 Rules 301.8 and 302.12

Rule 301.8 requires a Participating Organisation to pay the Exchange all fees and charges the Exchange stipulates in the manner and within the period the Exchange specifies. Rule 302.12 requires a Participating Organisation to pay the Exchange all fees and charges the Exchange stipulates for the registration of a Registered Person in the manner and within the period the Exchange specifies
In connection with the above Rules, a Participating Organisation must comply with the following directives:

4.1 Admission or registration fees

- (1) The fees payable to the Exchange in connection with any application for admission or registration under Chapter 3 are set out in Schedule 1 of this Directive.
- (2) Unless the Exchange decides otherwise, subscription fees will be charged on a monthly basis and pro-rated accordingly.

4.2 System maintenance fee

- (1) A Participating Organisation must pay to the Exchange a fee at the rate of 0.0025% of the Contract Value defined in Rule 1101.1(1) for maintaining and managing the ATS.

Comment [B64]: To set out the requirement concerning fees.

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Comment [B65]: Previously, Rule 1004.1.

Deleted: The Exchange shall maintain and manage the system. For this purpose

Deleted: the Exchange shall levy on Participating Organisations

Deleted: as determined by the Exchange from time to time

Comment [B66]: Incorporating the rate specified in R/R 2 of 2001 here. Rule 301.8 already sets out the principle that the Exchange must pay the Exchange all fees and charges the Exchange stipulates. As such, there is no need to further state that the Exchange shall levy on POs a fee as determined by the Exchange from time to time to maintain and manage the system. This directive requires a PO to pay a fee at the rate of 0.0025% of the Contract Value defined in Rule 1001.1(1) for maintaining and managing the ATS.

Comment [B67]: "ATS" is defined in Rule 101.1(1) to mean the automated and computerised securities trading system established by the Exchange which includes SCORE, Participants' front end operations and back office systems

Comment [B68]: Deletion in line with keeping the rules flexibles.

Comment [B69]: Unnecessary as Rule 301.8 requires a PO to pay us all fees and charges we prescribe within the period we specify.

Deleted: . Such fee shall be a percentage of the contract value on all bought and sold contracts. All Participating Organisations shall remit such fee to the Exchange within one (1) week from the Exchange's billing date.

4.3 Other fees or charges

(1) The Exchange may require a Participating Organisation to pay such monthly or other fees or charges the Exchange stipulates for the trading on the Exchange and the use of the Exchange's trading facilities.

Comment [B70]: Previously, Rule 1005.1.

Deleted: from time to time

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Deleted: subscriptions, calls and levies

Deleted: privileges of

Deleted: as the Exchange from time to time determine

5. Rule 302.10(4)

This Rule requires a Participating Organisation to register with the Exchange a person temporarily assuming responsibility for the functions of a vacated office under Rule 302.10(2).

The following procedure applies in respect of an application to register a person temporarily assuming responsibility for the functions of a vacated office under Rule 302.10(2):

5.1 Registration pursuant to vacancy

~~(1)~~ A Participating Organisation must complete and submit an application to the Exchange in the form set out in Appendix 1B, accompanied by:

~~(a)~~ payment of the non-refundable application fee and any other applicable fee the Exchange stipulates (if any); and

~~(b)~~ an undertaking in the form set out in Appendix 2B.

6. Rule 310.9

This Rule requires a Participating Organisation to notify the Exchange of any re-designation of any of the Participating Organisation's Dealer's Representatives between the different categories of Dealer's Representatives.

The following procedures apply in respect of a notification to the Exchange of any re-designation of any of the Participating Organisation's Dealer's Representatives:

6.1 Re-designation

~~(1)~~ A Participating Organisation must apply to the Exchange for the re-designation of a Commissioned Dealer's Representative or a Salaried Dealer's Representative to a Proprietary Day Trader in the manner specified in Paragraph 3.7 of this Directive.

~~(2)~~ A Participating Organisation may re-designate a Proprietary Day Trader to a Commissioned Dealer's Representative or a Salaried Dealer's Representative but must notify the Exchange 3 days prior to the effective date of the re-designation. The Exchange may disallow the re-designation on grounds stipulated under Rule 302.2(4).

~~(3)~~ A Participating Organisation may re-designate a Commissioned Dealer's Representative who is currently engaged by the Participating Organisation to a Salaried Dealer's Representative or vice versa but must notify the Exchange 3 days prior to the effective date of the re-designation.

7. Rule 310.10

This Rule requires a Participating Organisation to apply to the Exchange for approval to transfer the registration of a Dealer's Representative:

~~(a)~~ who is employed or engaged by another Participating Organisation; or

~~(b)~~ who, not more than 6 months prior to the intended date of employment or engagement with the Participating Organisation, was employed or engaged by another Participating Organisation.

Comment [B71]: Previously, Rule 309.5(4) on compliance officers but amended to apply to all relevant Registered Person.

Deleted: 4

Deleted: shall

Deleted: to the Exchange

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Deleted: to register the person assuming the temporary duties referred to in Rules 3309.5(1), 309.5(2) and 309.5(2A)

Deleted: together with the statutory declaration and

Deleted: executed by the above person

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Deleted: 2C and Appendix 3

Deleted: respectively

The following procedure applies in respect of an application for approval to transfer the registration of a Dealer's Representative under this Rule:

7.1 Transfer of Dealer's Representative

(1) A Participating Organisation ~~must~~ submit to the Exchange a written application in ~~the form the Exchange stipulates~~, accompanied by:

- (a) a letter of release from the Participating Organisation with whom the transferring Dealer's Representative is presently employed or engaged;
- (b) a copy of ~~the transferring Dealer's Representative's Capital Markets Services Representative's Licence for Dealing in Securities~~; and
- (c) payment of the transfer fee in the amount ~~set out in Schedule 2~~ or such ~~other~~ amount ~~the Exchange determines~~.

[End of Directive]

Comment [B72]: To set out the application procedures for the transfer of the registration of a DR under Rule 310.10.

Comment [B73]: Previously, Rule 310.5(2)(a).

Deleted: shall

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Deleted: as

Deleted: may be prescribed by the Exchange from time to time and which shall be

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SCHEDULE 1

Fees for Participating Organisations and Registered Person

Comment [B74]: Incorporating the contents of R/R 12 of 1999

	<u>Description</u>	<u>Application Fee (RM)</u>	<u>Registration Fee (RM)</u>	<u>Subscription Fee (RM) (per month)</u>	<u>Re- designation Fee (RM)</u>
(a)	<u>Participating Organisation</u>	<u>2,500.00</u>	<u>10,000.00</u>	<u>1,000.00</u>	<u>N/A</u>
(b)	<u>Chief Executive</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>N/A</u>
(c)	<u>Head of Dealing</u>	<u>1,000.00</u>	<u>2,500.00</u>	<u>300.00</u>	<u>N/A</u>
(d)	<u>Head of Operations</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>N/A</u>
(e)	<u>Head of Compliance</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>N/A</u>
(f)	<u>Head Group Compliance</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>N/A</u>
(g)	<u>Director</u>	<u>500.00</u>	<u>2,500.00</u>	<u>100.00</u>	<u>N/A</u>
(h)	<u>Dealer's Representative: Commissioned Dealer's Representative and Salaried Dealer's Representative</u>	<u>Nil</u>	<u>500.00</u>	<u>Nil</u>	<u>Nil</u>
(i)	<u>Dealer's Representative: Proprietary Day Trader</u>	<u>Nil</u>	<u>500.00</u>	<u>Nil</u>	<u>500.00*</u>
(j)	<u>Registration of a person temporarily assuming responsibility for the functions of a vacated office under Rule 302.7(2)</u>	<u>[]</u>	<u>[]</u>	<u>[]</u>	<u>N/A</u>

Comment [B75]: To include the registration fee for PDTs currently in the schedule of fees and charges in R/R 17 of 2006.

* Does not apply the first time either a Commissioned Dealer's Representative or a Salaried Dealer's Representative is re-designated as a Proprietary Day Trader. In such case, no re-designation fee will be imposed.

SCHEDULE 2

Fee for the transfer of Dealer's Representative

The fee payable to the Exchange for the transfer of a Dealer's Representative is as follows:

(a) Commissioned Dealer's Representative:

	RM
First transfer	2,000.00
Second transfer	4,000.00
Third transfer	8,000.00

(b) Salaried Dealer's Representative:

	RM
First transfer	20,000.00
Second transfer	24,000.00
Third transfer	32,000.00

(c) Proprietary Day Trader:

	RM
First transfer	2,000.00
Second transfer	4,000.00
Third transfer	8,000.00

(d) After the third transfer, the Exchange may:

- (i) refuse any further application for transfer in respect of the Dealer's Representative; or
- (ii) approve the same subject to payment of a fee at twice the rate applicable on the third transfer.

(e) A Commissioned Dealer's Representative intending to transfer to another Participating Organisation within six (6) months of the re-designation of that Commissioned Dealer's Representative's status from a Salaried Dealer's Representative to a Commissioned Dealer's Representative is subject to the transfer fee of a Salaried Dealer's Representative.

(f) If at any time during the period of 6 months prior to the application for transfer, the Proprietary Day Trader was a Commissioned Dealer's Representative or a Salaried Dealer's Representative, the transfer fee for that Proprietary Day Trader will be:

- (i) if the Proprietary Day Trader was a Commissioned Dealer's Representative, as that specified in paragraph (a) above; or
- (ii) if the Proprietary Day Trader was a Salaried Dealer's Representative, as that specified in paragraph (b) above.

Comment [B76]: Previously, Schedule 3 of the Rules.

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Deleted: SCHEDULE 3 FEES FOR REGISTRATION AND TRANSFER OF DEALER'S REPRESENTATIVE

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(a) Registration fee RM¶
 ¶ Dealer's Representative 500.00¶

(b) Transfer fee:¶

Deleted: i

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Deleted: (1st)

Deleted: (2nd)

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Deleted: ii

Deleted: who is employed in any capacity other than Commissioned Dealer's Representative -

Deleted: (1st)

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Deleted: (3rd)

Comment [B77]: To include the transfer fee for PDTs currently in the schedule of fees and charges in R/R 17 of 2006.

Deleted: iii

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Comment [B78]: The Rules should not govern the commercial terms between a DR and a PO. As it stands, under Rule 310.10 and Directive 8.1(1)(c) of these directives, th (... [72])

Comment [B79]: Incorporate this requ (... [73])

Deleted: (v) Unless otherwise agreed (... [71])

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**DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES
PURSUANT TO CHAPTER 3 OF THE RULES**

No. 300-001

Comment [B80]: Covered under our general power to add to, vary, repeal, enforce or waive any of the Rules in Rule 201.1(2)(b).

Deleted: 2. Notwithstanding the above, the Exchange shall have the discretion in reducing or waiving the transfer fee chargeable hereunder.

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APPENDIX 1A

Form of application – Participating Organisation

Category : [Investment Bank](#) [Universal Broker](#) [Non-Universal Broker](#) : [1+1 Broker](#)
[Special Scheme Broker](#)
[Standalone](#)

Deleted: FORM OF APPLICATION – PARTICIPATING ORGANISATION

Name of Applicant:

Company No.:

Deleted: Registration

Address:

Date:

To: Bursa Malaysia Securities Berhad (“the Exchange”)

Dear Sirs,

Application for Admission as Participating Organisation of Bursa Malaysia Securities Berhad

Deleted: and Registration

We, [\[name of Applicant\]](#), are desirous of being admitted as a Participating Organisation of the Exchange upon the terms of and subject in all respects to the Rules of the Exchange which are now or hereafter may be in force, as may be amended from time to time, and all directives rulings and guidelines issued by the Exchange. In support of our application, we enclose herewith:

Deleted:
...

Deleted: and registered

- (1) a duly completed application form together with the required supporting documents;
- (2) the non-refundable application fee of RM[\[specify amount\]](#);
- (3) the memorandum and articles of association of [\[name of Applicant\]](#);
- (4) [evidence that the applicant's application for a Capital Markets and Services Licence for Dealing in Securities has been approved; and](#)
- (6) an undertaking in the form [the Exchange stipulates](#).

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Deleted: certified true copy¹ of a valid Dealer's

Deleted: issued by the Securities Commission

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(5) a statutory declaration in the prescribed form;¶
¶

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Yours faithfully,

Signed by Authorised Signatory(ies))
for and on behalf of [\[name of Applicant\]](#))
in the presence of:)

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APPENDIX 1B

Registration Form for Registered Person

Deleted: FORM OF APPLICATION – CHIEF EXECUTIVE OFFICER AND

Name of Participating Organisation:

Company No.:

Deleted: Registration

**DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES
PURSUANT TO CHAPTER 3 OF THE RULES**

No. 300-001

Address:

Date:

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To: Bursa Malaysia Securities Berhad ("the Exchange")

Dear Sirs,

Appointment and Registration of a [#][Chief Executive Officer / Head of Dealing / Head of Operations / Head of Compliance / Head Group Compliance / Director / Dealer's Representative]

Deleted: a

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¶

We, [name of Participating Organisation], are desirous of appointing and registering the following person as a [#][Chief Executive Officer / Head of Dealing / Head of Operations / Head of Compliance / Head Group Compliance / Director / Dealer's Representative / Commissioned Dealer's Representative / Salaried Dealer's Representative / Proprietary Day Trader] of [name of Participating Organisation] upon the terms and subject in all respects to the Rules of the Exchange and the Directives (as defined in the Rules of the Exchange).

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Name of proposed Registered Person:

Deleted: which are now or hereafter in force, as may be amended from time to time

NRIC:

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Address:

Deleted: directives, rulings and guidelines issued by the Exchange. In support of my application, we enclose herewith:¶

In support of this submission, we enclose herewith:

Deleted: Applicant

(1) a duly completed registration form together with the required supporting documents;

Deleted:

^{*}(2) the non-refundable fee of RM[specify amount];

Deleted: certified true copy¹ of

^{*}(3) a copy of the proposed Registered Person's Capital Markets Services Representative's Licence for Dealing in Securities or evidence that the proposed Registered Person's application for a Capital Markets Services Representative's Licence for Dealing in Securities has been approved;

Deleted: a valid dealer's representative's licence issued by the Securities Commission

^{*}(4) evidence of the Securities Commission's ("SC") approval of the proposed Registered Person's appointment as a [#][Head of Dealing / Head of Operations / Head of Compliance];

Deleted: a certified true copy¹ of the approval of the Securities Commission for

^{*}(5) a copy of the notification given by [name of Participating Organisation] to the SC of the proposed Registered Person's appointment as a [#][chief executive officer / director];

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^{*}(6) a copy of the Central Bank of Malaysia's approval to the proposed Registered Person's appointment as a Chief Executive Officer;

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^{*}(7) the respective area and scope of responsibility of each of the [#][Chief Executive Officers / Heads of Dealing / Heads of Operations / Heads of Compliance / Heads Group Compliance] of [name of Participating Organisation];

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^{*}(8) an undertaking by the proposed Registered Person in the form the Exchange stipulates.

Deleted: as required under the Licensing Handbook*

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(5) a statutory declaration by the applicant in the prescribed form; and¶

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Yours faithfully,

Deleted: applicant

Signed by Authorised Signatory(ies))
for and on behalf of [name of Participating Organisation])

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**DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES
PURSUANT TO CHAPTER 3 OF THE RULES**

No. 300-001

in the presence of: _____)

Deleted: I

[#] Delete whichever inapplicable.

^{*} Delete if inapplicable

Deleted: *whichever is not*

Deleted: ** Only applicable to Head of Dealing Applicants[¶]

Deleted: ¹ For the purposes of this application, copy(ies) must be certified true by a Commissioner for Oaths or Advocate & Solicitor[¶]

**DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES
PURSUANT TO CHAPTER 3 OF THE RULES**

No. 300-001

Comment [B81]: Merged into Appendix 1B. It is neater to just have one template for the form of application of Registered Person and have the applicants strike out what is not relevant to the application. The body of this Directive clearly specifies what is required for which application.

Deleted: APPENDIX 1C¶

¶
FORM OF APPLICATION – REGISTERED PERSONS (OTHER THAN DEALER'S REPRESENTATIVE, CHIEF EXECUTIVE OFFICER AND HEADS)¶

¶
¶
¶
Name of Participating Organisation:¶

¶
Company Registration No.:¶

¶
Address:¶

¶
Date:¶

¶
To: Bursa Malaysia Securities Berhad ("the Exchange")¶

¶

¶
Dear Sirs,¶

¶
Application to Employ and Register [Registered Person]*¶

¶
We,

.....
..... are desirous of employing and registering the following person as a [Registered Person*] upon the terms of and subject in all respects to the Rules of the Exchange which are now or hereafter may be in force, as may be amended from time to time, and all directives rulings and guidelines issued by the Exchange:¶

¶
Name of Applicant:¶

¶
NRIC:¶

¶
Address:¶

¶
In support of our application, we enclose herewith the following documents: -¶

¶
(1) a duly completed application form together with the required supporting documents;¶

¶
(2) a certified true copy¹ of the approval of the Securities Commission on the appointment of the Applicant as a [Registered Person]** / a certified true copy¹ of the notification given to the Securities Commission of the Applicant's appointment as a [Registered Person*] as required under the Licensing Handbook**;¶

¶
(3) the non-refundable application fee of RM[] and registration fee of RM[]; and¶

¶
(4) an undertaking in the prescribed form.¶

¶
Yours faithfully,¶

¶

... [74]

**DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES
PURSUANT TO CHAPTER 3 OF THE RULES**

No. 300-001

Comment [B82]: Merged into Appendix 1B. It is neater to just have one template for the form of application of Registered Person and have the applicants strike out what is not relevant to the application. The body of this Directive clearly specifies what is required for which application.

Deleted: APPENDIX 1D¶

**¶
FORM OF APPLICATION – DEALER'S
REPRESENTATIVE¶**

¶
¶
Name of Participating Organisation:¶

¶
Company Registration No.:¶

¶
Address:¶

¶
Date:¶

¶
To: Bursa Malaysia Securities Berhad ("the Exchange")¶

¶
Dear Sirs,¶

**¶
Application to Employ/Engage* and Register
Dealer's Representative¶**

¶
We,
.....,
are desirous of employing/engaging* and registering the following person as a Commissioned/Salaried* Dealer's Representative upon the terms of and subject in all respects to the Rules of the Exchange which are now or hereafter may be in force, as may be amended from time to time, and all directives rulings and guidelines issued by the Exchange:¶

¶
Name of Applicant:¶

¶
NRIC:¶

¶
Address:¶

¶
In support of our application, we enclose herewith the following documents:-¶

¶
(1) a duly completed application form together with the required supporting documents;¶

¶
(2) a certified true copy¹ of a valid dealer's representative licence issued by the Securities Commission;¶

¶
(3) a duly executed and stamped duplicate of the Standard Remisiers' Agreement between the applicant and [Participating Organisation]**;¶

¶
(4) the non-refundable application fee of [] ;¶

¶
(5) a statutory declaration by the applicant in the prescribed form; and¶

¶
(6) an undertaking by the applicant in the prescribed form.¶

¶
Yours faithfully,¶

¶

... [75]

APPENDIX 2A

Undertaking – Participating Organisation

To, 20.....

Bursa Malaysia Securities Berhad (“the Exchange”)

In consideration of the Exchange approving at our request our application for admission as a Participating Organisation of the Exchange in accordance with the Rules of Bursa Malaysia Securities Berhad (“Rules”) and the Directives (as defined in the Rules) (collectively, “Exchange’s Requirements” and includes all amendments and supplements to the Rules and Directives), we hereby irrevocably and unconditionally undertake and agree as follows:-

- (1) that [name of Applicant] satisfies all the conditions for admission as a Participating Organisation set out in Chapter 3 of the Rules;
- (2) that the information and documents accompanying the application for admission as a Participating Organisation are complete and accurate;
- (3) that the Exchange may obtain from or provide to any regulatory authority (whether in or out of Malaysia) any information directly or indirectly relating to [name of Applicant] for any purpose relating to or in connection with discharging any function of the Exchange or that regulatory authority;
- (4) to notify the Exchange immediately in writing of any changes in the information given together with the application for admission as a Participating Organisation;
- (5) to abide by the decision of the Exchange in relation to the application for admission as a Participating Organisation;
- (6) to be bound in all respects by and to comply with the Exchange’s Requirements in so far as they apply directly or indirectly to a Participating Organisation;
- (7) to indemnify and keep the Exchange fully indemnified from and against all losses, damages, costs, expenses, actions and claims or otherwise which the Exchange may incur arising out of any act or omission on our part or failure by us to comply with any provisions in the Exchange’s Requirements; and
- (8) notwithstanding our ceasing to be a Participating Organisation of the Exchange for any reason whatsoever, to continue to be bound by the Exchange’s Requirements in so far as they may relate to any act or omission that we may, in the opinion of the Exchange have committed or omitted to do during our tenure as a Participating Organisation of the Exchange.

We acknowledge that:

- (a) the approval of our application for admission as a Participating Organisation; or
 - (b) any indulgence or delay in making any demand or instituting any action by the Exchange,
- will not constitute or be deemed to operate as a waiver by the Exchange of any of its rights under this undertaking or under the Rules.

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Deleted: UNDERTAKING – PARTICIPATING ORGANISATION

Deleted: and registration with the Exchange
Deleted: the
Deleted: all directives and guidelines issued by the Exchange

Comment [B83]: The undertakings contained in the statutory declaration previously in Appendix 2A to the Rules have been incorporated into this undertaking. We are doing away with the requirement for a PO to swear a statutory declaration – please see item 1(a) of our proposals for the revamp of Chapter 3 to 5.

Deleted: a
Deleted: Rules which now are or may hereafter be in force and all directives rulings and guidelines issued by the Exchange
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Deleted: Rules and/or any directives and guidelines issued by the Exchange
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Deleted: Rules which now are or may hereafter be in force and all directives rulings and guidelines issued thereunder
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Deleted: /their
Deleted: hereunder

DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES PURSUANT TO CHAPTER 3 OF THE RULES	No. 300-001
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We further acknowledge that [name of Applicant] shall remain a Participating Organisation of the Exchange at the discretion of the Exchange.

Deleted: registered as

The above undertaking has been signed by me/us as [specify designation] of [name of Applicant] pursuant to authority granted to me by resolution of the board of directors of [name of Applicant] on [specify the date when the resolution was passed].

Deleted: (designation)

Deleted:

Signed by Authorised Signatory(ies) _____)
for and on behalf of [name of Applicant])
in the presence of _____)

Deleted: the Applicant

Deleted:)

DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES PURSUANT TO CHAPTER 3 OF THE RULES	No. 300-001
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APPENDIX 2B

Undertaking – Registered Person (all categories)

....., 20.....

To:

Bursa Malaysia Securities Berhad (“the Exchange”)

In consideration of the Exchange approving the application for my registration with the Exchange as a [specify category of Registered Person] in accordance with the Rules of Bursa Malaysia Securities Berhad (“Rules”) and the Directives (as defined in the Rules) (collectively, “Exchange’s Requirements” and includes all amendments and supplements to the Rules and Directives), I hereby irrevocably and unconditionally undertake and agree as follows:-

(1) that I satisfy the qualification criteria for a [specify category of Registered Person] set out in Chapter 3 of the Rules;

(2) that I *[am/am not] a holder of the relevant Capital Markets Services Representative’s Licence;

(3) that the information and documents accompanying the application for registration as [specify category of Registered Person] are complete and accurate;

(4) that the Exchange may obtain from or provide to any regulatory authority (whether in or out of Malaysia) any information directly or indirectly relating to me for any purpose relating to or in connection with discharging any function of the Exchange or that regulatory authority;

(5) to notify the Exchange immediately in writing of any changes in the information given together with the application for my registration as a [specify category of Registered Person];

(6) that until and unless I have been duly registered by the Exchange as a [specify category of Registered Person], not to act in any manner for and on behalf of [name of Participating Organisation];

(7) to abide by the decision of the Exchange in relation to the application for my registration as a [specify category of Registered Person] of [name of Participating Organisation];

(8) to be bound in all respects by and to comply with the Exchange’s Requirements in so far as they apply directly or indirectly to a [specify category of Registered Person];

(9) to indemnify and keep the Exchange fully indemnified from and against all losses, damages, costs, expenses, actions and claims or otherwise which the Exchange may incur arising out of any act or omission on my part or failure by me to comply with any provisions in the Exchange’s Requirements; and

(10) notwithstanding my ceasing to be registered as a [specify category of Registered Person] with the Exchange for any reason whatsoever, to continue to be bound by the Exchange’s Requirements in so far as they may relate to any act or omission that I may, in the opinion of the Exchange, have committed or omitted to do during the period of my registration with the Exchange.

I acknowledge that:

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Deleted: -
Deleted: UNDERTAKING – REGISTERED PERSON (ALL CATEGORIES)

Deleted: *
Deleted: the
Deleted: all directives and guidelines issued by the Exchange

Comment [B84]: The undertakings contained in the statutory declaration previously in Appendices 2B and 2C to the Rules have been incorporated into this undertaking. We are doing away with the requirement for a Registered Person to swear a statutory declaration – please see item 1(a) of our proposals for the revamp of Chapter 3 to 5.

Deleted: a

Deleted: Rules which now are or may hereafter be in force and all directives rulings and guidelines issued by the Exchange

Deleted: *

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Deleted: Rules

Deleted: and/or any directives and guidelines issued by the Exchange

Deleted: c

Deleted: cessation

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Deleted: I further undertake

Deleted: Rules which now are or may hereafter be in force and all directives rulings and guidelines issued by the Exchange

Deleted: hereby

**DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES
PURSUANT TO CHAPTER 3 OF THE RULES**

No. 300-001

(a) _____ the approval of the application for my registration as a [specify category of Registered Person] with the Exchange, or

Deleted: *

Deleted: hereunder,

(b) _____ any indulgence or delay in making any demand or instituting any action by the Exchange,

~~will~~ not constitute or be deemed to operate as a waiver by the Exchange of any of its rights under this undertaking or under the Exchange's Requirements.

Deleted: shall

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Deleted: *the Applicant*

I further acknowledge that I ~~will~~ remain registered as a [specify category of Registered Person] with the Exchange at the discretion of the Exchange.

Signed by [name of proposed Registered Person] _____)
in the presence of _____)

[#] ~~Delete if inapplicable. Inapplicable if the proposed Registered Person is the Chief Executive Officer or Director.~~

^{*} ~~Delete if inapplicable.~~

Deleted: *Please specify category of Registered Person.¶

Page 1: [1] Deleted	Bursa	03-03-08 3:53:00 PM
dealer's licence and, where the applicant is an Investment Bank, a valid merchant banking licence issued by the Central Bank pursuant to Section 5 of BAFIA		
Page 1: [2] Comment [B4]	Bursa	26-10-09 12:02:00 PM
To cover the second part of paragraph (b) above. The intention here is to keep the rule flexible and not specific to IBs.		
Page 1: [3] Deleted	Bursa	19-02-08 11:25:00 AM
(d) a statutory declaration by the applicant's authorised signatory(ies) as to the veracity of all information provided in the form prescribed as Appendix 2A; and		
Page 1: [4] Comment [B5]	Bursa	09-03-10 12:22:00 PM
Doing away with requiring applicant's to furnish statutory declarations.		
Page 1: [5] Deleted	Bursa	19-02-08 11:25:00 AM
Page 1: [6] Comment [B6]	Bursa	26-10-09 12:02:00 PM
Previously, Rule 302.2(3). This should be provided together with the application for registration.		
Page 1: [7] Deleted	Bursa	03-03-08 4:01:00 PM
(3		
Page 1: [8] Comment [B7]	Bursa	26-10-09 12:02:00 PM
Previously, Rule 302.2(3). Incorporated as part of the supporting documents for the application for registration (see paragraph (f) above) as this should be produced at the time of the application.		
Page 1: [9] Deleted	Bursa	03-03-08 4:01:00 PM
) Financial requirements: The applicant shall provide such evidence as may be satisfactory to the Exchange that it is, at the time of making such application, able to comply with the financial requirements prescribed in Chapter 11, as may be amended, varied, modified, supplemented or substituted therefor from time to time.		
Page 2: [10] Deleted	Bursa	13-02-08 12:25:00 PM
For the purpose of this Rule 301A.1(2), the term "Investment Bank" when used herein shall mean an Investment Bank as referred to under the Guidelines on Investment Banks.		
Page 2: [11] Deleted	Bursa	03-03-08 4:02:00 PM
In registering its Chief Executive Officer pursuant to the preceding Rule, the Investment Bank shall on the same day that notification is given to the Commission of the appointment of the chief executive officer		
Page 2: [12] Comment [B12]	Bursa	26-10-09 12:02:00 PM
Covered under Paragraph 3.1(2) below.		
Page 2: [13] Deleted	Bursa	03-03-08 4:05:00 PM
as required under the Licensing Handbook ("Notification")		
Page 2: [14] Comment [B13]	Bursa	26-10-09 12:02:00 PM
Unnecessary to make specific reference to the Licensing Handbook. It is sufficient to refer to the notification required by the Commission.		
Page 2: [15] Deleted	Bursa	06-10-09 5:08:00 PM
holds a dealer's representative's licence		
Page 2: [16] Comment [B14]	Bursa	09-03-10 12:42:00 PM
To cater for the fact that at the point of application for registration with the Exchange, the CMSRL would not have been issued yet		

Page 2: [17] Comment [B15]	Bursa	26-10-09 12:02:00 PM
Doing away with requiring certified true copies of documents in line with our proposal in item 6 of our proposals for the revamp of Chapters 3 to 5.		
Page 3: [18] Deleted	Bursa	03-03-08 4:07:00 PM
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Page 3: [18] Deleted	Bursa	03-03-08 4:07:00 PM
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Page 3: [19] Deleted	Bursa	10-10-08 11:33:00 AM
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Page 3: [19] Deleted	Bursa	10-10-08 11:33:00 AM
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Page 3: [19] Deleted	Bursa	10-10-08 11:33:00 AM
f		
Page 3: [19] Deleted	Bursa	10-10-08 11:33:00 AM
f		
Page 3: [20] Comment [B21]	Bursa	01-12-10 6:22:00 PM
Previously, Rule 303.8(1). To note that the prohibition on assuming the functions of a Registered Person in Rule 302.4 does not apply to Chief Executive Officers and Directors. As such, the effective date of registration of the CEO and a Director will be the date of the CEO or Director was appointed by the PO. The effective date of registration of the other Registered Person will be the actual date of registration with the Exchange.		
Page 3: [21] Deleted	Bursa	16-02-09 8:16:00 AM
Registration procedures:		
Page 3: [21] Deleted	Bursa	16-02-09 8:16:00 AM
Registration procedures:		
Page 3: [21] Deleted	Bursa	16-02-09 8:16:00 AM
Registration procedures:		
Page 3: [21] Deleted	Bursa	16-02-09 8:16:00 AM
Registration procedures:		
Page 3: [21] Deleted	Bursa	16-02-09 8:16:00 AM
Registration procedures:		
Page 3: [22] Deleted	Bursa	25-02-08 12:43:00 PM
certified true copy of a valid		
Page 3: [22] Deleted	Bursa	25-02-08 12:43:00 PM
certified true copy of a valid		
Page 3: [23] Comment [B23]	Bursa	26-10-09 12:02:00 PM
To cater for the fact that at the point of application for registration with the Exchange, the CMSRL would not have been issued yet.		
Page 3: [24] Comment [B24]	Bursa	26-10-09 12:02:00 PM
Doing away with requiring certified true copies of documents in line with our proposal in item 6 of our proposals for the revamp of Chapters 3 to 5.		
Page 3: [25] Comment [B25]	Bursa	26-10-09 12:02:00 PM
Incorporating the requirement in PO's Circular G 1422 of 1992.		

Page 3: [26] Comment [B26]	Bursa	26-10-09 12:02:00 PM
Incorporating the requirement in PO's Circular G 524 of 1992.		
Page 3: [27] Comment [B27]	Bursa	26-10-09 12:02:00 PM
The application and other applicable fees are set out in Schedule 1.		
Page 3: [28] Deleted	Bursa	03-03-08 4:21:00 PM
a		
Page 3: [28] Deleted	Bursa	03-03-08 4:21:00 PM
a		
Page 3: [28] Deleted	Bursa	03-03-08 4:21:00 PM
a		
Page 3: [29] Deleted	Bursa	10-10-08 11:34:00 AM
(B1)d) a statutory declaration by the Head of Dealing as to the veracity of all information provided in the form prescribed in Appendix 2B; and		
Page 3: [30] Comment [B28]	Bursa	09-03-10 5:43:00 PM
Doing away with requiring applicant's to furnish statutory declarations.		
Page 3: [31] Deleted	Bursa	10-10-08 11:35:00 AM
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Page 3: [31] Deleted	Bursa	10-10-08 11:35:00 AM
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Page 3: [31] Deleted	Bursa	10-10-08 11:35:00 AM
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Page 3: [31] Deleted	Bursa	10-10-08 11:35:00 AM
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Page 3: [32] Deleted	Bursa	10-10-08 11:35:00 AM
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Page 3: [32] Deleted	Bursa	10-10-08 11:35:00 AM
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Page 3: [32] Deleted	Bursa	10-10-08 11:35:00 AM
f		
Page 3: [32] Deleted	Bursa	10-10-08 11:35:00 AM
f		
Page 3: [33] Comment [B29]	Bursa	01-12-10 6:22:00 PM
To clarify that the effective date of registration is the date the relevant Registered Person's name is entered into the relevant Register. To note that Rule 302.4 prohibits the Registered Person from assuming the functions unless first registered with us.		
Page 3: [34] Deleted	Bursa	16-02-09 8:17:00 AM
Registration procedures:		
Page 3: [34] Deleted	Bursa	16-02-09 8:17:00 AM
Registration procedures:		
Page 3: [34] Deleted	Bursa	16-02-09 8:17:00 AM
Registration procedures:		
Page 3: [34] Deleted	Bursa	16-02-09 8:17:00 AM
Registration procedures:		

Page 3: [34] Deleted	Bursa	16-02-09 8:17:00 AM
Registration procedures:		
Page 3: [35] Comment [B31]	Bursa	26-10-09 12:02:00 PM
Doing away with requiring certified true copies of documents in line with our proposal in item 6 of our proposals for the revamp of Chapters 3 to 5.		
Page 3: [36] Deleted	Bursa	09-10-08 4:40:00 PM
Commission to the		
Page 3: [36] Deleted	Bursa	09-10-08 4:40:00 PM
Commission to the		
Page 4: [37] Deleted	Bursa	03-03-08 4:23:00 PM
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Page 4: [37] Deleted	Bursa	03-03-08 4:23:00 PM
a		
Page 4: [38] Deleted	Bursa	10-10-08 11:36:00 AM
d		
Page 4: [38] Deleted	Bursa	10-10-08 11:36:00 AM
d		
Page 4: [38] Deleted	Bursa	10-10-08 11:36:00 AM
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Page 4: [38] Deleted	Bursa	10-10-08 11:36:00 AM
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Page 4: [39] Deleted	Bursa	10-10-08 11:36:00 AM
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Page 4: [39] Deleted	Bursa	10-10-08 11:36:00 AM
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Page 4: [39] Deleted	Bursa	10-10-08 11:36:00 AM
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Page 4: [39] Deleted	Bursa	10-10-08 11:36:00 AM
e		
Page 4: [40] Deleted	Bursa	16-02-09 8:18:00 AM
Registration procedures:		
Page 4: [40] Deleted	Bursa	16-02-09 8:18:00 AM
Registration procedures:		
Page 4: [40] Deleted	Bursa	16-02-09 8:18:00 AM
Registration procedures:		
Page 4: [40] Deleted	Bursa	16-02-09 8:18:00 AM
Registration procedures:		
Page 4: [40] Deleted	Bursa	16-02-09 8:18:00 AM
Registration procedures:		
Page 4: [41] Comment [B38]	Bursa	26-10-09 12:02:00 PM
Doing away with requiring certified true copies of documents in line with our proposal in item 6 of our proposals for the revamp of Chapters 3 to 5.		

Page 4: [42] Deleted	Bursa	09-10-08 4:41:00 PM
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Page 4: [42] Deleted	Bursa	09-10-08 4:41:00 PM
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Page 4: [42] Deleted	Bursa	09-10-08 4:41:00 PM
Commission to the		
Page 4: [43] Comment [B39]	Bursa	26-10-09 12:02:00 PM
Incorporating the requirement in PO's Circular G 1422 of 1992.		
Page 4: [44] Comment [B40]	Bursa	26-10-09 12:02:00 PM
Incorporating the requirement in PO's Circular G 524 of 1992.		
Page 4: [45] Comment [B41]	Bursa	26-10-09 12:02:00 PM
Included for consistency with the other directives on application procedures for registered persons. Currently no application fee or registration fee is payable by a Head of Compliance. This is clear from Schedule 1 of this directive.		
Page 4: [46] Deleted	Bursa	03-03-08 4:30:00 PM
(b) a statutory declaration by the Head of Compliance as to the veracity of all information provided in the form prescribed in Appendix 2C;		
Page 4: [46] Deleted	Bursa	03-03-08 4:30:00 PM
(b) a statutory declaration by the Head of Compliance as to the veracity of all information provided in the form prescribed in Appendix 2C;		
Page 4: [46] Deleted	Bursa	03-03-08 4:30:00 PM
(b) a statutory declaration by the Head of Compliance as to the veracity of all information provided in the form prescribed in Appendix 2C;		
Page 4: [46] Deleted	Bursa	03-03-08 4:30:00 PM
(b) a statutory declaration by the Head of Compliance as to the veracity of all information provided in the form prescribed in Appendix 2C;		
Page 4: [46] Deleted	Bursa	03-03-08 4:30:00 PM
(b) a statutory declaration by the Head of Compliance as to the veracity of all information provided in the form prescribed in Appendix 2C;		
Page 4: [47] Deleted	Bursa	17-02-09 8:00:00 AM
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Page 4: [47] Deleted	Bursa	17-02-09 8:00:00 AM
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Page 4: [47] Deleted	Bursa	17-02-09 8:00:00 AM
d		
Page 4: [48] Comment [B42]	Bursa	01-12-10 6:22:00 PM

To clarify that the effective date of registration is the date the relevant Registered Person's name is entered into the relevant Register. To note that Rule 302.4 prohibits the Registered Person from assuming the functions unless first registered with us.

Page 4: [49] Deleted	Bursa	03-03-08 4:31:00 PM
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Procedures:

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Procedures:

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Procedures:

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Procedures:

Page 4: [49] Deleted	Bursa	03-03-08 4:31:00 PM
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Procedures:

Page 4: [49] Deleted	Bursa	03-03-08 4:31:00 PM
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Procedures:

Page 4: [50] Deleted	Bursa	03-03-08 4:31:00 PM
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(a) a statutory declaration by the Head Group Compliance as to the veracity of all information provided in the form prescribed in Appendix 2C; and

Page 4: [51] Comment [B44]	Bursa	09-03-10 5:47:00 PM
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Doing away with requiring applicant's to furnish statutory declarations.

Page 4: [52] Comment [B45]	Bursa	26-10-09 12:02:00 PM
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Incorporating the requirement in PO's Circular G 1422 of 1992.

Page 4: [53] Comment [B46]	Bursa	26-10-09 12:02:00 PM
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Incorporating the requirement in PO's Circular G 524 of 1992.

Page 4: [54] Comment [B47]	Bursa	26-10-09 12:02:00 PM
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The application and other applicable fees are set out in Schedule 1. Currently no application fee or registration fee is payable by a Head Group Compliance. This is clear from Schedule 1 of this directive.

Page 4: [55] Deleted	Bursa	17-02-09 8:00:00 AM
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b

Page 4: [55] Deleted	Bursa	17-02-09 8:00:00 AM
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b

Page 4: [55] Deleted	Bursa	17-02-09 8:00:00 AM
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b

Page 4: [55] Deleted	Bursa	17-02-09 8:00:00 AM
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b

Page 4: [55] Deleted	Bursa	17-02-09 8:00:00 AM
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b

Page 5: [56] Deleted	Bursa	16-02-09 8:22:00 AM
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Registration procedures:

Page 5: [56] Deleted	Bursa	16-02-09 8:22:00 AM
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Registration procedures:

Page 5: [56] Deleted	Bursa	16-02-09 8:22:00 AM
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Registration procedures:

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Registration procedures:		
Page 5: [56] Deleted	Bursa	16-02-09 8:22:00 AM
Registration procedures:		
Page 5: [56] Deleted	Bursa	16-02-09 8:22:00 AM
Registration procedures:		
Page 5: [57] Deleted	Bursa	03-03-08 4:33:00 PM
a		
Page 5: [57] Deleted	Bursa	03-03-08 4:33:00 PM
a		
Page 5: [58] Deleted	Bursa	14-03-08 11:13:00 AM
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Page 5: [58] Deleted	Bursa	14-03-08 11:13:00 AM
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Page 5: [58] Deleted	Bursa	14-03-08 11:13:00 AM
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Page 5: [58] Deleted	Bursa	14-03-08 11:13:00 AM
d		
Page 5: [59] Comment [B55]	Bursa	01-12-10 6:22:00 PM
<p>Previously, Rule 303.8(1). To note that the prohibition on assuming the functions of a Registered Person in Rule 302.4 does not apply to Chief Executive Officers and Directors. As such, the effective date of registration of the CEO and a Director will be the date of the CEO or Director was appointed by the PO. The effective date of registration of the other Registered Person will be the actual date of registration with the Exchange.</p>		
Page 5: [60] Deleted	Bursa	16-02-09 8:24:00 AM
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Page 5: [60] Deleted	Bursa	16-02-09 8:24:00 AM
Registration procedures:		
Page 5: [60] Deleted	Bursa	16-02-09 8:24:00 AM
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Registration procedures:		
Page 5: [60] Deleted	Bursa	16-02-09 8:24:00 AM
Registration procedures:		
Page 5: [60] Deleted	Bursa	16-02-09 8:24:00 AM
Registration procedures:		
Page 5: [61] Deleted	Bursa	25-02-08 12:45:00 PM
certified true copy of a valid		
Page 5: [61] Deleted	Bursa	25-02-08 12:45:00 PM
certified true copy of a valid		
Page 5: [62] Comment [B57]	Bursa	26-10-09 12:02:00 PM
<p>To cater for the fact that at the point of application for registration with the Exchange, the CMSRL would not have been issued yet.</p>		

Page 5: [63] Comment [B58]	Bursa	26-10-09 12:02:00 PM
Incorporating the requirement in PO's Circular G 1422 of 1992.		
Page 5: [64] Comment [B59]	Bursa	26-10-09 12:02:00 PM
Incorporating the requirement in PO's Circular G 524 of 1992.		
Page 5: [65] Comment [B60]	Bursa	26-10-09 12:02:00 PM
The application and other applicable fees are set out in Schedule 1.		
Page 5: [66] Deleted	Bursa	21-01-09 11:38:00 AM
(b) a statutory declaration by the applicant as to the veracity of all information provided in the form prescribed in Appendix 2B; and		
Page 5: [67] Comment [B61]	Bursa	09-03-10 6:15:00 PM
Doing away with requiring applicant's to furnish statutory declarations.		
Page 5: [68] Deleted	Bursa	17-02-09 7:59:00 AM
c		
Page 5: [68] Deleted	Bursa	17-02-09 7:59:00 AM
c		
Page 5: [68] Deleted	Bursa	17-02-09 7:59:00 AM
c		
Page 5: [68] Deleted	Bursa	17-02-09 7:59:00 AM
c		
Page 5: [69] Comment [B62]	Bursa	01-12-10 6:23:00 PM
To clarify that the effective date of registration is the date the relevant Registered Person's name is entered into the relevant Register. To note that Rule 302.4 prohibits the Registered Person from assuming the functions unless first registered with us.		
Page 5: [70] Comment [B63]	Bursa	01-12-10 6:10:00 PM
To clarify that if a person falls within two or more categories of Registered Person, that person must be registered under all applicable categories. To also clarify that here, only one category of fees is payable. The category with the highest aggregate fees and charges.		
Page 11: [71] Deleted	Bursa	10-10-08 4:22:00 PM
(v) Unless otherwise agreed by the Dealer's Representative and the Participating Organisation desirous of engaging or employing the Dealer's Representative, the transfer fee shall be payable to the Exchange by the Participating Organisation concerned to which the Dealer's Representative is applying for transfer		
Page 11: [72] Comment [B78]	Bursa	26-10-09 12:02:00 PM
The Rules should not govern the commercial terms between a DR and a PO. As it stands, under Rule 310.10 and Directive 8.1(1)(c) of these directives, the PO making the application is required to pay the transfer fee.		
Page 11: [73] Comment [B79]	Bursa	26-10-09 12:02:00 PM
Incorporate this requirement currently in the schedule of fees and charges in R/R 17 of 2008.		
Page 16: [74] Deleted	Bursa	12-03-08 10:35:00 AM

APPENDIX 1C^[B2]

**FORM OF APPLICATION – REGISTERED PERSONS (OTHER THAN DEALER’S REPRESENTATIVE,
CHIEF EXECUTIVE OFFICER AND HEADS)**

Name of Participating Organisation:

Company Registration No.:

Address:

Date:

To: Bursa Malaysia Securities Berhad (“the Exchange”)

Dear Sirs,

Application to Employ and Register [Registered Person*]

We,, are desirous of employing and registering the following person as a [Registered Person*] upon the terms of and subject in all respects to the Rules of the Exchange which are now or hereafter may be in force, as may be amended from time to time, and all directives rulings and guidelines issued by the Exchange:

Name of Applicant:

NRIC:

Address:

In support of our application, we enclose herewith the following documents: -

- (1) a duly completed application form together with the required supporting documents;
- (2) a certified true copy¹ of the approval of the Securities Commission on the appointment of the Applicant as a [Registered Person*]** / a certified true copy¹ of the notification given to the Securities Commission of the Applicant’s appointment as a [Registered Person*] as required under the Licensing Handbook**;
- (3) the non-refundable application fee of RM[] and registration fee of RM[]; and
- (4) an undertaking in the prescribed form.

Yours faithfully,

Signed by Authorised Signatory(ies) _____)

¹ For purposes of this application, copy(ies) must be certified true by a Commissioner for Oaths or Advocate & Solicitor.

* Please specify the category of Registered Person other than a Dealer’s Representative, Chief Executive Officer or Head.

** Delete whichever is not applicable

for and on behalf of [Participating Organisation])
in the presence of:)

APPENDIX 1D^[B3]

FORM OF APPLICATION – DEALER’S REPRESENTATIVE

Name of Participating Organisation:

Company Registration No.:

Address:

Date:

To: Bursa Malaysia Securities Berhad (“the Exchange”)

Dear Sirs,

Application to Employ/Engage* and Register Dealer’s Representative

We,, are desirous of employing/engaging* and registering the following person as a Commissioned/Salaried* Dealer’s Representative upon the terms of and subject in all respects to the Rules of the Exchange which are now or hereafter may be in force, as may be amended from time to time, and all directives rulings and guidelines issued by the Exchange:

Name of Applicant:

NRIC:

Address:

In support of our application, we enclose herewith the following documents:-

- (1) a duly completed application form together with the required supporting documents;
- (2) a certified true copy² of a valid dealer’s representative licence issued by the Securities Commission;
- (3) a duly executed and stamped duplicate of the Standard Remisiers’ Agreement between the applicant and [Participating Organisation]**;
- (4) the non-refundable application fee of [];
- (5) a statutory declaration by the applicant in the prescribed form; and
- (6) an undertaking by the applicant in the prescribed form.

² For purposes of this application, copy(ies) must be certified true by a Commissioner for Oaths or Advocate & Solicitor.

Yours faithfully,

Signed by Authorised Signatory(ies))
For and on behalf of [Participating Organisation])
in the presence of:)

* *Delete whichever is not applicable*

** *Only applicable to Commissioned Dealer's Representative Applicants*

DIRECTIVES ON THE POWERS OF THE EXCHANGE AND THE CIRCUMSTANCES WHEN THE EXCHANGE MAY TAKE ACTION UNDER RULE 311.1(1)

No. 311.1(1)-001

Relevant to : Rule 311.1(1)
Introduced with effect from : []/[]/20[]
Amended : N/A
POs' Circular No(s). : N/A
Refer also to Directive No(s). : N/A

INTRODUCTION AND DEFINITIONS

(1) This Directive sets out the powers of the Exchange and the circumstances when the Exchange may take action under Rule 311.1(1).

(2) The following terms have the following meanings in this Directive unless the context requires otherwise:

Term	Meaning
Participant	Both a Participating Organisation and Registered Person.

1. Rule 311.1(1)

This Rule empowers the Exchange to take such action automatically as the Exchange thinks fit against a Participating Organisation or Registered Person(s) to protect the interests of Clients, the public or the Exchange if the Exchange is of the opinion that:

- (a) the manner in which the Participating Organisation or Registered Person(s) conducts the Participating Organisation's business is detrimental to Clients, the public or the Exchange;
- (b) the Participating Organisation or Registered Person(s) has committed an act or omission that is detrimental to Clients, the public or the Exchange;
- (c) the financial position or reputation of the Participating Organisation or Registered Person(s) has a detrimental effect on Clients, the public or the Exchange.

The circumstances when the Exchange may take action against a Participant under Rule 311.1(1) include:

1.1 Circumstances and actions

(1) If any of the following circumstances arise in relation to a Participant, the Exchange may take any one of more of the actions referred to in Paragraph 1.1(2) against that Participant:

- (a) a resolution is passed by the shareholders of a Participating Organisation or a court order is made for the winding-up of a Participating Organisation;
- (b) an arrangement or composition is made with the creditors of the Participant pursuant to any law;
- (c) the Participant is convicted of an offence under the Securities Laws;
- (d) the Participant is convicted of an offence involving fraud or other dishonesty or the conviction of which involved a finding that the Participant acted fraudulently or dishonestly;
- (e) the Participating Organisation is unable or fails to maintain the Capital Adequacy Requirements;

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Comment [B1]: To introduce a new rule that allows us to take immediate action in certain circumstances. The circumstances upon which we can take action under this new rule are limited and are restricted to those circumstances that are detrimental to Clients, the public or the stock market.

We have incorporated previous Rule 302.4(1) into this rule as Rule 302.4(1) sets out specific circumstances when the Exchange can take action against a Participant and the types of action the Exchange can take. See also our comments in the deleted Rule 302.4(1).

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DIRECTIVES ON THE POWERS OF THE EXCHANGE AND THE CIRCUMSTANCES WHEN THE EXCHANGE MAY TAKE ACTION UNDER RULE 311.1(1)

No. 311.1(1)-001

(f) ~~the Participating Organisation is likely to become unable to meet all or any of the Participating Organisation's financial obligations; or~~

Deleted: c...) the Participating Organisations ... [1]

(g) ~~the Participating Organisation is about to suspend making payments of the whole or any part of the Participating Organisation's debts.~~

Deleted: d...) the Participating Organisations ... [2]

(2) The actions referred to in Paragraph 1.1(1) are:

(a) ~~directing the Participating Organisation or the Participating Organisation's Directors, employees or shareholders to take any step relating to the Participating Organisation's business;~~

Deleted: As the Exchange considers necessary or expedient, direct ... directing ... [3]

Comment [B2]: Unnecessary - the steps to be taken would include that the PO comply with any time frame set out in the notice.

(b) ~~prohibiting or restricting the Participating Organisation from trading in securities on the Exchange's stock market or from doing any other act or thing relating to the Participating Organisation's business;~~

Deleted: As the Exchange thinks fit, prohibit or restrict ... prohibiting or restricting the ... [4]

Comment [B3]: Unnecessary - the notice would set out the period or the terms and conditions and the PO would need to comply with the same.

(c) ~~appointing one or more persons to:~~

(i) ~~perform any function with respect to the management or operation of the Participating Organisation's business; or~~

Comment [B4]: Merged previous Rules 302.4(1)(c) and (d) to avoid repetition.

(ii) ~~advise the Participating Organisation on any matter relating to the business operation or management of the Participating Organisation,~~

Deleted: As the Exchange considers necessary or expedient, appoint

~~and requiring such persons to submit reports to the Exchange. The Exchange may remove such persons and appoint others in such persons' place and may fix remuneration of any such persons. The Participating Organisation must pay the remuneration of such persons;~~

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(d) ~~in the case of a Participating Organisation that is also a clearing member of a Clearing House and an authorised depository agent of a Central Depository, directing the Participating Organisation, for the purpose of protecting and preserving the Clearing House's lien in respect of such securities in priority over the rights of the Participating Organisation, to procure suspension of securities of the Participating Organisation's Clients who have not made good their transactions;~~

Deleted: e...) In ...n the case of a ... [8]

(e) ~~directing the Participating Organisation to increase the Participating Organisation's paid-up capital or shareholders' funds or to implement a scheme for injection of new assets into the Participating Organisation,~~

Deleted: f...) As the Exchange consider ... [9]

(f) ~~striking the Participant off the relevant Register;~~

(g) ~~suspending the Participant; and~~

(h) ~~taking any other action against the Participant as the Exchange deems fit.~~

(3) In an action taken by the Exchange against a Participant under this Paragraph 1.1, the Exchange will serve the Participant a written notice setting out:

(a) ~~the event which forms the basis the action;~~

(b) ~~the powers that the Exchange will be exercising or have exercised in relation to such action; and~~

(c) ~~the date by which the Participant must make representations to the Exchange to discontinue the action taken should the Participant wish to make such representations.~~

1.2 Further action against a Participating Organisation

- (1) If:
- (a) at any time after reviewing the actions taken under Paragraph 1.1, the Exchange is satisfied that further action must be taken to adequately protect the interest of the Participating Organisation's Clients, the public or the Exchange or to ensure an orderly and fair stock market; or
 - (b) the Exchange is satisfied that the actions in Paragraph 1.1(2), if taken by the Exchange, would not be adequate to protect the interest of the Participating Organisation's Client, the public or the Exchange or to ensure an orderly and fair stock market,
- the Exchange may, upon written notice to the Participating Organisation, take any one or more of the following actions:
- (i) upon notifying the Commission:
 - (aa) assume control of the whole or part of the Participating Organisation's property, business and affairs, and carry on the whole or part of the Participating Organisation's business and affairs; or
 - (bb) appoint any person to do so on behalf of the Exchange; and
 - (cc) order that the Exchange's costs and expenses or the remuneration of the person appointed, be payable out of the Participating Organisation's funds and properties;
 - (ii) upon consulting the Commission, appoint one or more receivers or receivers and managers to:
 - (aa) manage the whole or part of the Participating Organisation's business affairs and property; or
 - (bb) close down the operations of the whole or part of the Participating Organisation's business affairs and property.
- The Exchange may grant the receiver or receiver and manager such powers the Exchange specifies. The powers includes the power to assume all powers and duties of the Participating Organisation's Directors and other officers and to do such lawful acts and things as may be necessary for or incidental to the carrying out of the receiver's or receiver and manager's functions. The receiver or receiver and manager is deemed to be an agent of the Participating Organisation. The Participating Organisation is solely responsible for the receiver's or receiver and manager's acts or defaults and for the payment of the receiver's or receiver and manager's remuneration. The Exchange may remove any receiver or receiver and manager and appoint another in the receiver's or receiver and manager's place;
- (iii) upon notifying the Commission, present a petition to the High Court for the winding-up of the Participating Organisation;
 - (iv) upon notifying the Commission, require the Participating Organisation to effect a transfer of the Participating Organisation's Client's monies or securities to a new account with another Participating Organisation. The Client concerned and the other Participating Organisation must first consent to the transfer;

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Comment [B5]: Previously, Rule 302.5(2).

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DIRECTIVES ON THE POWERS OF THE EXCHANGE AND THE CIRCUMSTANCES WHEN THE EXCHANGE MAY TAKE ACTION UNDER RULE 311.1(1)

No. 311.1(1)-001

(v) upon consulting the Commission, require the Participating Organisation to effect a corporate restructuring exercise, to regularise the Participating Organisation's financial position to an amount the Exchange determines. The corporate restructuring exercise may include a merger with or an acquisition of other Participating Organisation or other entities.

(4) A Participant that fails to comply with any of the terms of the notices referred to in Paragraphs 1.1(3) and 1.2(1) commits a serious breach of these Rules. The Exchange may summarily take such action as may be appropriate under these Rules to reprimand, fine, suspend or strike off the Participating Organisation.

[End of Directive]

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Deleted: consultation with

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Deleted: , which may include merger with or acquisition of other Participating Organisation or other entities, as accepted by the relevant authorities

Comment [B6]: Previously, Rule 302.5(3). Retained as we require the power to reprimand, fine, suspend or strike off the PO without having to go through disciplinary proceedings in Rule 1402 in the event the PO fails to comply with any of the terms of the notices referred to in Paragraphs 1.1(3) and 1.2(1).

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Comment [B7]: According to Ballentine's Law Dictionary, "summarily" means expeditiously; dispensing with formalities which merely delay action. The intention here is for the Exchange to be able to immediately take action against the Participant for failure to comply with any of the terms of the notices referred to in Paragraphs 1.1(3) and 1.2(1) without having to go through the disciplinary procedures under Rule 1402.

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DIRECTIVES ON CONDUCT OF BUSINESS	No. 500-001
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Relevant to : [Rules 501.1\(1\), 501.2\(1\)\(a\), 501.2\(1\)\(b\), 501.3\(1\), 501.4\(1\), 502.2\(1\), 502.3\(2\)\(a\), 503.1\(1\)\(a\), 503.1\(1\)\(b\), 503.1\(4\), 503.2\(1\), 503.2\(2\), 503.2\(4\), 503.2\(5\), 504.1\(1\) and 504.1\(2\)](#)

Introduced with effect from : []

Amended : N/A

POs' Circular No(s). : N/A

Refer also to Directive No(s). : N/A

Introduction

Chapter 5 of the Rules sets out the principles relating to a Participating Organisation's conduct of business. This Directive sets out the minimum requirements in relation to those principles.

1. Rule 501.1(1)

This Rule requires a Participating Organisation in the conduct of the Participating Organisation's business, adhere to just and equitable principles and act with due skill, care and diligence and with due regard for the integrity of the market and must not through any act or omission do anything which may result in or has the effect of the market not being orderly and fair.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

1.1 Standard of Conduct

(1) A Participating Organisation must:

- (a) observe professional conduct and high standards of integrity and fair dealing;
- (b) conduct the Participating Organisation's business in a manner that contributes to the maintenance of an orderly and fair market;
- (c) exercise strict supervision over the Participating Organisation's business activities and the activities of the Participating Organisation's Registered Person and employees to achieve compliance with these Rules, the Directives and Securities Laws;
- (d) prevent insider trading, misuse of confidential information and the commission of other offences relating to the abuse of confidential information. In doing so, a Participating Organisation must strictly maintain the confidentiality of all relevant information, including information that on becoming generally available would or would tend to have a material effect on the price or value of securities;
- (e) not engage in any act that amounts to advertising securities for sale or purchase or share hawking;
- (f) not engage in any unlawful or irregular or unhealthy practice; or
- (g) not engage in any act that may damage the confidence of investors and hamper the sound development of the stock market of the Exchange;
- (h) Participating Organisations shall not do or cause or permit to be done any act which -

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Comment [B1]: Previously, Rule 404.3(1)(a).

Deleted: **Standard of conduct:** Every Participating Organisation and every Dealer's Representative employed or engaged by the Participating Organisation shall at all times -(a)

Comment [B2]: Previously, Rule 404.3(1)(b). Deleted as this is now a principle on its own in Rule 504.2(1).

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- (i) would adversely affect the goodwill or public image of the Exchange;
- (ii) would bring or is likely to bring the Exchange into disrepute;
- (iii) is injurious to the character and interest or prejudicial to the objects of the Exchange.

~~(f) not engage in any act or practice;~~

- ~~(i) that might lead to a false or misleading appearance of active trading in any securities on the stock market of the Exchange or a false or misleading appearance with respect to the market for, or the price of, any such securities; or~~

- ~~(ii) directly or indirectly be tantamount to stock market manipulations,~~

and must not participate in any operation by others that might have the same result.

2. Rule 501.2(1)(a)

This Rule requires a Participating Organisation to have in place adequate arrangements to manage all conflicts of interest that may arise in the conduct of the Participating Organisation's business.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

2.1 Segregation of functions

~~(1) A Participating Organisation must segregate the Participating Organisation's front office, middle office and back office operations to prevent any conflict of interest, potential or actual.~~

~~(2) A Participating Organisation must establish and maintain separate reporting structures that ensure the segregation of the Participating Organisation's front office, middle office and back office operations.~~

~~(3) A Participating Organisation assuming more than one function, permitted by the Participating Organisation's Capital Markets and Services Licence or otherwise, must maintain proper segregation of those functions within the Participating Organisation to prevent -~~

~~(a) the flow of "information" between different parts of the Participating Organisation that performs each function; and~~

~~(b) any conflict of interest that may arise as a result.~~

~~(4) In Paragraph 2.1(3), "information" means information as defined in Section 183 of the Capital Markets and Services Act, relating to;~~

~~(a) any corporation admitted to the Official List; or~~

~~(b) any securities of a corporation mentioned above; and~~

~~such "information" if it were communicated would amount to an offence under Section 188(3) of the Capital Markets and Services Act.~~

2.2 Transactions by Participating Organisations

Comment [B12]: Previously, Rule 401.1(3).

Comment [B13]: Deleted as Registered Personnel who causes, aids or abets a breach of the Rules by a PO is liable for such breach by the PO under Rule 302.5(2).

Deleted: Participating Organisations, Heads of Dealing and Dealer's Representatives

Deleted: shall avoid any act or practice which might -¶

Deleted: a

Deleted: b

Deleted: shall

Deleted: which

Deleted: ¶

Comment [B14]: Previously, Rule 506.5(1) on corporate finance but now applies generally to a PO. Covers also the requirement in previous Rule 404.1(12).

Comment [B15]: Covered under Paragraph 2.1(2) below.

Deleted: shall establish and maintain organisational and reporting structures that ensure the segregation between its activities of dealing in securities

Deleted: is at all times maintained, and that there are no situations of conflicts

Comment [B16]: Previously, Rule 404.1(13)(a).

Deleted: Every

Deleted: which assumes

Deleted: its

Deleted: dealer's licence

Deleted: its

Deleted: organization

Deleted: i

Deleted: its organization

Deleted: which

Deleted: ii

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Comment [B17]: Previously, Rule ... [12]

Deleted: For the purpose of

Deleted: this Rule 404.1(13)

Deleted: -

Deleted: i

Deleted: one or more corporations

Deleted: ii

Deleted: the corporations

Deleted: (c)

(1) A Participating Organisation ~~must not~~ knowingly enter into any transaction in which it has any interest which conflicts or ~~may conflict~~ with the interest of any ~~Client~~. ~~A Participating Organisation must also ensure that the Participating Organisation's Registered Person, and employees comply with the above requirements in relation to Registered Person, and employees own transactions.~~

(2) In cases where conflict of interest cannot be avoided, the ~~Participating Organisation or the Dealer's Representative~~ ~~must~~ fully disclose such conflict to the Participating Organisation and the ~~Client~~ prior to the execution of the transaction.

3. Rule 501.2(1)(b)

This Rule requires a Participating Organisation to have in place adequate arrangements to manage all risks that may arise in the conduct of the Participating Organisation's business.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

3.1 Risk management

(1) A Participating Organisation ~~must have the Participating Organisation's own system of monitoring risk on a daily basis.~~

(2) A Participating Organisation ~~must~~ determine and record in ~~the Participating Organisation's~~ financial records appropriate credit limits for all counterparties to which ~~the Participating Organisation~~ has a credit exposure. The credit limits established ~~must~~ be appropriate to the type, nature and volume of business undertaken and the financial status of the counterparty and shall be reviewed on a regular basis.

(3) A Participating Organisation's financial records ~~must~~ be capable of being summarised in such a way as to permit actual exposures to be measured regularly against the established credit limits.

(4) A Participating Organisation ~~must~~ maintain records in a manner such that ~~the records~~ disclose, or are capable of disclosing, in a prompt and appropriate manner, the financial and business information ~~that enables the Participating Organisation's~~ management to,

- (a) identify, quantify, control and manage the Participating Organisation's risk exposures;
- (b) make timely and informed decisions;
- (c) monitor the performance of all aspects of the Participating Organisation's business on an up-to-date basis;
- (d) monitor the quality of the Participating Organisation's assets; and
- (e) safeguard the assets of the Participating Organisation and assets belonging to other persons for which the Participating Organisation is responsible.

4. Rule 501.3(1)

This Rule requires a Participating Organisation to have in place structures, policies, procedures and internal controls designed to:

Comment [B18]: Previously, Rule 404.3(10)(a). Deleted "or otherwise conflict with its duty to such client" as it is sufficient for this Rule to deal solely with conflict of interest.

Deleted: No

Deleted: nor any of its

Deleted: and Dealer's

Deleted: Representatives

Deleted: Representative

Deleted: shall

Deleted: either of them

Deleted: which

Deleted: possibly

Deleted: of its client

Deleted: or otherwise conflict with its duty to such client

Deleted: nel

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Comment [B19]: Previously, Rule 404.3(10)(b). Deleted "or conflict of duty for the same reason stated above".

Deleted: Notwithstanding Rule 404.3(10)(a) hereinabove, in

Deleted: or conflict of duty

Deleted: shall

Deleted: client

Comment [B20]: Previously, Rule 509.5(1)(b). Moved here to elaborate on the principle that a PO must identify, monitor and manage all risks that may arise in the conduct of the PO's business.

Comment [B21]: Previously, Rules 509.5(2) and (3).

Deleted: Every

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Comment [B22]: Previously, Rule 509.5(4).

Deleted: shall

Comment [B23]: Previously, Rule 509.5(5).

Deleted: shall

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Deleted: they

Deleted: which will

Deleted: its

Deleted: -

- (a) facilitate the supervision of the Participating Organisation's business activities and the conduct of the Participating Organisation's employees and agents;
- (b) identify, monitor and manage conflicts of interest and risk that may arise in the conduct of the Participating Organisation's business;
- (c) achieve compliance with these Rules, the Directives and Securities Laws and the Participating Organisation's written policies, procedures and internal controls; and
- (d) provide for investor protection.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

4.1 Written policies and procedures and internal controls

(1) A Participating Organisation must have adequate and effective written policies and procedures:

(a) Supervision of business activities

(i) Clients

(aa) on opening accounts for Clients including:

- (A) steps to verify the identity of an applicant and the information in the applicant's account opening application form;
- (B) evaluating and assessing applicants; and
- (C) assisting the Participating Organisation's Dealer's Representatives in learning essential information about the applicant as required under Rule 504.1(1)(a);

(bb) on handling complaints received by the Participating Organisation, including reviewing complaint files to ensure that all complaints are duly investigated and dealt with within the time stipulated under such procedures;

(cc) on the treatment of Client's assets;

(ii) Trading, Transactions and Business

(aa) on reviewing unusual patterns of large trading to detect a breach of these Rules and the Securities Laws in relation to market misconduct;

(bb) on granting credit facilities in relation to any margin account and reviewing frequent margin calls or other signs of apparent increase of risk exposure pertaining to margin facilities;

(cc) on supervising, monitoring and approving requests for and amendments to contracts;

Comment [B24]: Merging previous Rule 404.1(b) (second sentence), 404.4(3) (second sentence) and 404.3.3 (see deleted rules below).

Comment [B25]: Previously, 404.4(1)(b)(second sentence).

Comment [B26]: Previously, 404.4(3)(second sentence).

Comment [B27]: Previously, Rule 404.3(3). The information in this rule has also been incorporated as part of the essential information required to be obtained about an applicant of an account opening application form. See the directives applicable for Rule 404.1(1)(a) in Paragraph 9.1.

Deleted: For the purposes of this Rule, Participating Organisations must establish written procedures on the opening of accounts for their clients and adequate internal control to ensure that all information obtained is properly verified. ¶
For this purpose the Participating Organisation shall maintain an internal guideline that shall be reviewed from time to time. ¶

Comment [B28]: Previously, Rule 403 ... [14]

Deleted: Every Participating Organisation ... [15]

Deleted: of

Deleted: it

Deleted: the performance of reviews on clients'

Deleted: have been

Deleted: such

Deleted: as shall be prescribed

Deleted: .

Comment [B29]: Previously, Rule 405.1(4).

Deleted: Participating Organisations sh ... [16]

Deleted: client's

Deleted: monies under this Rule 405.

Comment [B30]: Previously, Rule ... [17]

Deleted: ensure that it has in place inte ... [18]

Comment [B31]: Moved to (bb) below.

Deleted: , frequent margin calls or othe ... [19]

Comment [B32]: Previously, Rule 703.8(1).

Deleted: Every Participating Organisati ... [20]

Deleted: of

Comment [B33]: Previously, part of R ... [21]

Deleted: . Such guidelines and proced ... [22]

Comment [B34]: Previously, Rule 601.2(3)(c).

Deleted: A Participating Organisation s ... [23]

Deleted: ,

Deleted: .

- (dd) on supervising and monitoring Off-Balance Sheet Transactions that must include the items listed in Schedule 1;
- (ee) on the operation and monitoring of the Participating Organisation's accounts and Client accounts, including maintaining adequate records on Dealer's Representatives conducting trading;
- (ff) to ensure all transactions and commitments entered into are recorded and are within the scope of authority of the Participating Organisation or the individual acting on behalf of the Participating Organisation;
- (gg) on credit policies, capital allocations, trading limits, and designated approving authorities;
- (hh) to control liabilities and safeguard assets including assets belonging to other persons for which the Participating Organisation is accountable;
- (ii) to monitor the activities of the Participating Organisation's Dealer's Representatives including transactions carried out and correspondences undertaken or received by the Participating Organisation's Dealer's Representatives on the solicitation or execution of transactions;
- (jj) on Securities Borrowing or Lending, if the Participating Organisation is desirous of engaging in Securities Borrowing or Lending under these Rules, that must include the items listed in Schedule 2;
- (kk) on Regulated Short Selling, if the Participating Organisation is desirous of executing Regulated Short Selling under these Rules, that must include the items listed in Schedule 3;
- (iii) **Advertising**
 - (aa) on reviewing the Participating Organisation's advertising and publicity materials;
- (iv) **Employees**
 - (aa) on prompt dissemination of these Rules, Directives and requirements the Exchange and the Commission issues, to the Participating Organisation's Registered Person and relevant employees;
 - (bb) on the ethical standards and conduct at work required of the Participating Organisation's Registered Person and employees and the Participating Organisation's internal disciplinary procedures;
 - (cc) to monitor the business transacted for the Participating Organisation's employees, Dealer's Representatives and Directors;
- (v) **Governance**

- Comment [B35]:** Previously, Rule 602.3(1)(a).
- Deleted:** A Participating Organisation which intends to enter into, ...n supervising and (... [24]
- Comment [B36]:** The items previously listed in Rule 602.3(2) will now be in Schedule 1 to this directive. This is done to consolidate all requirements on internal policies and procedures in one place.
- Deleted:** shall establish and implement adequate and effective written internal policies and procedures to govern, monitor and control the carrying out of these activities by the Participating Organisation in ensuring compliance with these Rules, relevant Securities Laws and the relevant circulars, directives or guidelines issued from time to time by the Exchange.
- Comment [B37]:** Previously, Rule 504.3(4)(e)(iv) that required a PO to have internal guidelines on the operation of proprietary accounts and Client accounts of the PO.
- Deleted:** A Participating Organisation operating a branch office shall in addition to the normal requirements to operate a branch office, put in place and enforce internal guidelines on internal controls and policies ...n the op (... [25]
- Comment [B38]:** Previously, Rule (... [26]
- Deleted:** The systems of internal contr (... [27]
- Comment [B39]:** Previously, Rule (... [28]
- Deleted:** A Participating Organisation (... [29]
- Comment [B40]:** Previously, Rule (... [30]
- Deleted:** The systems of internal contr (... [31]
- Comment [B41]:** Merging of previous (... [32]
- Deleted:** A Participating Organisation s (... [33]
- Comment [B42]:** Previous Rule 310.2(10).
- Comment [B43]:** Previously, Rule (... [34]
- Comment [B44]:** The items previously (... [35]
- Comment [B45]:** The items previously (... [36]
- Comment [B46]:** Previously, 401.2(2) (... [37]
- Deleted:** ¶
- Deleted:** For the purposes of this Rule, (... [38]
- Comment [B47]:** Previously, Rule 404 (... [39]
- Deleted:** Procedures for the said ...n p (... [40]
- Comment [B48]:** Previously, Rule (... [41]
- Deleted:** ensure that the ...n internal disc (... [42]
- Comment [B49]:** Previously, Rule 404.1(8).
- Deleted:** Every Participating Organisat (... [43]
- Comment [B50]:** Previously, Rule (... [44]
- Deleted:** the board of directors has dev (... [45]

(aa) on reporting requirements by the Branch Office to the Principal Office to ensure sufficient supervision and control of the Branch Office;

(bb) on supervising and monitoring the Participating Organisation's back office system and operations that include:

(A) timely reporting and transmission of data from a Participating Organisation's Branch Office to the Principal Office;

(B) daily reconciliation of all records of the Participating Organisation's Principal Office and the Branch Office(s); and

(C) reconciling and duly accounting for all trading and transactions undertaken by the Participating Organisation's Branch Office(s).

(b) Risk management

(i) General

(aa) on risk management;

(bb) to minimise the risk of losses to the Participating Organisation from irregularities, fraud or error and to identify such matters should they occur so that prompt remedial action may be taken by the management;

(c) Compliance

(i) General

(aa) to prevent any contravention by the Participating Organisation or any of the Participating Organisation's Registered Person, employees and agents of:

(A) these Rules and the Directives;

(B) the Securities Laws and other applicable laws and regulations; and

(C) the Participating Organisation's own internal policies and procedures;

(d) Conflicts of interest

(i) General

(aa) to minimise conflicts of interests, whether actual, potential or perceived between the Participating Organisation or Dealer's Representative and the Client and in particular in the area of insider dealing and front running; and

Comment [B51]: Previously, Rule 504.3(4)(e)(iii).

Deleted: A Participating Organisation operating a branch office shall in addition to the normal requirements to operate a branch office, put in place and enforce internal guidelines

Deleted: branch office

Deleted: principal office

Comment [B52]: Incorporating previous Rules 506.7(2), (3) and (4) here to include an obligation to have written policies and procedures for supervising and monitoring the back office system and operations of a Participating Organisation. See deleted rules below for the rules mentioned above.

Deleted: (2) The back office system and operations of a Participating Organisation's principal office and branch office(s) must include an effective monitoring system, which enables timely reporting and transmission of data from a branch office to the principal office, to facilitate supervision of the activities of the principal office and the branch office(s).¶

(3) The back office system and operations of a Participating Organisation's principal office and branch office(s) must ensure that daily reconciliation of all records of the principal office and the branch office(s) will be conducted ... [46]

Comment [B53]: Previously, Rule ... [47]

Deleted: A Participating Organisation ... [48]

Comment [B54]: Previously, rule 509.6(3)(c).

Deleted: The systems of internal control ... [49]

Deleted: and

Comment [B55]: Previously, Rule ... [50]

Deleted: at all times exercise strict supervision ... [51]

Deleted: of

Comment [B56]: Covered in paragraph ... [53]

Comment [B57]: Unnecessary as the ... [55]

Deleted: , these Rules, any directives of ... [52]

Deleted: , the Depository Rules, the Client ... [54]

Deleted:

Deleted: Every Participating Organisation ... [56]

Deleted: the existence of conflict

Deleted: otherwise

Deleted: ,

Comment [B58]: Incorporating previous ... [57]

Comment [B59]: Previously, Rule 404 ... [59]

Deleted: and its clients. In cases where ... [58]

Comment [B60]: Previously, Rule 508 ... [61]

Deleted: A Participating Organisation's ... [60]

Deleted: ¶

~~(bb) to ensure a clear delineation of responsibilities and proper segregation of tasks among the departments and the personnel of the Participating Organisation.~~

5. Rule 501.4(1)

This Rule requires a Participating Organisation to keep proper records to evidence compliance with the requirements in these Rules.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

5.1 Record keeping

(1) A Participating Organisation must:

- ~~(a) not make, or cause to be made, a false or misleading entry in any books, records, slips, documents, statements relating to the business, affairs, transactions, conditions, assets or accounts ("the Documents") of a Participating Organisation;~~
- ~~(b) make all material entries in any of the Documents;~~
- ~~(c) not alter or destroy any of the Documents without a valid reason; and~~
- ~~(d) ensure the integrity and security in the transmission and storage of the Documents.~~

~~(2) A Participating Organisation may keep records in either hard copy form or electronic form. If a Participating Organisation keeps records in electronic form, the Participating Organisation must be able to reproduce such records in a hard copy form.~~

6. Rule 502.2(1)

This Rule requires a Participating Organisation's Registered Person, employees and agents to be fit and proper with suitable skill and experience with regard to the position and responsibility they hold.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

6.1 Training

~~(1) A Participating Organisation must establish and maintain an adequate system of training for the Participating Organisation's Registered Person, employees and agents.~~

~~(2) The training for the Participating Organisation's Registered Person, employees and agents must include awareness of:~~

- ~~(a) all applicable legal and regulatory requirements;~~
- ~~(b) the Exchange's trading system; and~~
- ~~(c) internal controls, policies and procedures and operational aspects of the Participating Organisation's business.~~

Comment [B61]: Previously, Rule 509.6(3)(d).

Deleted: The systems of internal control shall be designed in such a way as

Deleted: that there is

Comment [B62]: To prohibit the making of a false entry into the records of a PO

Comment [B63]: To require POs to make all material entries into the records of a PO.

Comment [B64]: To prohibit the alteration or destruction of any Documents without a valid reason.

Comment [B65]: To clarify that records may be kept in electronic form but only if the record kept in electronic form can be reproduced in a hard copy form.

Comment [B66]: Doing away with the prescriptive requirements on training in previous Rule 404.2 and replacing the same with the principle that a PO must establish and maintain an adequate system of training for the PO's Registered Personnel and employees and crucial matters that the training should address.

Deleted: (1) Every Participating Organisation shall establish, implement and maintain a reasonably comprehensive system of training towards -¶

¶ (a) ensuring the continuous improvement in critical areas of its principal activities and operations; and¶

¶ (b) enhancing the technical knowledge of its employees to enable them to understand the operational and internal control policies and procedures of the Participating Organisation and all applicable legal and regulatory requirements.¶

¶ (2) Such system of training shall be properly documented in a manual form which shall -¶

¶ (a) set out details of the training programmes which the Participating Organisation proposes to implement; and ¶

¶ (b) be regularly updated in line with the development in the securities industry.¶

¶ (3) The training programmes shall be -¶

¶ (a) conducted regularly by Participating Organisations; and¶

¶ (b) open to -¶

¶ (i) their Commissioned Dealer's Representatives, employees and apprentices, in an equitable manner and without any form of discrimination whatsoever; and¶

¶ (ii) students from tertiary institutions of learning involved in studies relating to the securities industry.¶

... [62]

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7. Rule 502.3(2)(a)

This Rule requires a Participating Organisation or a Dealer's Representative to ensure that a Trading Clerk does not carry out the functions of a Dealer's Representative.

7.1 Functions of a Dealer's Representative

(1) A Trading Clerk will be considered to have carried out the functions of a Dealer's Representative if:

- (a) the Trading Clerk inputs orders through ATS without any prior instructions from a Dealer's Representative; or
- (b) the Trading Clerk takes instructions or solicits orders directly from a Dealer's Representative's Client or any other person for the purpose of trading in Securities.

8. Rule 503.1(1)(a)

This Rule requires a Participating Organisation to obtain all essential information about the Client relevant to the services to be provided before a Participating Organisation opens a trading account for the Client.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

8.1 Essential information

(1) The essential information referred to in Rule 503.1(1)(a) includes essential facts about the Client's background including:

- (a) the Client's investment objectives;
- (b) the Client's knowledge and experience in dealing in Securities;
- (c) the Client's financial position;
- (d) whether the Client is associated, within the meaning in Section 3 of the Capital Markets and Services Act, to an employee, a director or a Dealer's Representative, of the Participating Organisation; and
- (e) whether the Client is trading for himself as a Beneficial Owner or as an Authorised Nominee or Exempt Authorised Nominee.

9. Rule 503.1(1)(b)

This Rule requires a Participating Organisation to verify the genuineness and authenticity of the Client and the application to open a trading account with the Participating Organisation.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

9.1 Authentication of account opening application form

Comment [B67]: Setting out what the Exchange considers as part of the functions of a DR will be set out in the directives elaborating on the principle in this Rule. See further our note in Rule 503.3(2)(a).

Comment [B68]: Previously, part of Rule 404.4(1)(b). This requirement also incorporates previous Rule 404.3(3) that requires a PO to implement and maintain appropriate guidelines on its DRs to assist them in learning essential facts about the DR's client's backgrounds, including the client's investment objectives, knowledge and experience in dealing in securities, financial background and any other information as may be required by the Exchange from time to time.

Deleted: (including but not limited to the clients'

Deleted: standing or credit worthiness and clients investment objectives) are obtained

Comment [B69]: Previously, Rule 404.4(2)(g). The information in this rule is now information that a PO needs to obtain upfront before a PO opens a trading account for a Client. This is for the PO to ascertain whether the PO may grant credit facilities to the applicant. Under the revamped rules, a PO may not grant credit facilities to:
 (1) any of the PO's directors, employees, CDRs or PDTs – see Rule 609.2(6);
 (2) the spouse, parent or child of the PO's director, employee or PDT – see Rule 609.2(6); and
 (3) any other person who is prohibited under Section 94(2) of the CMSA – to note that Section 94(2) prohibits a PO from giving credit to the PO's employee or a person who, to the knowledge of the PO is associated with such employee if the credit is given to the person to purchase or subscribe for any securities. This is why we have fashioned this rule to follow the wording in Section 94(2) of the CMSA.

Deleted: where credit facilities have been granted to the client, the information as to

Deleted: client

Deleted: is a spouse, parent or child of any of the Commissioned

Deleted: s

Deleted: .

Comment [B70]: Previously, Rule 404.4(1)(d) (first sentence).

Deleted: In amplification of Rule 404.4(1)(a) and Rule 404.4(b) and without prejudice to Rule 404.3(7), a Participating Organisation shall

Deleted: enquire from its client as to whether the client

Deleted: beneficial owner

Deleted: on behalf of another person

(1) A Participating Organisation must take all reasonable steps to verify, by reliable means, the Client's identity and the information in the Client's account opening application form before a Participating Organisation opens a trading account for the Client.

(2) The steps a Participating Organisation must take to verify the identity of the Client and the information in the Client's account opening application form referred to in Paragraph 9.1(1) include:

(a) requiring the Client to appear in person before the persons referred to in Paragraph 9.1(3) of this Directive to sign the account opening application form; and

(b) having the persons referred to in Paragraph 9.1(3) of this Directive verify the identity of the Client and the information in the Client's account opening application form.

(3) The identity of the Client and the information in the Client's account opening form must be verified by any the following persons:

(a) a Dealer's Representative;

(b) an authorised officer of the Participating Organisation where the trading account is proposed to be opened;

(c) an authorised officer of a Malaysian Embassy or High Commission Consulate;

(d) a Notary Public, or in countries that do not have a Notary Public, an advocate and solicitor or officer authorised by a licenced stockbroking company with a Recognised Stock Exchange; or

(e) officer of a registered person referred to under the third column of Item 1(b) of Schedule 4 of the Capital Markets and Services Act, who is authorised by such registered person to perform the activities referred to under the second column of the said Item 1(b) of Schedule 4;

(f) an authorised officer of:

(i) a licensed bank as defined under BAFIA; or

(ii) an Islamic bank as licensed under the Islamic Banking Act 1983,

and with which the Client holds an account.

(g) such other person as may be approved by the Exchange from time to time provided that notification of such approval is forwarded to the Commission within three market days from the date of such approval.

(4) Paragraphs 9.1(2) and 9.1(3) of this Directive do not apply to a Client that is not an individual.

10. Rule 503.1(4)

This Rule requires a Participating Organisation to properly record and maintain up-to-date and relevant information on the Participating Organisation's Clients and properly record and maintain relevant information on the Participating Organisation's Client's trading account and trades executed in the Client's trading account.

Comment [B71]: Amendments made in line with simplifying the rule to reflect the following steps required to be taken to verify the identity of the applicant and the information in the account opening application form:
 (a) that the applicant must be present in person before the persons referred to in Directive 9.1(3) to sign the account opening application form;
 (b) that the PO must have the persons referred to in Directive 9.1(3) verify the identity of the applicant and the information in the account opening application form;
 (c) that if the applicant is a corporation or any other entity (not an individual), there is no need for the authorised representatives to appear and sign the application forms before the specified persons (see Directive 9.1(4)).

Comment [B72]: Previously, Rule 404.4(7)(b).

Deleted: Notwithstanding Rule 404.4(6)(a), a Participating Organisation may at its discretion

↑
 (a) in the case of an application for the opening of an account made by an institution or corporation, approve such application without requiring the authorised representative of such institution or corporation to be present before the Participating Organisation or its Dealer's Representative; or↑

↑
 (b) in the case of an application by a client other than that specified in Rule 404.4(7)(a), allow the authentication of a client's application for account opening under Rule 404.4(6)(a) (... [63])

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Deleted: officers authorised by

Deleted: ii

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Deleted: iii

Deleted: advocates and solicitors

Deleted: officers

Deleted: recognised stock exchange

Deleted: iv

Comment [B73]: Unnecessary. We can use our general power to add to these Rules (... [65])

Deleted: ↑

↑ (... [64])

Deleted:) such other person as may be approved by the Exchange from time to time

Comment [B74]: Covered under the principle in Rule 504.1(1)(b).

Deleted: PROVIDED THAT the Participating Organisation shall in such cases take all (... [66])

Deleted: ↑

Deleted: individual

Comment [B75]: Consequential to simplifying the rule on authentication of account op (... [67])

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

10.1 Information required to be maintained

(1) In relation to Rule 503.1(4), a Participating Organisation must, in respect of each Client's account maintain records that include:

- (a) the date of opening of the account;
- (b) the name of the officer which approved the opening of the account and the date of approval;
- (c) the types of transactions, products and investments for which the account is approved;
- (d) in respect of the transactions effected under the account, the following information:
 - (i) particulars of all transactions including amount of commissions charged in respect of each transaction and type of transaction;
 - (ii) current position of the account including compliance with any margin set by the Participating Organisation; and
- (e) the Dealer's Representative handling the account.

Comment [B76]: Previously, Rule 404.4(2).

Deleted: shall

Deleted: client's

Deleted: including the following -

Comment [B77]: Deleted as this is already covered under Paragraph 8.1(1)(c).

Deleted: (b

Deleted:) client's financial position; ¶
¶

Deleted: c

Comment [B78]: To require a PO to maintain a record of the types of products and investments for which the account is approved. This is necessary to enable to PO to ascertain what types of products and investments the PO can transact for the Client.

Deleted: d

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Comment [B79]: Covered under Paragraph 8.1(1)(d). See the comment made on this directive.

Deleted: (g

Deleted:) where credit facilities have been granted to the client, the information as to whether the client is a spouse, parent or child of any of the Commissioned Dealer's Representatives of the Participating Organisation.

11. Rule 503.2(1)

This Rule requires a Participating Organisation and Registered Person to, in doing business with and for Clients, act:

- (a) with due skill, care and diligence;
- (b) honestly and fairly; and
- (c) in the best interests of the Participating Organisation's Clients.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

11.1 Arrangement with Clients

(1) A Participating Organisation, Head of Dealing and Dealer's Representative must not:

- (a) accept a share in the profits of a Client's accounts or have any arrangement with a Client to share in the profits of the Client's account;
- (b) have any arrangement with a third party to allocate profits or losses in a Client's account; and

Comment [B80]: Previously, Rule 404.4(8). Amendments made in line with simplifying the rule.

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- (c) lead a Client to believe that the Client will not suffer loss as a result of opening an account or dealing in securities.

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11.2 Unauthorised trading through Client's account

(1) A Participating Organisation, Head Of Dealing and Dealer's Representative must not:

Comment [B81]: Previously, Rule 404.4(9). Amendments made in line with simplifying the rule.

- (a) execute the Participating Organisation's, Head of Dealing's or Dealer's Representative's (as applicable) personal trades in the Client's account; or
- (b) use a Client's account to trade for a third party.

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Comment [B82]: Previously, Rule 404.3(6)(a).

11.3 Client's order

(1) A Participating Organisation, Head of Dealing and Dealer's Representative must:

Deleted: Every ... Participating Organise (... [71])

- (a) carry out Client's instructions in a timely manner;
- (b) give priority to execution of orders given by the Clients over execution of their own orders or orders of persons associated with or connected to them in relation to the Securities of the same class;
- (c) execute Client's orders in the sequence in which the orders are received from each Client;
- (d) not front-run a Client; and
- (e) not transfer or re-allocate a trade that has been executed on behalf of one Client to another Client except in accordance with Rule 801.9(5).

Comment [B83]: Unnecessary as it is already a principle under Rule 404.2(1)(a) that a PO and Registered Personnel must, in doing business with and for Clients, act with due skill, care and diligence.

Deleted: client's ...lient's instructions in (... [72])

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Comment [B84]: To place a prohibition on the PO, HOD and DR from front-running a Client.

Comment [B85]: This new rule has been included to prevent an unfair transfer or re-allocation of a trade that has been executed on behalf of a Client.

(2) A Participating Organisation, Head of Dealing or Dealer's Representative may only accept or act on an instruction from the third party in relation to trading in a Client's trading account upon receipt of a written authorisation from the Client empowering the third party to trade for the Client's account.

Comment [B86]: Previously, Rule 404.3(6)(b).

Comment [B87]: Before a PO, HOD or DR may accept or act on any instruction from a third party, they must ensure that written authorisation from the Client empowering the third party to trade for the Client's account has been obtained.

11.4 Recommendations to Clients

(1) A Participating Organisation or a Dealer's Representative that recommends any transaction for the buying or selling of Securities to a Client must:

Deleted: No Participating Organisation, Head of Dealing and Dealer's Representative (... [74])

- (a) take into account and ensure the suitability for the Client of such recommended transaction based on the Client's:
 - (i) investment objectives;
 - (ii) knowledge and experience in trading in Securities;
 - (iii) knowledge and experience in financial matters;
 - (iv) financial background; and
 - (v) other relevant information;
- (b) disclose to the Client the potential risk involved in such recommended transactions so as to enable the Client to evaluate such risks; and

Deleted: , ...cept or act on any ...n in (... [75])

Comment [B88]: Previously, Rule 404.3(5).

Deleted: Where a ... Participating Orga (... [76])

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Comment [B89]: Unnecessary. Deleti (... [78])

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Comment [B90]: Substituting the refer (... [81])

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Comment [B91]: Unnecessary. Deleti (... [83])

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DIRECTIVES ON CONDUCT OF BUSINESS	No. 500-001
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(c) satisfy itself that the Client has the financial capability to bear any risk attached to such recommended transactions.

Deleted: client
Comment [B92]: Deleted in line with what is stated in relation to the role of compliance in the securities industry in our comment on Rule 307.1(1).

12. Rule 503.2(2)

This Rule requires a Participating Organisation and a Registered Person to make adequate and accurate disclosure of the risk, benefits and conflicts to the Clients in the Participating Organisation's and Registered Person's dealings with the Clients.

Deleted: It is the responsibility of the Compliance Officer to ensure that the Dealer's Representative takes due consideration of information provided by the client as well as other available information in determining whether a client shall be approved in respect of a transaction or recommendation and the extent to which the client shall be so approved.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

Comment [B93]: Previously, Rule 404.4(4) (first sentence).

12.1 Monthly statements

(1) A Participating Organisation must send each Client a statement of account on a monthly basis on all transactions in the Client's account, unless there is no change from the last statement.

Deleted: shall in respect of
Deleted: client
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(2) The statement of account must contain relevant details of the Client's transactions including all charges imposed, payments made and assets the Participating Organisation holds for the Client.

Comment [B94]: Reducing the PO's administrative burden of sending monthly statements of account where there has been no movement in the Client's account. If the Client wishes to check whether there has been movement in the account, client may request such information from the PO.

(3) A Participating Organisation may determine the mode and manner the statement of account is sent to the Client.

Deleted: statements, in such form as may be prescribed by the Participating Organisation ... [85]

(4) If a Participating Organisation wishes to issue the statement of account in electronic form, the Participating Organisation must obtain the Client's prior revocable consent. Any requirement the Exchange or the Commission imposes in relation to the requirement for consent to issue and deliver electronic contract notes apply equally to the consent required under this Directive. Such requirement is deemed part of this Directive.

Comment [B95]: Previously, Rule 404 ... [86]
Deleted: Such monthly statements sha ... [87]
Comment [B96]: To clarify that a PO ... [88]
Comment [B97]: To require the PO to ... [89]
Comment [B98]: Previously, Rule ... [90]

12.2 Contract Note

(1) A Participating Organisation must issue Contract Notes to the Participating Organisation's Clients and the Contract Notes must comply with the regulations issued under the Capital Markets and Services Act on Contract Notes. The currency values reflected in the Contract Note must be the currency in which the Securities are traded.

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(2) The names of the buyer and seller in the Contract Notes issued in respect of trades done on the Exchange must be the name of the Client.

Comment [B99]: Unnecessary to quo ... [92]
Deleted: issued to its client shall comply
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13. Rule 503.2(4)

This Rule requires a Participating Organisation to promptly and properly account for and adequately safeguard Client's assets.

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Comment [B100]: Previously, Rule ... [93]

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

13.1 Client's assets

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DIRECTIVES ON CONDUCT OF BUSINESS

No. 500-001

(1) A Participating Organisation must open or maintain at least 1 trust account with a licensed institution as defined in the BAFIA.

Comment [B101]: Previously, Rule 405.1(1)

Deleted: Every ... Participating Organisations ... [95]

(2) A Participating Organisation must pay into the trust account:

Comment [B102]: Previously, Rule 405.1(2). Amendments made for consistency with section 114 of the CMSA.

Deleted: shall pay into its Trust Account - ¶

(a) all amounts, less any brokerage and other proper charges, received from or on account of a Client for the purchase of Securities and that are not attributable to Securities delivered to a Participating Organisation, not later than the next bank business day or such other day as may be specified by the Commission on which the amounts were received by the Participating Organisation;

Deleted: monies...amounts, less any brokerage and other proper charges ... [96]

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(b) all amounts, less any brokerage and other proper charges, received for or on account of a Client from the sale of Securities and that are not paid to that Client or as that Client directs, not later than the next bank business day or such other day as may be specified by the Commission on which the amounts were received by the Participating Organisation.

Deleted: by a client...nd that are not paid to that client or as that client directs ... [98]

Comment [B103]: Previously, Rule 405.1(3). To cater for other modes of payments to clients (other than cheque). Flowing from the carve out in Paragraph 13.1(2)(b) (modelled after Section 111(1)(b) of the CMSA), this rule allows POs to make payment from an account that is not a trust account only if the payment has been paid to the client or as the client directs prior to the next bank business day.

(3) Subject to paragraph 13.1(2)(b), any payments issued by a Participating Organisation to a Client in respect of sale of securities by the Client must be issued by the Participating Organisation out of the trust account.

Deleted: Any cheques issued to a client in respect of sale of securities by the client shall be issued out of the Trust Account

(4) A Participating Organisation must:

(a) not co-mingle the monies in the trust account with monies for other purposes;

Comment [B104]: Previously Rule 405.1(5). Deleted as this is unnecessary. Under Section 354 of the CMSA, a PO is under an obligation to comply with these Rules and any variation or avoidance by way of an agreement would be a breach of the CMSA. Also, a PO would have given an undertaking to us to comply with the Rules. A variation or avoidance by way of an agreement ... [100]

(b) not allow the trust account to at any time be in deficit and if the trust account is in deficit, the Participating Organisation must take immediate and urgent steps to deposit monies in the trust account to ensure that the monies in the trust account commensurate with amounts due to Clients; and

Deleted: (5) A Participating Organisation shall not, by way of an agreement or by any other means ... [99]

(c) at all times have funds available in the trust account to make the relevant payments out of the trust account.

Comment [B105]: Previously, paragraph (ii) of R/R 8 of 1998 on Dealing with Client ... [101]

(5) The withdrawal of monies out of the trust account must fall within the circumstances permitted under the Capital Markets and Services Act.

Deleted: The ...ot co-mingle the monies in the trust account ... [102]

(6) A Participating Organisation must ensure that Client's assets in the form of Securities that the Participating Organisation holds in safe custody under custodial services rendered are held by the Participating Organisation's nominee company. The Participating Organisation's nominee company must be a wholly-owned subsidiary of the Participating Organisation and an Authorised Nominee.

Comment [B106]: Previously, paragraph (iii) of R/R 8 of 1998.

Deleted: The ...ot allow the trust account to be in deficit ... [103]

Comment [B107]: Previously, paragraph (iv) of R/R 8 of 1998.

Deleted: That ...t all times have funds available in the trust account ... [104]

14. Rule 503.2(5)

This Rule requires a Participating Organisation to, in relation to a complaint from a Client (whether written or otherwise) relating to the Participating Organisation's business:

(a) handle the complaint in a timely and appropriate manner; and

Comment [B108]: To cater for payments for both sale and purchase of securities.

Comment [B109]: Imposing a requirement that the withdrawal of the monies out of the trust account ... [105]

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(b) take steps to investigate and respond promptly to the complaint.

Comment [B110]: Previously, Rule 505.2(1). Moved here to consolidate all the provisions ... [106]

Deleted: For purposes of protection of clients' assets in relation to securities which are held in safe custody ... [107]

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

Comment [B111]: "Authorised Nominee" is defined in Rule 101.1(1).

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14.1 Handling complaints

~~(1) A Participating Organisation must designate an appropriate officer to handle all complaints lodged with the Participating Organisation. The name of such officer must be displayed at a prominent place in the premises of the Participating Organisation.~~

Comment [B112]: Previously, Rule 403.3(1).

Comment [B113]: Deleted as this is covered under the renumbered Paragraph 4.1(1)(a)(i)(bb).

Comment [B114]: Replacing a prescriptive rule with a principles-based rule.

Deleted: Every Participating Organisation shall establish and implement written procedures for the handling of complaints received by it, including the performance of reviews on clients' complaint files to ensure that all complaints have been duly investigated and dealt with within such time as shall be prescribed under such procedures.

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15. Rule 504.1(1)

This rule requires a Participating Organisation to take out and maintain at all times an insurance policy that is adequate having regard to:

- (a) the nature and extent of the Participating Organisation's business as permitted under the Capital Markets Services Licence and the Commission's policy on permitted activities for stockbroking companies contained in the Commission's Licensing Handbook; and
- (b) the responsibilities and risks assumed or which may be assumed by the Participating Organisation in connection with those activities.

A Participating Organisation may maintain the above insurance policy at Group Level.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

15.1 Scope of insurance policy

~~(1) The insurance policy referred to in Rule 504.1(1) must:~~

- (a) ~~have a minimum limit of indemnity of RM5 million; and~~
- (b) ~~include the areas of coverage set out in Schedule 4 of these Directives.~~

Comment [B115]: Previously, Rule 407.2(2).

Deleted: Without restricting the generality of Rule 407.2 (1) above, the

Deleted: Participating Organisation must ensure that the insurance policy taken out and maintained by it

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16. Rule 504.1(2)

This Rule requires a Participating Organisation to notify the Exchange that the insurance policy is in place.

In discharging the obligations under the above Rule, a Participating Organisation must comply with the following directives:

16.1 Notification of insurance policy

~~(1) The Participating Organisation must within 2 weeks following the issuance of a new insurance policy or the renewal of an existing insurance policy, notify the Exchange in writing of the following:~~

- ~~(a) the name of the insurer;~~
- ~~(b) the amount and nature of cover;~~
- ~~(c) the date on which the cover becomes effective; and~~
- ~~(d) the date on which the cover will expire.~~

Comment [B116]: Previously, Rule 407.2(3).

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DIRECTIVES ON CONDUCT OF BUSINESS	No. 500-001
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[End of Directive]

Deleted: (b) submit to the Exchange a written confirmation that the amount and nature of cover complies with Rules 407.2(1) and 407.2(2).¶

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SCHEDULE 1
[Paragraph 4.1(1)(a)(ii)(dd)]

Off-Balance Sheet Transactions:
Minimum requirements for written policies and procedures and internal controls

- (1) ~~Policy~~ statement(s) ~~on~~ circumstances under which the Participating Organisation is permitted to enter into Off-Balance Sheet Transactions;
- (2) ~~Adequate~~ risk assessment, monitoring and management policies and procedures with the objective of ensuring that the risks assumed by the Participating Organisation in respect of Off-Balance Sheet Transaction(s) entered into, by ~~the Participating Organisation~~ will be managed and monitored accordingly and any requisite steps and action in mitigating such risks are effective;
- (3) ~~Establishment~~ of procedures and requirements for adequate reporting of information to be made to the Participating Organisation's ~~Board of Directors~~ to enable ~~the Board of Directors~~ to make informed decisions where necessary in a timely manner;
- (4) ~~Establishment~~ and maintenance of organisational and reporting structures in relation to the Participating Organisation's activities in the entry into Off-Balance Sheet Transactions, that ensure regular reporting to ~~the Participating Organisation's Board of Directors~~;
- (5) ~~Maintenance~~ of a proforma computation of the Capital Adequacy Ratio, in the form of Schedule 1 ~~to the Directives on Capital Adequacy Requirements~~, incorporating the contingent liabilities arising from the Off-Balance Sheet Transaction(s) on the basis of Worst Case scenario ~~(as defined in Rule 101.1(1))~~, accompanied by a detailed comparison with the Participating Organisation's actual Capital Adequacy Ratio as at the date immediately preceding the date of entry into the Off-Balance Sheet Transaction(s);~~and~~
- (6) ~~A~~ detailed action plan describing the Participating Organisation's decided course of action or measures taken or to be taken to fully perform and discharge ~~the Participating Organisation's~~ obligations under Off-Balance Sheet Transaction(s).

Comment [B117]: Previously, Rule 602.3(2).

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- Comment [B118]:** Unnecessary as we have the power under Rule 201.1(2)(b) to add to any of these Rules.
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- Deleted:) such other requirements as may from time to time be stipulated by the Exchange, upon notification to the Commission.¶

SCHEDULE 2
[Paragraph 4.1(1)(a)(i)(ii)]

Comment [B119]: Previously, Schedule 9 of the Rules.

Securities Borrowing and Lending:
Minimum requirements for written policies and procedures and internal controls

- (1) Criteria to assess the suitability of Clients in borrowing or lending of Eligible Securities prior to the borrowing or lending and on an ongoing basis;
- (2) Risk management policies and procedures including limits in terms of volume and value of borrowing and lending permitted for each Client and the Participating Organisation itself;
- (3) The authority matrix in relation to the approval process within the Participating Organisation for the borrowing and lending of Eligible Securities whether by the Participating Organisation's Clients or the Participating Organisation;
- (4) The list of Eligible Securities where the Participating Organisation will not be borrowing and lending (if any);
- (5) Relevant documentation in relation to the borrowing and lending of Eligible Securities which includes the written agreement in Rule 706.6 and the risk disclosure statement;
- (6) The handling and distribution of fees and income in relation to Eligible Securities lent and the collateral deposited;
- (7) The handling of corporate actions in respect of Eligible Securities lent and the collateral deposited; and
- (8) The carrying out of review in relation to the requirements and controls set out in the guidelines for Securities Borrowing or Lending and compliance with these Rules and the Clearing House Requirements pertaining to Securities Borrowing /or Lending activities.

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SCHEDULE 3
[Paragraph 4.1(1)(a)(ii)(kk)]

Comment [B120]: Previously, Schedule 10 of the Rules.

Short Selling:
Minimum requirements for written policies and procedures and internal controls

- (1) Criteria to assess the suitability of Client in carrying out Regulated Short Selling prior to the opening of RSS Account (as defined in Rule 803.3(1)) and on an ongoing basis;
- (2) The authority matrix in relation to the approval process within the Participating Organisation for the carrying out of Regulated Short Selling by the Clients and the Participating Organisation;
- (3) The list of Approved Securities for which the Participating Organisation will not allow for Regulated Short Selling (if any);
- (4) Procedures on amendments of orders and amendments of Contracts for Regulated Short Selling, including the supervision, monitoring and approval request for the amendments;
- (5) Relevant documentation in relation to the carrying out of Regulated Short Selling which includes the account opening form and documentation required pursuant to Rule 803.4;
- (6) Risk management policies and procedures which address the market risk, operational risk, credit risk and regulatory risk in relation to the conduct of Regulated Short Selling including limits in terms of volume and value prescribed for the carrying out of Regulated Short selling by each Client and the Participating Organisation; and
- (7) The carrying out of review in relation to the requirements and controls set out in the internal guidelines for Regulated Short Selling and compliance with the laws and rules relating to Regulated Short Selling.

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SCHEDULE 4
[Paragraph 15.1(1)(b)]

Comment [B121]: Previously, Schedule 11 of the Rules.

Minimum Coverage of Insurance Policy

- (1) Incomplete transactions.
- (2) Loss of securities/cash.
- (3) Forged, altered, stolen or counterfeit ~~Securities~~.
- (4) Infidelity of employees and Dealer's Representatives.
- (5) Official investigation costs.
- (6) Computer crimes:
 - a. computer systems – fraudulent input, modification or destruction of electronic data;
 - b. electronic computer instructions – fraudulent preparation or modification;
 - c. electronic data and media;
 - d. electronic communications;
 - e. assured service bureau operations;
 - f. electronic transmission and electronic securities;
 - g. forged telefacsimile;
 - h. computer virus;
 - i. errors and omissions.
- (7) Negligence.
- (8) Libel, slander and injurious falsehood.
- (9) Breach of copyright.
- (10) Civil liability.
- (11) Inadvertent breach of trust and inadvertent breach of fiduciary duty.
- (12) Dishonesty of employees and Dealer's Representatives.

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[End of Schedule]

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, and for this purpose shall maintain a proper and adequate supervisory and compliance system with a view to preventing any contravention of the Securities Laws and other applicable laws and regulations, these Rules, any directives or rulings issued by the Exchange from time to time, the Depository Rules, the Clearing House Rules and the Participating Organisation's own internal policies and procedures		
Page 1: [2] Comment [B4]	Bursa	08-10-09 8:55:00 AM
Covered under the requirement for written policies and procedures to prevent contravention by the PO, the PO's Registered Personnel and agents of these Rules, the Directives, Securities Laws and the PO's own internal policies and procedures – see Paragraph 4.1(1)(c)(i)(aa).		
Page 1: [3] Comment [B5]	Bursa	08-10-09 8:55:00 AM
Previously, Rule 508.5(1) under the section on corporate finance. As this should be a requirement generally applicable to the PO and not only in relation to corporate finance (the requirements of which no longer appear in these Rules), we have moved this rule here.		
Page 1: [4] Deleted	Bursa	13-01-09 11:04:00 AM
Every Participating Organisation shall, for the		
Page 1: [5] Comment [B6]	Bursa	25-02-09 10:57:00 AM
Previously, Rule 404.1(1)(a). Setting out the principle that a PO must not engage in any act that amounts to advertising securities for sale or purchase or share hawking.		
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make use of share hawking or other methods which are not approved by the Exchange, or which, in the opinion of the Exchange,		
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engage themselves in, or be a party to,		
Page 1: [9] Comment [B8]	Bursa	25-02-09 10:57:00 AM
Combining previous Rule 404.1(4) with this rule.		
Page 1: [10] Comment [B10]	Bursa	25-02-09 10:57:00 AM
Amendments are towards plain language drafting.		
Page 1: [11] Deleted	Bursa	27-11-08 7:52:00 PM
Participating Organisations, Heads of Dealing and Dealer's Representatives shall, in the conduct of their business for the sale, disposal, purchase, acquisition or exchange of securities, refrain themselves from engaging in, or be a party to, any unethical practices		
Page 2: [12] Comment [B17]	Bursa	25-02-09 10:57:00 AM
Previously, Rule 404.1(13)(b).		
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For the purposes of this Rule, Participating Organisations must establish written procedures on the opening of accounts for their clients and adequate internal control to ensure that all information obtained is properly verified.[B1] For this purpose the Participating Organisation shall maintain an internal guideline that shall be reviewed from time to time.[B2] Every Participating Organisation shall implement and maintain appropriate guidelines on its Dealer's Representatives to assist them in learning essential facts about their client's backgrounds, including the clients' investment objectives, knowledge and experience in dealing in		

securities, financial background and any other information as may be required by the Exchange from time to time.[B3]

Page 4: [14] Comment [B28]	Bursa	25-02-09 10:57:00 AM
Previously, Rule 403.3(1) (first sentence).		
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Every Participating Organisation shall establish and implement written procedures for the		
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Participating Organisations shall establish clear written guidelines		
Page 4: [17] Comment [B30]	Bursa	25-02-09 10:57:00 AM
Previously, Rule 404.1(7)(d).		
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ensure that it has in place internal guidelines for the purpose of		
Page 4: [19] Deleted	Bursa	09-01-09 12:41:00 PM
, frequent margin calls or other signs of apparent increase of risk exposure pertaining to margin facilities		
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Every Participating Organisation shall establish and implement internal guidelines and procedures for the		
Page 4: [21] Comment [B33]	Bursa	25-02-09 10:57:00 AM
Previously, part of Rule 404.1(7)(d).		
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. Such guidelines and procedures shall include –		
(a) detailed procedures on the processing of applications for credit facilities by a client, including but not limited to, procedures to ensure compliance with Rule 703.6(1) by the Participating Organisation;		
(b) the criteria to assess the creditworthiness of a client;		
(c) the documentation in respect of credit facilities extended to a client; and		
(d) an effective monitoring system.		
Page 4: [23] Deleted	Bursa	01-12-08 2:13:00 PM
A Participating Organisation shall establish written guidelines and procedures on the method of supervision, monitoring and approval of		
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A Participating Organisation which intends to enter into,		
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A Participating Organisation which intends to enter into,		
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A Participating Organisation operating a branch office shall in addition to the normal requirements to operate a branch office, put in place and enforce internal guidelines on internal controls and policies		
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Page 5: [25] Deleted Bursa 01-12-08 2:30:00 PM

A Participating Organisation operating a branch office shall in addition to the normal requirements to operate a branch office, put in place and enforce internal guidelines on internal controls and policies

Page 5: [26] Comment [B38] Bursa 25-02-09 10:57:00 AM

Previously, Rule 509.6(3)(a).

Page 5: [27] Deleted Bursa 01-12-08 3:29:00 PM

The systems of internal control shall be designed in such a way as

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The systems of internal control shall be designed in such a way as

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The systems of internal control shall be designed in such a way as

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The systems of internal control shall be designed in such a way as

Page 5: [28] Comment [B39] Bursa 25-02-09 10:57:00 AM

Previously, Rule 504.3(4)(e)(i).

Page 5: [29] Deleted Bursa 01-12-08 2:23:00 PM

A Participating Organisation operating a branch office shall in addition to the normal requirements to operate a branch office, put in place and enforce internal guidelines

Page 5: [29] Deleted Bursa 01-12-08 2:23:00 PM

A Participating Organisation operating a branch office shall in addition to the normal requirements to operate a branch office, put in place and enforce internal guidelines

Page 5: [30] Comment [B40] Bursa 25-02-09 10:57:00 AM

Previously, Rule 509.6(3)(b).

Page 5: [31] Deleted Bursa 01-12-08 3:30:00 PM

The systems of internal control shall be designed in such a way as to ensure that there are procedures

Page 5: [31] Deleted Bursa 01-12-08 3:30:00 PM

The systems of internal control shall be designed in such a way as to ensure that there are procedures

Page 5: [32] Comment [B41] Bursa 25-02-09 10:57:00 AM

Merging of previous Rules 310.2(10) and 404.1(7)(h) (see deleted rules below).

Page 5: [33] Deleted Bursa 01-12-08 3:56:00 PM

A Participating Organisation shall establish and maintain an adequate system to supervise

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A Participating Organisation shall establish and maintain an adequate system to supervise

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A Participating Organisation shall establish and maintain an adequate system to supervise

Page 5: [34] Comment [B43] Bursa 25-02-09 10:57:00 AM

Previously, Rule 404.1(7)(h).

Page 5: [35] Comment [B44] Bursa 08-10-09 9:17:00 AM

The items previously listed in Schedule 9 to the Rules will now be in Schedule 2 to this directive. This is done to consolidate all requirements on internal policies and procedures in one place.

Page 5: [36] Comment [B45] Bursa 08-10-09 9:17:00 AM

The items previously listed in Schedule 10 to the Rules will now be in Schedule 3 to this directive. This is done to consolidate all requirements on internal policies and procedures in one place.

Page 5: [37] Comment [B46] Bursa 25-02-09 10:57:00 AM

Previously, 401.2(2) (last sentence).

Page 5: [38] Deleted Bursa 01-12-08 2:11:00 PM

For the purposes of this Rule, every Participating Organisation shall establish and implement properly documented procedures for the review of all sales and educational literature, bulletins, newsletters and similar public medium

Page 5: [39] Comment [B47] Bursa 25-02-09 10:57:00 AM

Previously, Rule 404.5(1) (last sentence).

Page 5: [40] Deleted Bursa 01-12-08 2:25:00 PM

Procedures for the said

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Procedures for the said

Page 5: [41] Comment [B48] Bursa 25-02-09 10:57:00 AM

Previously, Rule 404.1(7)(e). Incorporating also the requirement to formulate a code of conduct for the PO's employees required under previous Rule 404.1(8).

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ensure that the

Page 5: [42] Deleted Bursa 01-12-08 2:27:00 PM

ensure that the

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Every Participating Organisation shall formulate a code of conduct for its registered person(s) and employees which shall deal with matters including best sales practices, compliance and transactions by registered person(s) and employees. The code of conduct shall be reviewed by the Compliance Officer to ensure its adequacy and effectiveness.

Page 5: [44] Comment [B50] Bursa 25-02-09 10:57:00 AM

Previously, Rule 702.2(3)(b).

Page 5: [45] Deleted Bursa 01-12-08 4:18:00 PM

the board of directors has developed and maintains internal controls and mechanisms

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the board of directors has developed and maintains internal controls and mechanisms

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the board of directors has developed and maintains internal controls and mechanisms

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the board of directors has developed and maintains internal controls and mechanisms

Page 6: [46] Deleted Bursa 13-01-09 11:41:00 AM

- (2) The back office system and operations of a Participating Organisation's principal office and branch office(s) must include an effective monitoring system, which enables timely reporting and transmission of data from a branch office to the principal office, to facilitate supervision of the activities of the principal office and the branch office(s).

- (3) The back office system and operations of a Participating Organisation's principal office and branch office(s) must ensure that daily reconciliation of all records of the principal office and the branch office(s) will be conducted.
- (4) A Participating Organisation shall ensure that all trading and transactions undertaken by its branch office(s) are reconciled and duly accounted for.

Page 6: [47] Comment [B53]	Bursa	25-02-09 10:57:00 AM
Previously, Rule 504.3(4)(e)(v) that required a PO to have internal guidelines on risk management for branch offices but it now applies generally to the PO.		
Page 6: [48] Deleted	Bursa	01-12-08 2:28:00 PM
A Participating Organisation operating a branch office shall in addition to the normal requirements to operate a branch office, put in place and enforce internal guidelines		
Page 6: [49] Deleted	Bursa	01-12-08 3:31:00 PM
The systems of internal control shall be designed in such a way as to ensure that there are measures, so far as is reasonably practicable,		
Page 6: [50] Comment [B55]	Bursa	25-02-09 10:57:00 AM
Previously, Rule 404.1(7)(b).		
Page 6: [51] Deleted	Bursa	01-12-08 2:35:00 PM
at all times exercise strict supervision over the overall operation of its business activities and the activities of its registered person(s) and employees, and for this purpose shall maintain a proper and adequate supervisory and compliance system with a view to preventing		
Page 6: [52] Deleted	Bursa	01-12-08 3:12:00 PM
, these Rules, any directives or rulings issued by the Exchange from time to time		
Page 6: [53] Comment [B56]	Bursa	25-02-09 10:57:00 AM
Covered in paragraph (A) above.		
Page 6: [54] Deleted	Bursa	01-12-08 3:12:00 PM
, the Depository Rules, the Clearing House Rules		
Page 6: [55] Comment [B57]	Bursa	08-10-09 9:17:00 AM
Unnecessary as the responsibility and accountability of a PO under these Rules in respect to compliance is for compliance with these Rules, the Directives, Securities Laws and other applicable laws and regulations.		
There is already an obligation on the relevant persons to comply with the Depository Rules and the Clearing House Rules under these rules.		
Page 6: [56] Deleted	Bursa	01-12-08 3:24:00 PM
Every Participating Organisation shall establish effective policies and procedures		
Page 6: [57] Comment [B58]	Bursa	25-02-09 10:57:00 AM
Incorporating previous Rule 508.6(1)(d).		
Page 6: [58] Deleted	Bursa	01-12-08 3:25:00 PM
and its clients. In cases where conflict of interests and/or conflict of duty cannot be avoided, the conflict shall be fully disclosed to the client prior to the execution of the transaction.		
Page 6: [59] Comment [B59]	Bursa	08-10-09 9:18:00 AM
Previously, Rule 404.1(14). The second sentence is reflected under Paragraph 2.2(2).		
Page 6: [60] Deleted	Bursa	01-12-08 3:14:00 PM

A Participating Organisation shall ensure that there is, at all times, a proper management of conflicts of interest, whether actual, potential or perceived, which arise or may arise from the carrying out of corporate finance activities and the other activities of the Participating Organisation. In this respect, the Participating Organisation shall develop and maintain internal policies and controls for avoidance of insider trading[B4]; and

Page 6: [61] Comment [B60] Bursa 25-02-09 10:57:00 AM

Previously, Rule 508.6(1)(c). This rule requires POs to have supervisory procedures to avoid insider trading. This is already captured in the rule immediately above.

Page 7: [62] Deleted Bursa 09-01-09 11:24:00 AM

- (1) Every Participating Organisation shall establish, implement and maintain a reasonably comprehensive system of training towards –
 - (a) ensuring the continuous improvement in critical areas of its principal activities and operations; and
 - (b) enhancing the technical knowledge of its employees to enable them to understand the operational and internal control policies and procedures of the Participating Organisation and all applicable legal and regulatory requirements.
- (2) Such system of training shall be properly documented in a manual form which shall -
 - (a) set out details of the training programmes which the Participating Organisation proposes to implement; and
 - (b) be regularly updated in line with the development in the securities industry.
- (3) The training programmes shall be -
 - (a) conducted regularly by Participating Organisations; and
 - (b) open to -
 - (i) their Commissioned Dealer's Representatives, employees and apprentices, in an equitable manner and without any form of discrimination whatsoever; and
 - (ii) students from tertiary institutions of learning involved in studies relating to the securities industry.
- (4) Every Participating Organisation shall -
 - (a) make available to the Exchange a copy of the manual referred to in Rule 404.2(2) forthwith upon request from the Exchange. The Exchange shall be promptly notified by the Participating Organisation in respect of any amendments or updating made from time to time to the contents of the manual;
 - (b) keep proper records of all training programmes carried out by it including particulars of the trainees, apprentices and students who have taken part in such programmes; and
 - (c) at the end of every year, submit to the Exchange a complete report in respect of the training programmes carried out by it during the preceding year period.
- (5) The Exchange may from time to time, if it considers appropriate, require any part of the manual kept by a Participating Organisation pursuant to Rule 404.2 (2) to be amended so as to ensure

the maintenance of reasonably acceptable standard and quality of training carried out by the Participating Organisation.

Page 9: [63] Deleted Bursa 02-12-08 10:47:00 AM

Notwithstanding Rule 404.4(6)(a), a Participating Organisation may at its discretion –

(a) in the case of an application for the opening of an account made by an institution or corporation, approve such application without requiring the authorised representative of such institution or corporation to be present before the Participating Organisation or its Dealer's Representative; or

(b) in the case of an application by a client other than that specified in Rule 404.4(7)(a), allow the authentication of a client's application for account opening under Rule 404.4(6)(a) to be done by any of the following persons in place of a Dealer's Representative –

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Page 9: [65] Comment [B73] Bursa 25-02-09 10:57:00 AM

Unnecessary. We can use our general power to add to these Rules under Rule 201.1(2)(b).

Page 9: [66] Deleted Bursa 02-12-08 10:51:00 AM

PROVIDED THAT the Participating Organisation shall in such cases take all such steps as shall be necessary to ensure the genuineness or authenticity of the application.

Page 9: [67] Comment [B75] Bursa 13-03-10 6:43:00 AM

Consequential to simplifying the rule on authentication of account opening application forms. To note that the general principle that a PO must take reasonable steps to verify the identity of the applicant and the information in the applicant's account opening application form would still apply to an applicant that is not an individual. And this verification must be done based on reliable sources. It is only the requirement for the applicant to be present before the specified persons and to have those persons verify the information that is dispensed with for non-individual applicants.

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No Participating Organisation, Head of Dealing and Dealer's Representative[B5] shall, prior to obtaining written authorisation from a client		
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, on the basis of accurate information provided by the client concerning his		
Page 11: [78] Comment [B89]	Bursa	25-02-09 10:57:00 AM
Unnecessary. Deleting these words in line with simplifying this rule.		
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Page 11: [81] Comment [B90]	Bursa	25-02-09 10:57:00 AM
Substituting the reference to "dealing" with "trading" to confine these Rules to trading in securities.		
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. In assessing the client's suitability to any transaction, a Participating Organisation or its Dealer's Representative is entitled to rely on representations made by the client;		

Page 11: [83] Comment [B91]	Bursa	25-02-09 10:57:00 AM
Unnecessary. Deleting these words in line with simplifying this rule.		
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Page 12: [85] Deleted	Bursa	02-12-08 4:09:00 PM
statements, in such form as may be prescribed by the Participating Organisation or the Exchange if deemed necessary or expedient, to such client on the movement of the client's assets (which shall include monies, other assets and collateral) by such date every month as determined by the Exchange.		
Page 12: [86] Comment [B95]	Bursa	25-02-09 10:57:00 AM
Previously, Rule 404.4(4) (second sentence).		
Page 12: [87] Deleted	Bursa	02-12-08 4:10:00 PM
Such monthly statements shall also include interest and other charges imposed on the clients.		
Page 12: [88] Comment [B96]	Bursa	25-02-09 10:57:00 AM
To clarify that a PO may determine the mode and manner the statement of account is sent to a Client.		
Page 12: [89] Comment [B97]	Bursa	25-02-09 10:57:00 AM
To require the PO to obtain the Client's prior revocable consent if the PO wishes to issue the statement of account in electronic form.		
<p>We are looking to standardise the requirement on consent for issuing electronic statements of account with the current SC's requirements for issuing electronic contract notes currently contained in SC's Guidelines on Electronic Contract Notes so that the requirements are the same for monthly statements and contract notes. This is why we have stated that any requirement imposed by the Exchange or the Commission on consent to the issue and delivery of electronic contract notes are to apply equally in relation to the consent required under this Rule.</p>		
<p>An example of the requirements on consent for issue of electronic contract note in the SC's Guidelines on Electronic Contract Notes is that there must be (1) consent for the issuance and delivery of the contract note in electronic form;</p> <p>(2) consent as to the manner of issuance and delivery of the electronic contract note, either through email or accessing a website; (3) consent to receive contract note through other modes in the event of systems failure etc.</p>		
Page 12: [90] Comment [B98]	Bursa	25-02-09 10:57:00 AM
Previously, Rule 404.3(9)(a).		
Page 12: [91] Deleted	Bursa	02-12-08 5:02:00 PM
by the Minister pursuant to Section 90 of the		
Page 12: [92] Comment [B99]	Bursa	25-02-09 10:57:00 AM
Unnecessary to quote the specific section in the CMSA under which the regulations are issued.		
Page 12: [93] Comment [B100]	Bursa	25-02-09 10:57:00 AM
Previously, Rule 404.3(9)(b).		
Page 12: [94] Deleted	Bursa	02-12-08 5:04:00 PM
shall, unless otherwise permitted by the Exchange upon notification to the Commission,		
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(5[B6]) A Participating Organisation shall not, by way of an agreement or by any other way, obtain the consent of the client which would result in a variation or avoidance of the obligation imposed on the Participating Organisation under this Rule 405.

Page 13: [100] Comment [B104]	Bursa	25-02-09 10:57:00 AM
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Previously Rule 405.1(5). Deleted as this is unnecessary. Under Section 354 of the CMSA, a PO is under an obligation to comply with these Rules and any variation or avoidance by way of an agreement would be a breach of the CMSA. Also, a PO would have given an undertaking to us to comply with the Rules. A variation or avoidance by way of an agreement would be a breach of the undertaking.

Page 13: [101] Comment [B105]	Bursa	25-02-09 10:57:00 AM
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Previously, paragraph (ii) of R/R 8 of 1998 on Dealing with Client's Monies. This directive incorporates the requirements on paragraphs (ii), (iii) and (iv) of R/R 8 of 1998 into the Directives.

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Page 13: [105] Comment [B109]	Bursa	25-02-09 10:57:00 AM

Imposing a requirement that the withdrawal of the monies out of the trust account must be in accordance with the CMSA so that we can take action against a PO if the PO withdraws monies out of the trust account in contravention of the CMSA.

Page 13: [106] Comment [B110]	Bursa	25-02-09 10:57:00 AM
Previously, Rule 505.2(1). Moved here to consolidate all the provisions relating to Client's assets.		
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For purposes of protection of clients' assets in relation to securities which are held in safe custody under custodial services rendered, a		
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For purposes of protection of clients' assets in relation to securities which are held in safe custody under custodial services rendered, a		
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For purposes of protection of clients' assets in relation to securities which are held in safe custody under custodial services rendered, a		
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For purposes of protection of clients' assets in relation to securities which are held in safe custody under custodial services rendered, a		
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For purposes of protection of clients' assets in relation to securities which are held in safe custody under custodial services rendered, a		

ESTABLISHMENT OF BRANCH OFFICE AND ELECTRONIC ACCESS FACILITY	No. 602.2-001
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Relevant to : Rule 602.2
 Introduced with effect from : [1/1/20...]
 Amended : N/A
 POs' Circular No(s). : N/A
 Refer also to Directive No(s). : N/A

1. RULE 602.2

This Rule provides that a Participating Organisation may establish, maintain and operate Branch Offices and Electronic Access Facilities upon approval of the Exchange subject to the Commission's requirements on Branch Offices and Electronic Access Facilities.

Pursuant to the above Rule, a Participating Organisation must comply with the following directives:

1.1 Written application

(1) A Participating Organisation who intends to establish a Branch Office or an Electronic Access Facility pursuant to Rule 602 must submit a written application to the Exchange in accordance with this Directive.

(2) The written application must be submitted, together with a written notification of the location and intended commencement date of the operations of the Branch Office or Electronic Access Facility, not later than 30 Market Days prior to the intended commencement date of the operations of the Branch Office or Electronic Access Facility.

1.2 Approval in principal for establishment of Branch Office and Electronic Access Facility

(1) Upon receipt of the application to establish a Branch Office or an Electronic Access Facility, the Exchange will evaluate the application and consider all matters relevant including the following -

- (a) area which the Participating Organisation is applying to establish a Branch Office or an Electronic Access Facility;
- (b) business integrity;
- (c) financial standing; and
- (d) experience of dealing in securities.

(2) The requirements stipulated in 1.1(1) and (2) in relation to Branch Office of this Directive are not applicable to an Investment Bank.

1.3 Readiness audit

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Comment [B1]: As the application procedures for an establishment of branch office and electronic access facilities are operational in nature, it is better to merge and set them out in the PO Manual instead of the Rules.

Comment [B2]: The previous Rule 504.3(1) is incorporated and combined with the previous Rules 504A.2(2) and 504A.2(3) in line with the merging of the requirements of branch office and EAF in Rule 602.

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Comment [B3]: The previous Rule 504A.2(3) is incorporated and made applicable to the PO in respect of the establishment of a branch office in line with the merging of the requirements of branch office and EAF in Rule 502.

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Comment [B4]: The previous Rules 504.3(2)(a) and (b) are merged and incorporated here and made applicable to the PO in respect of the establishment of an EAF in line with the merging of the requirements of branch office and EAF in Rule 602.

Deleted: The Exchange may, on application by a Participating Organisation ...pon receipt ... [6]

Comment [B5]: This is an internal process between the Exchange and the Commission, as such need not be reflected in this PO Manual.

Deleted: In determining whether or not to recommend an approval of such application to the Commission, the Exchange ...nd may ... [7]

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Comment [B6]: The previous Rule 504.3(2A) in relation to the approval requirement to establish a branch office is incorporated and made applicable to the PO in respect of the approval requirement for establishment of an EAF in line with the merging of the requirements of branch office and EAF in Rule 602.

Deleted: Rule 504.3(2) above, save and except for Rule 504.3(2)(c) in relation to the contribution, ...he requirements stipulated... [9]

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~~(1) A Participating Organisation cannot commence operations of a Branch Office or an Electronic Access Facility until completion of readiness audit.~~

~~(2) The Exchange will undertake readiness audit as follows:~~

~~(a) for Branch Office:~~

~~(i) if the Participating Organisation has cumulatively established 3 Branch Offices, the Participating Organisation will be required to submit a declaration in the form prescribed by the Exchange in relation to readiness audit ("Declaratory Approach") in respect of the opening of the 4th Branch Office onwards;~~

~~(ii) if the Participating Organisation has established less than 3 Branch Offices, the Participating Organisation will be required to assess its own readiness through an independent review ("Self Assessment Approach").~~

~~(b) for Electronic Access Facility:~~

~~(i) if the application is intended for the first Electronic Access Facility, the Participating Organisation must assess its own readiness through an independent review ("Self Assessment Approach") prior to submitting the application to the Exchange;~~

~~(ii) for subsequent applications for establishment of an Electronic Access Facility, the Participating Organisation will only be required to submit a declaration in the form prescribed by the Exchange in relation to readiness audit ("Declaratory Approach")~~

~~(3) If the Exchange is satisfied with the readiness of the Participating Organisation the Exchange will issue a letter of approval for commencement of the Branch Office or Electronic Access Facility.~~

~~1.4 Name of Branch Office and Electronic Access Facility~~

~~(1) The Branch Office and Electronic Access Facility must carry the name of the Participating Organisation and not any other name.~~

~~1.5 Material changes to the Branch Office or Electronic Access Facility~~

~~(1) A Participating Organisation must obtain the prior approval of the Exchange in respect of any material change to the Branch Office or Electronic Access Facility established, maintained or operated pursuant to this Directive.~~

~~2. RULE 602.3(2)~~

~~This Rule provides that a Participating Organisation is only permitted to carry out activities as permitted by the Exchange at the Electronic Access Facility as determined by the Exchange.~~

~~The other activities permitted to be carried out at the Electronic Access Facility as determined by the Exchange are set out below. The Exchange has also set out a list of activities prohibited to be carried out at the Electronic Access Facility, for the avoidance of doubt.~~

~~2.1 Permitted activities at the Electronic Access Facility~~

Comment [B7]: The previous Rule 504.3(3)(b) is incorporated here and made applicable to the PO in respect of the readiness audit requirements for establishment of branch office and EAF in line with the merging of the requirements of branch office and EAF in Rule 602.

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Comment [B8]: Introduced to clarify the types of readiness audit that a PO will be required to do or subjected to, as per the letter to PO ref: no. RISI/GEN/120 and Guidelines Pertaining to the Declaratory Approach in Respect of Readiness Audits .

Comment [B9]: Inserted to clarify that a letter of approval will be given to the PO for ... [10]

Comment [B10]: This was originally R ... [11]

Comment [B11]: Amended to impose ... [12]

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Comment [B12]: The previous Rule ... [13]

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Comment [B13]: The tracked changes ... [15]

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- (1) the deposit and collection of relevant forms duly executed by the Clients;
- (2) the publication or dissemination of written analysis or reports or any similar communications by the Participating Organisation in the course of carrying on the regulated activity of investment advice;
- (3) to station its employee(s), except its Dealer's Representative(s) or third party(ies) at its Electronic Access Facility for the following purposes only:
 - (a) providing assistance to Clients utilising the Electronic Access Facility;
 - (b) providing maintenance services to the Electronic Access Facility;
 - (c) providing security to the Electronic Access Facility and its site(s); and
 - (d) such other activities as may be approved by the Commission and/or Exchange from time to time.

2.2 Prohibited activities at the Electronic Access Facility

- (1) A Participating Organisation must not undertake at the Electronic Access Facility any type of front office and back office operations and activities including the following:
 - (a) the opening and closing of trading accounts or Securities Accounts;
 - (b) trading in Securities, but excluding such orders entered into the Electronic Access Facility by the Clients;
 - (c) the processing, production or printing of contract notes;
 - (d) the acceptance of payment of moneys from Clients for any reason whatsoever;
 - (e) any other business as permitted by the Commission or Central Bank; and
 - (f) stationing of Dealer's Representatives.

3. RULE 602.4(1)

This Rule provides that a Participating Organisation may convert its electronic access facility to a Branch Office or vice versa upon approval of the Exchange.

Pursuant to the above Rule, a Participating Organisation must comply with the following directives:

3.1 Conversion of Electronic Access Facility to Branch Office or Branch Office to Electronic Access Facility

- (1) A Participating Organisation who intends to convert an Electronic Access Facility to a Branch Office, or a Branch Office to an Electronic Access Facility must undertake the following:
 - (a) submit a written application to the Exchange, at least 3 months prior to the date of the proposed conversion; and

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- Deleted: c
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- Deleted: Universal Broker's, Investment ... [17]
- Deleted: principal office or branch office(s)
- Deleted: and
- Deleted: (b)...2) the publication or ... [19]
- Comment [B15]: Deleted as we are d ... [21]
- Deleted: (or part or parts thereof) ... [20]
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- Comment [B16]: The previous Rule ... [22]
- Comment [B17]: Deleted as we are d ... [24]
- Comment [B18]: The prohibition to sta ... [25]
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- Deleted: A Universal Broker, Investment ... [23]
- Deleted: e...lectronic a...ccess f...acilit ... [26]
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- Comment [B19]: The previous Rule ... [31]
- Deleted: Universal Broker, Investment ... [32]
- Deleted: which establishes, maintains ... [33]
- Deleted: shall...ensure that the followi ... [34]
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- Comment [B20]: Deleted as the same ... [36]
- Deleted: (a)
- Deleted: any type of front office and b ... [37]
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- Deleted: (iii)
- Deleted: (iv)...d) the acceptance of pa ... [41]
- Deleted: (v)...e) the regulated activitie ... [42]
- Comment [B21]: Previously Rule 504 ... [44]
- Comment [B22]: Previously Rule 504 ... [47]
- Deleted: ¶
- Deleted: 2.2 Name of Branch Office ... [43]
- Deleted: ¶ ... [45]
- Deleted: 2.4 Material changes to the ... [46]
- Comment [B23]: The tracked change ... [48]
- Comment [B24]: The previous Rules ... [49]
- Deleted: both the Commission and ...h ... [50]
- Deleted: ,
- Deleted: a written application in accord ... [51]

(b) give prior written notification of not less than two 2 months before the proposed date of conversion to its Clients who may be affected by the proposed conversion.

[End of Directive]

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Rule 504.3(2) above, save and except for Rule 504.3(2)(c) in relation to the contribution,		
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Rule 504.3(2) above, save and except for Rule 504.3(2)(c) in relation to the contribution,		
Page 2: [10] Comment [B9]	Bursa	16-02-09 4:37:00 PM
Inserted to clarify that a letter of approval will be given to the PO for commencement of the branch office or EAF, if the Exchange satisfied with the readiness audit.		
Page 2: [11] Comment [B10]	Bursa	13-03-10 6:02:00 PM
This was originally Rule 504.3(4)(c).		
Page 2: [12] Comment [B11]	Bursa	06-10-09 9:28:00 PM
Amended to impose similar requirement to the electronic access facility.		
Page 2: [13] Comment [B12]	Bursa	13-03-10 6:02:00 PM
The previous Rule 504A.8(8) is incorporated here and made applicable to the PO in respect of the EAF in line with the merging of the requirements of branch office and EAF in Rule 602.		
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Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be,		
Page 2: [15] Comment [B13]	Bursa	13-03-10 6:05:00 PM
The tracked changes show the amendments made to the previous Rules 504A.5(1) and (2).		
Page 3: [16] Deleted	Bursa	12-11-08 3:17:00 PM
(save and except where such forms are required to be witnessed in accordance with these Rules and the relevant Depository Rules) for onward transmission to the		
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Page 3: [21] Comment [B15]	Bursa	16-02-09 4:37:00 PM
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Deleted as we are doing away with the different categorisation of the POs.

Page 3: [22] Comment [B16]	Bursa	13-03-10 6:07:00 PM
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The previous Rule 504A.5(2) is incorporated in the PO Manual and combined with the previous Rule 504A.5(1) as it sets out the operational requirements in relation to the EAF of the PO i.e setting out the permitted activities that a PO can carry out at its EAF.

Page 3: [23] Deleted	Bursa	25-11-08 4:22:00 PM
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A Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be[B1] which establishes, maintains or operates an electronic access facility is permitted to position or

Page 3: [24] Comment [B17]	Bursa	16-02-09 4:37:00 PM
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Page 3: [25] Comment [B18]	Bursa	13-03-10 6:09:00 PM
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The prohibition to station a DR at the EAF as contained in Rule 504A.7(1) is incorporated here.

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Page 3: [31] Comment [B19] Bursa 13-03-10 6:10:00 PM

The previous Rule 504A.6(1) is incorporated in the PO Manual as it sets out the operational requirements in relation to the EAF of the PO i.e setting out the activities that a PO is prohibited from carrying out at its EAF.

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Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be,

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which establishes, maintains and operates an electronic access facility in the manner envisaged in these Rules

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shall

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Page 3: [36] Comment [B20] Bursa 13-03-10 6:11:00 PM

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any type of front office and back office operations and activities, including without limitation the following –

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2.2[B2] Name of Branch Office and Electronic Access Facility

The branch office shall carry the name of the Participating Organisation and not any other name.

Page 3: [44] Comment [B21] Bursa 13-03-10 6:15:00 PM

Previously Rule 504.3(4)(c). This has been moved to 1.4 of this Directive.

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Page 3: [46] Deleted Bursa 06-10-09 9:37:00 PM

2.4^[B3] Material changes to the Branch Office or Electronic Access Facility

A Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be, shall obtain the prior approval of the Commission and the Exchange in respect of any material change(s) to the electronic access facility implemented pursuant to these Rules.

Page 3: [47] Comment [B22] Bursa 13-03-10 6:16:00 PM

Previously Rule 504A.8(8). This has been moved to 1.5 of this Directive.

Page 3: [48] Comment [B23] Bursa 13-03-10 6:18:00 PM

The tracked changes show the amendments made to the previous Rules 504.5 and 504A.10.

Page 3: [49] Comment [B24] Bursa 13-03-10 6:19:00 PM

The previous Rules 504.5 and 504A.10 are incorporated here as these Rules sets out the operational requirements in relation to the conversion of the electronic access facility to a branch office, or a branch office to an electronic access facility of a PO.

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both the Commission and

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both the Commission and

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both the Commission and

Page 3: [51] Deleted Bursa 02-12-08 3:59:00 PM

a written application in accordance with Rule 504A.2

COMPLIANCE FUNCTIONS OF PARTICIPATING ORGANISATION	No. 604.1(1)-001
---	-------------------------

Relevant to : Rule 604.1(1)
 Introduced with effect from : []/[]/20*
 Amended : N/A
 POs' Circular No(s). : N/A
 Refer also to Directive No(s). : N/A

1. RULE 604.1(1)

This Rule requires a Participating Organisation to carry out the compliance function to monitor compliance with these Rules, Directives and the Securities Laws and to provide advice on all the relevant requirements that a Participating Organisation must comply with, in carrying out the Participating Organisation's business in accordance with these Rules, Directives and the Securities Laws.

In addition to the above, a Participating Organisation can undertake compliance functions for Trading in Futures Contracts conducted at the Participating Organisation's Principal Office or Branch Office by its Related Corporation if the following conditions are complied with:

- 1.1 the carrying out of the compliance functions as required under these Rules for the Participating Organisation's business in trading in Securities are not compromised or affected; and
- 1.2 the Participating Organisation must submit all compliance reports pertaining to the Trading in Futures Contracts, to the compliance officer of the Futures Broker; and
- 1.3 the compliance officer of the Futures Broker and the Futures Broker are ultimately responsible for the compliance functions in relation to the Trading in Futures Contracts.

[End of Directive]

Comment [B1]: Rule 503.3(3)(c)(ii) is incorporated here and amended to clarify that a Participating Organisation can undertake compliance for Trading in Futures Contracts conducted at the Participating Organisation's principal office or branch office by its related company if the following conditions are complied with:

- (1) the carrying out of the compliance functions of the Participating Organisation are not compromised;
- (2) the PO must submit all compliance report in relation to the future broking business to the compliance officer of the futures broker; and
- (3) the compliance officer of the futures broker and the futures broker are responsible for the compliance functions of the futures broking business.

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Deleted: (1) notwithstanding the preceding paragraph and unless otherwise required by the Exchange, the exchange company and/or the Commission, the licensed futures company may elect to have the Compliance Officers of the Universal Broker, Investment Bank, Eligible Non-Universal Broker and Special Scheme Broker undertake the compliance functions envisaged in the business rules *Provided Always*

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the Universal Broker's, Investment Bank's, Eligible Non-Universal Broker's and Special Scheme Broker's Compliance Officer so acting shall have passed the relevant examination approved by the exchange company pursuant to the business rules,

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whereupon the Universal Broker, Investment Bank, Eligible Non-Universal Broker and Special Scheme Broker shall

Page 1: [3] Deleted **Bursa** **17-02-09 12:14:00 PM**

but without derogation to the responsibility for supervisory activities of the futures broking business pursuant to the business rules being at all times vested in the licensed futures company and its compliance officer

COMPLIANCE FUNCTIONS OF PARTICIPATING ORGANISATION	No. 604.1(1)-001
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Relevant to : Rule 604.1(1)
 Introduced with effect from : []/[]/20*
 Amended : N/A
 POs' Circular No(s). : N/A
 Refer also to Directive No(s). : N/A

1. RULE 604.1(1)

This Rule requires a Participating Organisation to carry out the compliance function to monitor compliance with these Rules, [Directives and the Securities Laws](#) and to provide advice on all the relevant requirements that a Participating Organisation must comply with, in carrying out the Participating Organisation's business in accordance with these Rules, Directives and the Securities Laws.

In addition to the above, a Participating Organisation can undertake compliance functions for Trading in Futures Contracts conducted at the Participating Organisation's Principal Office or Branch Office by its Related Corporation if the following conditions are complied with:

- 1.1 the [carrying out of the compliance functions as required under these Rules for the Participating Organisation's business in trading in Securities](#) are not compromised or affected; and
- 1.2 [the Participating Organisation must submit all compliance reports pertaining to the Trading in Futures Contracts, to the compliance officer of the Futures Broker; and](#)
- 1.3 [the compliance officer of the Futures Broker and the Futures Broker are ultimately responsible for the compliance functions in relation to the Trading in Futures Contracts.](#)

[End of Directive]

Comment [B1]: Rule 503.3(3)(c)(ii) is incorporated here and amended to clarify that a Participating Organisation can undertake compliance for Trading in Futures Contracts conducted at the Participating Organisation's principal office or branch office by its related company if the following conditions are complied with:

- (1) the carrying out of the compliance functions of the Participating Organisation are not compromised;
- (2) the PO must submit all compliance report in relation to the future broking business to the compliance officer of the futures broker; and
- (3) the compliance officer of the futures broker and the futures broker are responsible for the compliance functions of the futures broking business.

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the Universal Broker's, Investment Bank's, Eligible Non-Universal Broker's and Special Scheme Broker's Compliance Officer so acting shall have passed the relevant examination approved by the exchange company pursuant to the business rules,

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whereupon the Universal Broker, Investment Bank, Eligible Non-Universal Broker and Special Scheme Broker shall

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but without derogation to the responsibility for supervisory activities of the futures broking business pursuant to the business rules being at all times vested in the licensed futures company and its compliance officer

RISK MANAGEMENT OF PARTICIPATING ORGANISATION	No. 605.1(2)-001
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Relevant to : Rule 605.1(2)
 Introduced with effect from : []/[]/20*
 Amended : N/A
 POs' Circular No(s). : N/A
 Refer also to Directive No(s). : N/A

1. Rule 605.1(2)

This Rule requires the Participating Organisation to ensure that the risk management functions are reported to the Board of Directors of the Participating Organisation or any other committee as determined by the Board of Directors whose function is to manage and monitor the discharge of the risk management functions of the Participating Organisation.

The Board of Directors or the committee must, in discharging the above functions cover the areas as stated below:

1.1. Functions of the Board of Directors or the committee

- (1) (a) to develop and implement adequate risk assessment that commensurate with the scope, size and complexity of the Participating Organisation's activities and the level of risks that the Participating Organisation prepares to assume;
- (b) to manage and monitor the risks identified under 1.1(1) (a) above; and
- (c) to manage and review the policies and procedures in relation to the risk management.

[End of Directive]

Comment [B1]: The tracked changes show the amendments made to the original Rule 509.2(1)(a).

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INTERNAL AUDIT OF PARTICIPATING ORGANISATION	No. 606-001
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Relevant to : Rule 606.1(2),606.2(1)
 Introduced with effect from : []/[]/20*
 Amended : N/A
 POs' Circular No(s). : N/A
 Refer also to Directive No(s). : N/A

1. Rule 606.1(2)

This rule requires the Participating Organisation to establish and maintain an audit committee, whether on its own or at the Group Level in accordance with Rule 607. The audit committee is responsible for monitoring and overseeing all matters relating to the discharge of the internal audit functions of the Participating Organisation.

In discharging the above function, the audit committee must cover the areas as stated below:

1.1 Functions of audit committee

- (a) to ensure that the financial and accounting system of the Participating Organisation represents a true and fair view of its current financial position;
- (b) to oversee the Participating Organisation's internal control structure and its financial reporting process;
- (c) to review the findings of the internal and annual statutory audit and to recommend as well as implement appropriate remedial and corrective measures relating to the same;
- (d) to discuss any matters arising from the previous year's audit, to review the scope of the current year's audit, the plans for carrying out the audit, the extent of reliance on the work of the statutory auditor;
- (e) to ensure proper implementation and recommend appropriate remedial and corrective measures in respect of such findings arising from inspections conducted by the Exchange;
- (f) to review the changes in statutory requirements and any rules issued and any significant audit problems that can be foreseen either as a result of the previous year's experience or because of new developments;
- (g) to ensure the independence and objectivity of the internal and the statutory auditor and that the audits are conducted in a thorough and effective manner; and
- (h) to monitor the Participating Organisation's compliance with applicable laws and regulations.

Comment [B1]: The tracked changes show the amendments made to the original Rule 510.1(2) in relation to the internal audit functions and Audit Committee of a PO.

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2. Rule 606.2(1)

This Rule requires the audit committee to be independent and competent, have no conflict of interest in the discharge of their functions as members of the audit committee and collectively have the relevant skills and experience in the areas relating to accounting, trading, operations, compliance, auditing and financial reporting.

A Participating Organisation must comply with the following directives in relation to the composition of an audit committee:

2.1 Composition of audit committee

- (1) An audit committee of the Participating Organisation must comprise of at least 3 members, 2 of whom must be Non-Executive Directors. This requirement is also applicable when the audit committee is established at Group Level but the Non Executive Directors need not be from the Participating Organisation.
- (2) The chairman of the audit committee must be appointed from amongst the Non-Executive Directors.
- (3) In the event that the composition of the audit committee exceeds the prescribed minimum stipulated herein, Non-Executive Directors must form the majority of such audit committee.
- (4) A Participating Organisation must ensure that Non-Executive Directors form the majority of the audit committee members present at any meetings of the audit committee referred to in Rule 606.4(1).

[End of Directive]

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Comment [B2]: The previous Rule 510.1(3)(a) is incorporated into the PO Manual, consistent with the approach of setting out the detailed requirements on composition of any committee to be established by the PO, in the PO Manual.

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Comment [B3]: This provision which is part of the previous Rule 510.1(3)(a) is incorporated into the PO Manual, consistent with the approach of setting out the detailed requirements on composition of any committee to be established by the PO, in the PO Manual.

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Comment [B4]: This provision which is part of the previous Rule 510.1(3)(a) is incorporated into the PO Manual, consistent with the approach of setting out the detailed requirements on composition of any committee to be established by the PO, in the PO Manual.

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The previous Rule 510.1(3)(b) is incorporated into the PO Manual, consistent with the approach of setting out the detailed requirements in relation to functions/activities of audit committee into the PO Manual.

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VALUATION OF COLLATERAL AND EQUITY MARGIN	No. 708-001
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Relevant to : [Rule 708.2(7) and 708.2(14)]
 Introduced with effect from : []
 Amended : []
 POs' Circular No(s). : []
 Refer also to Directive No(s). : []

1. Rule 708.2(7)

A Participating Organisation must value any collateral that a Client may deposit into the Client's Margin Account and any Securities purchased and carried in the Margin Account in the manner determined by the Exchange.

The valuation of collateral as determined by the Exchange is as follows:

1.1 Collateral

- (1) For securities quoted on the Exchange and Recognised Stock Exchanges, the value must be based on the last traded price of the securities on the preceding market day;
- (2) For cash or fixed deposit certificates, the value must be -
 - (a) in the case of cash or fixed deposit certificates denominated in Ringgit Malaysia, their face value thereof;
 - (b) in the case of cash or fixed deposit certificates denominated in currencies other than in Ringgit Malaysia, the prevailing market exchange rate;
- (3) For Malaysian government securities, agamas bonds, government investment issues and Malaysian treasury bills, the value must be calculated at the last traded price as reported to the Central Bank;
- (4) For negotiable certificates of deposit and bankers' acceptances issued in Malaysia, the value must be at the price determined by the issuing banks;
- (5) For guarantees issued by banks, merchant banks or finance companies or standby letters of credit issued by commercial banks or merchant banks, the value must be their face value thereof;
- (6) For Securities arising from corporate actions but pending to be credited into a Client's Securities Account, the value must be the Last Done Price of the Securities on the preceding Market Day; and
- (7) For all other types of collateral, the value is zero.

1.2 Valuation of securities purchased

- (1) In respect of securities purchased and carried in the Margin Account, the method of valuation of such securities is as follows -
 - (a) For securities subscribed through an initial public offering, the value is the issue price and for securities purchased through a rights issue, the value is the subscription price of the securities.
 - (b) For the types of securities stipulated under 1.1, the value is as stipulated in 1.1.

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VALUATION OF COLLATERAL AND EQUITY MARGIN	No. 708-001
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(c) For all other types of securities other than that stipulated in [1.1](#), the value ~~is~~ zero.

2. Rule 708.2(14)

This Rule requires that a Participating Organisation must not allow the Equity in any [Client's](#) [Margin Account](#) to fall below 130% of the Outstanding Balance.

In computing the Equity in any [Client's](#) [Margin Account](#) for the purpose of Rule 708.2(11), the Participating Organisation must comply with the following:

2.1 Equity Margin

[\(1\)](#) When a Participating Organisation receives cash collateral as part of the Equity in any [Client's](#) [Margin account](#), the Participating Organisation must not deduct the cash collateral from the Outstanding Balance.

[End of Directive]

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Inserted to clarify that securities to be issued and credited into a Client's CDS account pursuant to a corporate action may be included in the computation of the collateral and the valuation of such securities will be based on last done price of the securities of he same counter already quoted on the Exchange on the preceding Market Day.		
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DIRECTIVES ON ACCOUNTING AND FINANCIAL REPORTING REQUIREMENTS

No. 1201-001

Relevant to : Rule 1201.1(1),1201.2
Introduced with effect from : []/[]/20[]
Amended : N/A
POs' Circular No(s). : N/A
Refer also to Directive No(s). : 1203-001

1. Rule 1201.1(1)

This rule requires a Participating Organisation to keep up-to-date accounting and other books and records. The accounting and other books and records must:

- (a) comply with the Exchange's requirements; and
- (b) be kept for a period of not less than 7 years from the date the records are first prepared.

This directive sets out the Exchange's requirements in keeping of accounting and other books and records.

1.1 Accounting and other books and records

(1) A Participating Organisation's accounting and other books and records must satisfy the following requirements:

- (a) enables the Participating Organisation's Statutory Auditor to decide on the matters stipulated in Rule 1202.1(3);
- (b) sufficiently explains the transactions and financial position of the Participating Organisation's business;
- (c) accurately reflect the financial position of the Participating Organisation at the close of business on any day;
- (d) complies with the requirements stated in Schedule 1;
- (e) enables outstanding Contracts to be readily identified with date sequence within counter;
- (f) enable outstanding Client and debtor balances to be readily identified with specific transactions and with the dates on which these transactions occur;
- (g) information in the general ledger trial balances can and must be, extracted and squared at least once a month by not later than the 10th day of the following month;
- (h) if Client balances are represented by control accounts in the general ledger, the individual Client balance can and must be extracted and reconciled with the control account at least once a month by not later than 10th day of the following month; and
- (i) bank reconciliations must be prepared at least once a month by not later than the 10th day of the following month.

(2) A Participating Organisation with branch office(s) must prepare the Participating Organisation's financial statements and accounts in the following manner:

- (a) on a consolidated basis, reflecting detailed breakdowns for the Principal Office and the Branch Office(s); and

Comment [B1]: This new directive is the result of the merging of previous Rules 1102.1(1) and 404.7 on accounting and other records and accounting systems and controls. Mark-up shows amendments made to the wording in the previous Rules 1102.1(1) and 404.7.

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DIRECTIVES ON ACCOUNTING AND FINANCIAL REPORTING REQUIREMENTS	No. 1201-001
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(b) computations of all matters prescribed in these Rules or directed by the Exchange for the Participating Organisation's Principal Office and Branch Offices must be aggregated as a single entity.

2. Rule 1201.2

This rule requires the Participating Organisation to submit to the Exchange all financial reporting statements the Exchange specifies within the period specified. The financial reporting statements must comply with the Exchange's requirements.

This directive sets out the Exchange's requirements on financial reporting statements.

2.1 A Participating Organisation must comply with the accounting and financial reporting directives in Schedule 1 when preparing the Participating Organisation's financial reporting statements.

[End of Directive]

Comment [B8]: Previously Rule 504.3(4)(d)(ii). Moved here to refine structure of the Rules as it relates to the computation of CAR etc. being on an aggregated basis if the PO has branch offices.

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SCHEDULE 1

ACCOUNTING AND FINANCIAL REPORTING DIRECTIVES

(1) Definitions

In this Schedule, unless the context requires otherwise:

"Repurchase and Sale and Buy Back Agreement" means an agreement for the sale of securities that is subject to a commitment to repurchase from the same person the same or similar securities at pre-determined conditions.

"Forward Rate Agreement" means an agreement under which 2 parties agree on payment of an amount of interest calculated at an agreed rate for a specified period from a specified settlement date applied to an agreed principal amount.

"Option" means an instrument that allows the instrument holder the right, though not the obligation, to either buy or sell the instrument's underlying investment at an agreed price within a stipulated period.

"Swap Contract" means a transaction in which 2 counterparties agree to exchange streams of payments over time according to a pre-determined basis.

(2) Directives not applicable to Investment Banks

The directives in paragraphs 8 and 10 to 22 below are not applicable to an Investment Bank. An Investment Bank must comply with the Central Bank's requirements in relation to the same (if any). The Central Bank's requirements will be considered part of the Directives here.

(3) Date of record

All financial transactions must be recorded at the date on which the Participating Organisation enters into an irrevocable commitment to carry out the transaction.

(4) Reconciliation of balances

A Participating Organisation must reconcile all balances as frequently as is appropriate for the volume of transactions on the accounts. Any differences, other than differences in timing, must be immediately corrected.

(5) Trade date accounting

A Participating Organisation must use trade date accounting.

(6) Securities lending

A Participating Organisation that is a lender of securities must record and value the securities lent as part of the Participating Organisation's own positions.

(7) Repurchase and reverse repurchase agreements, securities borrowing and lending and sale and buy back agreements

A Participating Organisation must:

- (a) record Repurchase and Sale and Buy Back Agreements as secured borrowing and reverse Repurchase and Sale and Buy Back Agreements as secured lending; and

Comment [B10]: Incorporating Schedules 6A and 6B here. Mark-up shows amendme... [15]

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Comment [B11]: Moved from the end... [16]

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- (b) ~~if the Participating Organisation is the repurchaser or seller of the securities in a sale and buy back agreement, record and value the securities sold as part of the Participating Organisation's own positions and provide for accrued interest on the borrowing.~~

(8) Valuation of positions

A Participating Organisation must value all positions whether held for trading or investment on a prudent and consistent basis, as well as having regard to the liquidity of the instrument concerned and any special factors ~~that~~ may adversely affect the closure of the position, and must adopt the following general policies:

- (a) a position must be valued at ~~the position's~~ close out price (close out price means that a long position ~~is~~ valued at current bid price and short position at current offer price); and
- (b) where prices are not published for ~~the Participating Organisation's Options~~ positions, a Participating Organisation must determine the ~~mark to market~~ value of standard ~~Options~~ as follows -
 - (i) for purchased ~~Options~~, the mark to market value must be the intrinsic value of the ~~Option~~ (i.e. ignoring time value);
 - (ii) for written ~~Options~~, the mark to market value must be the sum of:
 - (aa) the intrinsic value of the ~~Option~~ (i.e. ignoring time value); and
 - (bb) the initial premium received for the ~~Option~~.
- (c) a Participating Organisation must calculate the value of a ~~Swap Contract~~ or a ~~Forward Rate Agreement~~ having regard to the net present value of the future cash flows of the contract, using current interest rates relevant to the periods in which the cash flows will arise.

(9) Instruments of non-standard form

~~If~~ a Participating Organisation holds a position in an instrument that is not of a standard form, the Participating Organisation must, in writing, seek immediate guidance from the Exchange on the valuation treatment to apply.

(10) Agreement with records

A Participating Organisation ~~must~~ prepare the financial reporting statements from, and ensure that ~~the financial reporting statements~~ are in agreement with, the books and records of the Participating Organisation.

(11) True and fair

A Participating Organisation must prepare the financial reporting statements so as to give a true and fair view of the result for the period, the financial position and state of affairs of the Participating Organisation.

(12) Offsetting or netting

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- Comment [B12]:** Covered under paragraph 2 above.
- Deleted: 6A. **Provisions relevant to Investment Banks¶**
- ¶ Paragraph 6 above on "Valuation of Positions" shall not be applicable to an Investment Bank and shall be substituted with the requirements of the Central Bank in relation to the same ("Central Bank's Requirements"). The Central Bank's Requirements shall be deemed to be part of these Rules.¶
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A Participating Organisation may not offset amounts on the balance sheet and profit and loss account in the Participating Organisation's financial reporting statements for items representing assets or income against amounts for items representing liabilities or expenditure except in the case of balances with counterparties where the parties to the transaction have expressly agreed that they shall be settled on a net basis for the same value date.

(13) Consolidation

A Participating Organisation must not consolidate the accounts of a separately incorporated body within the group into the figures of that Participating Organisation, but the Participating Organisation must include the assets, liabilities, income and expenditure of all branches of the Participating Organisation.

(14) Greater detail

A Participating Organisation may show any item required to be shown in any of the Participating Organisation's financial reporting statements in greater detail than required by the appropriate format.

(15) Items not otherwise covered

A Participating Organisation must show as a separately identified item appended to a financial reporting statement any item representing or covering the amount of any asset or liability, income or expenditure not otherwise covered by any of the items on the required format of the statement.

(16) Reporting currency

A Participating Organisation must use the Malaysian Ringgit as the Participating Organisation's reporting currency in the Participating Organisation's financial reporting statements.

(17) General rule

A Participating Organisation must prepare the Participating Organisation's financial reporting statements in a form that is appropriate for the Participating Organisation's business and in a manner that complies with the Companies Act and generally accepted accounting principles.

(18) Substance over legal form

A Participating Organisation must include each item in the Participating Organisation's financial reporting statements in such a way as to reflect the substance and not merely the legal form of the underlying transactions and balances.

(19) Debts and liabilities

A Participating Organisation must promptly make adequate impairment provisions or adjustments for changes in order to reflect the fair value of its debts and liabilities based on established internal policies, criteria and procedures, however if the Exchange thinks that such impairment provision or adjustment is inadequate, the Exchange may require a Participating Organisation to vary or adjust the Participating Organisation's impairment provisions in such manner the Exchange stipulates.

(20) Provision for taxation

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A Participating Organisation must make adequate provision for both current and deferred taxation.

(21) Foreign currency

A Participating Organisation must translate assets and liabilities denominated in currencies other than the reporting currency into the reporting currency using the closing mid market rate of exchange, or, where appropriate, the rates of exchange fixed under the terms of related or matching forward contracts.

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(22) Guidance

The methodologies ~~that~~ have been developed assume instruments with standard characteristics. There are many examples, however, of instruments ~~that~~, although based on a standard contract, contain structural features ~~that~~ make the rules, as stated, inappropriate. ~~If~~ a Participating Organisation is in any doubt ~~as to the treatment to apply to any instrument, the Participating Organisation~~ must seek guidance from the Exchange in writing on the treatment to apply to such instruments.

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[End of Schedule]

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Page 1: [8] Comment [B5]	Bursa	14-03-10 7:00:00 AM
In line with doing away with previous Rule 404.6(1) which requires a PO to maintain accounts for each other PO. This is no longer necessary as a PO's obligation is to the Clearing House.		
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Page 1: [11] Comment [B6] Bursa 22-12-08 10:46:00 AM

Previously Rule 513.1. Moved here to refine structure of the Rules as it relates to the maintenance of financial records.

Mark-up shows amendments made to the wording in the previous Rule 513.1.

Plain language drafting

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Page 1: [14] Comment [B7] Bursa 22-12-08 10:46:00 AM

In light of this requirement, previous Rule 504.3(4)(d)(i) will be deleted to avoid duplication. Previous Rule 504.3(4)(d) required a PO to ensure that the PO's financial statement is on a consolidated basis supplemented by separate information and financial statements for the purposes of distinguishing its branch office from the principal office

Page 3: [15] Comment [B10] Bursa 14-03-10 7:04:00 AM

Incorporating Schedules 6A and 6B here. Mark-up shows amendments made to the wording in the previous Schedules 6A and 6B.

Page 3: [16] Comment [B11] Bursa 14-03-10 7:04:00 AM

Moved from the end of this Schedule to the beginning for consistency as definitions in these Rules should be located at the beginning of the relevant rule or schedule.

For consistency and for a person reading this Schedule to immediately identify a defined term, we have capitalised the defined terms.

Page 3: [17] Deleted Bursa 06-07-08 10:01:00 PM

the following expressions shall have the following meanings

Page 3: [18] Deleted Bursa 06-07-08 10:04:00 PM

repurchase and sale and buy back agreement

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that [are similar to the directives in paragraphs 8 and 10 to 22

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repurchase and sale and buy back agreements

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repurchase and buy and sale back agreements

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Definitions

For the purposes herein, the following expressions shall have the following meanings -

"repurchase and sale and buy back agreement" means an agreement for the sale of securities which is subject to a commitment to repurchase from the same person the same or similar securities at pre-determined conditions.

"forward rate agreement" means an agreement pursuant to which two (2) parties agree on payment of an amount of interest calculated on an agreed interest rate for a specified period from a specified settlement date applied to an agreed principal amount.

"option" means an instrument that allows its holder the right, though not the obligation, to either buy or sell its underlying investment at an agreed price within a stipulated period.

"swap contract" means a transaction in which two (2) counterparties agree to exchange streams of payments over time according to a pre-determined basis.

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, unless the Exchange decides otherwise

Page 5: [24] Comment [B14] Bursa 22-12-08 10:46:00 AM

The inclusion of these words is unnecessary as it is a given that the PO must comply with the Rules unless the Exchange decides otherwise. Doing away with redundancy.

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Unless otherwise permitted in writing by the Exchange,

Page 5: [26] Comment [B15] Bursa 22-12-08 10:46:00 AM

The inclusion of these words is unnecessary as it is a given that the PO must comply with the Rules unless otherwise approved by the Exchange. Doing away with redundancy.

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Unless otherwise provided in these Rules, a

DIRECTIVES ON ANNUAL STATUTORY AUDIT REPORT	No. 1202.1-001
--	-----------------------

Relevant to : Rule 1202.1(2)
 Introduced with effect from : []/[]/20[]
 Amended : N/A
 POs' Circular No(s). : N/A
 Refer also to Directive No(s) :

Annual Statutory Audit Report

1. Rule 1202.1(2)

This Rule requires a Participating Organisation to submit to the Exchange the accounts audited by the Statutory Auditor as stipulated in Rule 1202.1(1) ("Annual Statutory Audit Report") and an Annual Report within 3 months after the close of the financial year. The Annual Statutory Audit Report and Annual Report must comply with the Exchange's requirements.

The Exchange's requirements for Annual Statutory Audit are as stated below:

1.1 The Annual Statutory Audit Report must contain the following information:

- (a) whether the Minimum Paid-Up Capital, minimum shareholders' funds unimpaired by losses specified in Rule 1302.1(1) and the Capital Adequacy Requirements have been maintained;
- (b) whether, in the opinion of the Statutory Auditor, the financial position of the Participating Organisation is such as to enable the Participating Organisation to conduct its business on sound lines. In considering this, the Statutory Auditor must have regard to the nature and volume of the business transacted during the Participating Organisation's past financial year as shown in the books of accounts and records;
- (c) whether, in the opinion of the Statutory Auditor, the provisions of these Rules and Sections 111 to 114 of the Capital Markets and Services Act have been complied with;
- (d) whether in the opinion of the Statutory Auditor, the provisions on the treatment of Clients' assets under these Rules have been complied with;
- (e) whether, in the opinion of the Statutory Auditor, the Participating Organisation's books of accounts and records are those usual in a business of that nature and appear to have been kept in a proper manner and following the relevant laws; and
- (f) whether the Statutory Auditor has obtained all the necessary information and explanations for the proper conduct of the audit and to enable the Statutory Auditor, to furnish the Annual Statutory Audit Report.

[End of Directive]

Comment [B1]: Rule 1202.1(2) sets out the requirement for a PO to furnish the Exchange an audited financial statement and an Annual Report. The details of what is to be included in this annual financial statement and Annual Report are set out here.

Mark-up shows amendments made to the wording in the previous Rule 1201.1 (which was moved to Rule [1104.1]).

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DIRECTIVES ON SUSPENSION OF INTEREST AND PROVISION FOR BAD AND DOUBTFUL DEBTS

No. 1203-001

Relevant to : Rule 1203
Introduced with effect from : []/[]/20[]
Amended : N/A
POs' Circular No(s). : N/A
Refer also to Directive No(s). : N/A

1. Rule 1203.1(1)

This Rule requires a Participating Organisation to comply with the Exchange's Directives which sets out the minimum requirements on the treatment of interest charged by the Participating Organisation to a Client and the impairment provisions for bad and doubtful debts irrespective of whether such debts have been assigned.

This directive sets out the following:

- (1) the treatment of interest charged by the Participating Organisation to a Client;
- (2) the impairment provisions for bad and doubtful debts irrespective of whether such debts have been assigned; and
- (3) the relevant information relating to suspension of interest and impairment provisions for bad and doubtful debts to be disclosed in a Participating Organisation's audited financial statements.

2. Definitions

In this directive, unless the context requires otherwise:

"Amount Outstanding" means in relation to any account, the aggregate of all amounts outstanding under the account at any time (including commission charges, Interest expenses and other relevant expenses).

"Claw-back" means the reversal of interest out of income described in Item 3(b) below.

"Contra Losses" means all or any losses suffered by Clients in the course of dealings in Contra Transactions and includes all charges, costs and expenses.

"Contra Transaction" means a transaction where a Participating Organisation allows the Participating Organisation's Client to settle outstanding purchase positions against outstanding sale positions of the same Securities if the orders for the purchase and sale transactions are transacted within the period stipulated in Rule 905.1(3) or in Rule 708.3(5).

"Effective Date" means 1 July 1999.

"Immovable Property" means any land (including any parcel of sub-divided building) with or without registered title and whether in perpetuity or for a term of years.

"Interest" includes all charges and fees payable to a Participating Organisation by a Client under any agreement between the Participating Organisation and the Client.

"Interest-in-Suspense" means the interest that has been suspended and credited to the Interest-in-Suspense account under this Directive.

"Interest-in-Suspense Account" means the account that has been so designated for purposes of this Directive.

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Comment [Bursa1]: The guidelines on the suspension of interest and provision for bad and doubtful debts will be removed from the Rules and included in the PO Manual as these guidelines are prescriptive in nature.

Comment [B2]: Previously, Schedule 7 of the Rules. Unless otherwise stated, amendments to these guidelines have been made in line with plain language drafting.

Comment [B3]: For consistency and for a person reading the rules to immediately identify a defined term, we have capitalised all defined terms.

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Comment [B4]: Defined in Chapter 1

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"Overdue Purchase Contract" means an On Market Transaction for the purchase of Securities where payment for that transaction by the Client is outstanding, but for which no selling-out has been instituted due to the following circumstances:

- (a) the Securities have been suspended from trading; or
- (b) there is no ready market.

and includes an outstanding Contract remaining in the error or mistake account and an outstanding Contract due to trade disputes.

3. Compliance

(1) A Participating Organisation must comply with the directives set out here:

- (a) in preparing the Participating Organisation's audited financial statements for the financial year commencing on or after the Effective Date; and
- (b) in preparing the management accounts and any returns the Exchange requires, immediately from the Effective Date.

(2) **Accrual basis of accounting**

- (a) A Participating Organisation must prepare the Participating Organisation's accounting records for all transactions, including interest charged on Contra Losses, Overdue Purchase Contracts and Margin Accounts, following the accrual basis of accounting.
- (b) According to the accrual basis, revenues and costs are accrued and recognised as they are earned or incurred (despite the revenues or costs having not in fact been received or paid) and recorded in the financial statements of the periods to which they relate.
- (c) A Participating Organisation may cease to apply the accrual basis for accounting in respect of the interest charged on any account for which the Participating Organisation has made full specific provision following paragraph 4(d) below.

(3) **Treatment of interest on impaired accounts**

- (a) All interest accrued but not collected from the date an account is classified as impaired must be suspended and credited to the Interest-in-Suspense Account. This Interest-in Suspense must be reflected in the Participating Organisation's books of accounts and must not be maintained in a memorandum record.
- (b) Interest that has accrued and the Participating Organisation recognises as income prior to the date the account is classified as impaired but not collected, must be reversed out of income.
- (c) For accounts with contract dates occurring on or after the Effective Date, interest must be suspended when the account is classified as impaired and Claw-back of interest to the Effective Date is required.

Comment [Bursa6]: Deleted as "Margin Account" is defined in Chapter 1.

Deleted: "margin account" means an account opened and maintained by a client with the agreement of the Participating Organisation for the purpose of trading exclusively in securities that are listed on the Exchange pursuant to credit facilities made available by the Participating Organisation to the client.

Comment [Bursa7]: Deleted as Outstanding Balance" is defined in Chapter 1.

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Comment [Bursa8]: Incorporating this clarification that we issued via a letter to the Association of Stockbroking Companies Malaysia on 19/11/1999.

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(d) For accounts that are classified as impaired accounts prior to the Effective Date, interest must be suspended immediately from the Effective Date and no Claw-back of interest is required.

(e) For accounts with contract dates occurring prior to the Effective Date and classified as impaired accounts on or after the Effective Date, interest must be suspended immediately upon the account being classified as an impaired account. Claw-back of interest to the Effective Date is required.

(f) A Participating Organisation must comply with the following guidelines on the classification of impaired accounts and the suspension of interest:

No.	Types of Accounts	Criteria For Classification of Accounts As <u>Impaired</u>	Date For Classification	Date For Suspension Of Interest
1.	Contra Losses	When an account remains outstanding for 16 calendar days or more from the date of the <u>Contra Transaction</u>	On the 16 th calendar day of the account becoming outstanding	From the 16 th calendar day of the account becoming outstanding
2.	Overdue Purchase Contracts	<ul style="list-style-type: none"> ▪ When an account remains outstanding from T+5 <u>Market Days</u> onwards; ▪ When a DF Account remains outstanding from T+9 <u>Market Days</u> onwards 	<ul style="list-style-type: none"> ▪ On T+5 <u>Market Days</u> ▪ On T+9 <u>Market Days</u> 	<ul style="list-style-type: none"> ▪ From T+5 <u>Market Days</u> ▪ From T+9 <u>Market Days</u>
3.	Margin Accounts	When the <u>Equity</u> has fallen below 130% of the <u>Outstanding Balance</u>	On the last day of each calendar month	From the last day of each calendar month
Key T Contract <u>date</u>				

(g) Interest-in-Suspense must be reversed under the following circumstances:

	Types of Accounts	Circumstances
1.	Contra Losses	When full or partial payment in settlement is received, to the extent of the amount of cash received in settlement
2.	Overdue Purchase Contracts	When full or partial payment in settlement is received, to the extent of the amount of cash received in settlement
3.	Margin Accounts	When the <u>Margin Account Equity</u> exceeds 130% of the <u>Outstanding Balance</u> , at the end of the calendar month of that occurring

(4) Impairment provision for bad and doubtful debts

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Individual Impairment Provisions

(a) General Principle:

A Participating Organisation must have in place and comply with the Participating Organisation's internal policies and procedures on the following:

- (i) the classification of debts as 'doubtful' or 'bad' for impaired accounts as described under paragraph 3(3)(f) ("Impaired Accounts");
- (ii) the making of individual impairment provisions for debts classified as 'doubtful' and 'bad';
- (iii) the circumstances for the reclassification of debts under (i) or from an Impaired Account to a non-Impaired Account; and
- (iv) the circumstances for the reversal of the individual impairment provision made under (ii).

The Participating Organisation must ensure that the internal policies and procedures in relation to the matters set out above are appropriate and adequate having regard to the approved accounting standards and practices.

(b) Basis for Individual Impairment Provision

The provision for impaired accounts must be applied on the basis of individual accounts.

(c) DR Security Deposit

To determine the individual impairment provision to be made, the DR Security Deposit the Participating Organisation holds may be taken into account and applied on such basis as the Participating Organisation may determine if the Participating Organisation establishes, implements and maintains adequate internal criteria and procedures for such application of the DR Security Deposit. The internal criteria and procedures must:

- (i) be clear and applied in a consistent manner; and
- (ii) result in the fair treatment of the Participating Organisation's Clients.

(d) Collateral Value

In this directive:

- (i) the value of collateral (other than collateral that is Immovable Property) must be determined by applying the applicable discounts stipulated in Schedule 18 of Directive 1303-001; and
- (ii) the value of Immovable Property the Participating Organisation holds as collateral must be determined following the Exchange's Directives on valuation of Immovable Property.

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(5) Write off of bad debts

- (a) A Participating Organisation must establish written policies for the writing-off of bad debts.
- (b) A Participating Organisation may write-off any amount that cannot be collected as evidenced by:
 - (i) the Participating Organisation having exhausted all proceedings or actions for recovery of the amount; or
 - (ii) should judgement be obtained against the debtor and there is no prospect of recovery from execution proceedings instituted on that judgement.
- (c) A Participating Organisation must obtain the approval of the Participating Organisation's Board of Directors or person or committee authorised by the Board of Directors to write-off any amount.
- (d) A Participating Organisation must ensure that the Participating Organisation keeps proper records of all bad debts written-off.

(6) Items to be included in the audited financial statements

- (a) The relevant information relating to a suspension of interest and impairment provisions for bad and doubtful debts required to be disclosed in a Participating Organisation's audited financial statements are:
 - (i) confirmation of the Participating Organisation's compliance with this directive;
 - (ii) total outstanding amount of impaired accounts;
 - (iii) total outstanding amount of impaired accounts classified as doubtful, if any;
 - (iv) total amount of impaired accounts classified as bad, if any;
 - (v) movements of interest-in-suspense and impairment provision for bad and doubtful debts; and
 - (vi) information about the Participating Organisation's accounting policies and methods adopted in accounting for impaired accounts.

[End of Directive]

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For The Provision Of Discretionary Financing By Participating Organisations To Their Clients Pursuant To Rule 703.2(3) Of The Rules of Bursa Malaysia Securities Bhd'.

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such guidelines, directives or circulars as may be prescribed by the Exchange from time to time in consultation with the Commission; and

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(ii) the Exchange may at any time and from time to time require ad-hoc or more frequent valuations to be conducted on any immovable property held as collateral by the Participating Organisation in accordance with such guidelines, directives or circulars for the time being in force.

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Unnecessary as the new paragraph (ii) above is general enough.

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(5) General Provision

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must establish and maintain a general provision account amounting to not less than

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the Participating Organisation's total trade receivables, after deducting the amount of

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Interest-in-Suspense and specific provisions made for bad and doubtful debts.

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In this paragraph, "total trade receivables":-

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that are generated from trades conducted by the Participating Organisation as agent and

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includes losses. Commission charges and accrued

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Interest; but

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Contract for the purchase of securities entered into on the stock market of the Exchange

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that is, according to FDSS, not due for payment or contracts made under a DF Account,

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(b) In connection with the preceding paragraph, the Participating Organisation's board of directors may, at its discretion and in accordance with its Articles of Association, delegate such authority and duty to a Management Committee (which shall comprise senior management staff or individuals of senior positions) subject always to such conditions and limits as the board of directors may deem fit to impose.

(c) A Participating Organisation must ensure that any amounts written-off at the approval of such delegated authority be ratified by the board of directors as soon as practicable.

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Unnecessary as there is an existing obligation in these Rules that obliges a PO to give the Exchange access to all information, books and records as the Exchange requests.

Page 5: [43] Comment [Bursa12] Bursa

Previously Rule 1104.3. Moved here as the details of what should be included in the audited financial statements in relation to suspension of interest and provision for bad and doubtful debts should be included in the PO Manual and not in the Rules.

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A Participating Organisation shall ensure disclosure of the following

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A Participating Organisation shall ensure disclosure of the following

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A Participating Organisation shall ensure disclosure of the following

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(a)

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(f)

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. <u>1303-001</u>
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Relevant to : Rules 1303 to 1309
 Introduced with effect from : []/[]/[20]
 Amended : N/A
 POs' Circular No(s). : N/A
 Refer also to Directive No(s). : N/A

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(A) INTRODUCTION

- (1) These Directives set out the requirements on the calculation of the various components making up the Capital Adequacy Ratio.
- (2) Words and expressions used in these Directives, unless otherwise defined in these Directives or unless the context otherwise requires, bear the same meaning as defined in the Rules.
- (3) A reference to a paragraph or schedule is to the relevant paragraph or schedule in these Directives unless specified otherwise.

Comment [Bursa1]: Some of these definitions were in previous Rule 1105.2(1). They have been moved to these directives as a consequence of the detailed requirements on the calculation of the various components making up the Capital Adequacy Ratio being moved here. These definitions are reflected in their original form and the mark-up reflects the proposed amendments. Unless otherwise stated, amendments have been made in line with plain language drafting. Also, we have made it clear which terms are defined by capitalising the defined terms.

(B) DEFINITIONS

- (1) The following terms have the following meanings in these Directives unless the context requires otherwise.

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Comment [Bursa2]: Introducing a new definition for Call Warrants

Comment [Bursa3]: This term is not used in Chapter 12 or in these Directives

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Comment [B4]: To distinguish from other forms of collateral

Term	Meaning
<u>Basic Method</u>	<u>The method for calculating Position Risk Requirement as set out in Paragraph (G)(10).</u>
<u>Building Block Approach</u>	<u>The approach for calculating Position Risk Requirement set out in Paragraph (G)(7).</u>
<u>Call Option</u>	<u>A financial instrument giving the instrument holder the right, but not the obligation, to buy a specified quantity of the underlying securities at a specified Exercise Price within a set period.</u>
<u>Call Warrant</u>	<u>A warrant giving the warrant holder the right, but not the obligation to buy a specified quantity of the underlying securities at a specified Exercise Price within a set period.</u>
<u>SBL Collateral</u>	<u>In relation to <u>Securities Borrowing and Lending</u> referred to in <u>Paragraph (H)(3)(d)</u>, the 'collateral' in Rule 706.7. If the collateral consist of securities, to the extent those securities have been subdivided or consolidated, made the subject of a bonus issue or event similar to any of the foregoing, <u>SBL Collateral means:</u></u>
	(a) in the case of subdivision or consolidation, the securities into which the <u>SBL Collateral</u> have been subdivided or consolidated;
	(b) in the case of a bonus issue, the <u>SBL Collateral</u> together with the securities allotted by way of <u>the</u> bonus issue; and
	(c) in the case of any event similar to any of the <u>above</u> events, the <u>SBL Collateral</u> , together with or replaced by a

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. <u>1303-001</u>
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sum of money or securities or both equivalent to that received for the SBL Collateral resulting from that event.

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Exercise Price The price at which the holder of an Option or Warrant can buy or sell the underlying securities of the Option or Warrant.

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Hedging Method The method for calculating the Position Risk Requirement set out in Paragraph (G)(9).

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Income Same meaning as in Rule 706.1.

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In the Money

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(a) In relation to a Call Option or a Call Warrant:

Deleted: ¶ Means that –

(i) where the Exercise Price is less than the current market price of the underlying instrument if the Participating Organisation is the Option or Warrant holder;

Deleted: in ...n relation to call options ar (... [5])

(ii) where the Exercise Price is greater than the current market price of the underlying instrument if the Participating Organisation is the Option or Warrant grantor;

Deleted: the Participating Organisation as the buyer is the holder of the right to exercise (... [6])

Deleted: the Participating Organisation as the writer is the holder of the obligation, ...he (... [7])

(b) In relation to a Put Option or a Put Warrant:

Deleted: in ...n relation to put options ar (... [8])

(i) where the Exercise Price is greater than the current market price of the underlying instrument if the Participating Organisation is the Option or Warrant holder;

Deleted: the Participating Organisation as the buyer is the holder of the right to exercise (... [9])

(ii) where the Exercise Price is less than the current market price of the underlying instrument if the Participating Organisation is the Option or Warrant grantor.

Deleted: the Participating Organisation as the writer is the holder of the obligation, ...th (... [10])

Deleted: means the ...he risks to which (... [11])

Comment [Bursa5]: Unnecessary as the definition of "Securities Borrowing and Lending" refers to Rule 706 which allows POs to borrow or lend Eligible Securities subject to the Clearing House Requirements and 706.

Margin Financing Onward Lent Risk The risks a Participating Organisation is exposed to from Onward Lent Margin Securities.

Deleted: ¶ ¶ ¶

Margin Method The method for calculating Position Risk Requirement set out in Paragraph (G)(8).

Deleted: mark to market difference

Deleted: in ...n relation to securities, m (... [12])

Mark to Market Difference In relation to securities, the Contract value of the securities on the Contract Date less the Mark to Market value of the securities.

Comment [Bursa6]: Unnecessary to state the accounts in which the PO holds principal positions.

Deleted: marketable securities

Marketable Securities All securities a Participating Organisation holds as principal.

Deleted: means all ...ll securities a hel (... [13])

Option(s) means the Put Option(s) and the Call Option(s), and where the context permits, will be construed to mean any of them.

Deleted: option(s)

Deleted: put option(s)...ut Option(s) ar (... [14])

Out of the Money Those Options and Warrants that are not In the Money.

Deleted: out of the money

Deleted: means those ...hose options (... [15])

Position Risk The risks that a Participating Organisation is exposed to from

Deleted: means the ...he risks to which (... [16])

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	securities held by <u>the Participating Organisation</u> as principal and includes Margin Financing On-Pledged Risk.
Position Risk Requirement or PRR	<u>The amount necessary to accommodate a given level of the Participating Organisation's Position Risk, calculated in the manner the Exchange determines.</u>
Put Option	<u>A financial instrument that gives the instrument holder the right, but not the obligation, to sell a specified quantity of the underlying securities to the grantor of the option at the Exercise Price within a set period.</u>
Put Warrant	<u>A warrant that gives the holder the right, but not the obligation to sell the underlying securities at a specified Exercise Price within a set period.</u>
Recall	means redelivery of Securities Borrowed to the lender and/or redelivery of the SBL Collateral to the borrower, whether partial or in full pursuant to the terms of the SBL Agreement defined in Rule 706.
Recognised Market Indices	means the market indices of the <u>Recognised Stock Exchanges that are acceptable to the Exchange, as set out in Schedule 4.</u>
Standard Approach	<u>The approach for calculating Position Risk Requirement set out in Paragraph (G)(6).</u>
Warrant	<u>The Put Warrant(s) and the Call Warrant(s), and where the context permits, any of them.</u>

(C) INFORMATION AND RECORDS ON CAPITAL ADEQUACY RATIO REFERRED TO IN RULE 1303.1(3)(b)

(1) Requirement

A Participating Organisation must submit the relevant information and records through electronic transmission in the manner and at the times set out below:

Capital Adequacy Ratio	Frequency	Positions as at:	Time for reporting being not later than:
(i) <u>4.0 or more</u>	Monthly	Last <u>Market Day</u> of the month	4:00 p.m. on following <u>Market Day</u>
(ii) <u>2.0 or more but less than 4.0</u>	Fortnightly	(aa) <u>Fifteenth</u> calendar day of the month if <u>that day is a Market Day</u> . If not, the <u>Market Day</u> immediately before the <u>fifteenth</u> calendar day; and	4:00 p.m. on following <u>Market Day</u>
		(bb) last <u>Market Day</u> of the month	

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- Deleted: in relation to a Participating Organisation, means the
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- Deleted: put option(s)
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- Deleted: writer
- Deleted: a specified exercise price
- Comment [Bursa7]: Introducing a new definition for Put Warrants
- Deleted: 704
- Deleted: recognised stock exchanges
- Comment [Bursa8]: As this term is re (... [17]
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- Comment [Bursa9]: Introducing a nev (... [18]
- Comment [Bursa10]: Previously, Rul (... [19]
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(iii) Less than 2.0 Daily Each Market Day 4:00 p.m. on following Market Day

(2) If a Participating Organisation's Capital Adequacy Ratio changes and this results in a change in the reporting frequency as set out in Paragraph C(1), the Participating Organisation must report to the Exchange not later than 4:00pm or the next Market Day following the Market Day on which the change occurred.

(3) Electronic submissions deemed to be a declaration

All such submissions by electronic transmission are deemed to be a declaration by the Head of Operations and Head of Compliance of the Participating Organisation that the information and records contained in the submissions are true and accurate in all material aspects.

(D) RETURN ON LIQUID CAPITAL, TOTAL RISK REQUIREMENT, LIQUID MARGIN AND CAPITAL ADEQUACY RATIO REFERRED TO IN RULE 1303.1(4)

(1) Requirement

The return referred to in Rule 1303.1(4) must be in the form stipulated in Schedule 1 and submitted in the manner and at the times set out in paragraph (C)(1).

(E) LIQUID CAPITAL REFERRED TO IN RULE 1304

(1) Computation

- (a) A Participating Organisation must calculate the Participating Organisation's Liquid Capital in accordance with the computation in Schedule 1.
- (b) For the avoidance of doubt:
 - (i) unaudited profits must be included in the computation of Liquid Capital;
 - (ii) unaudited losses (including all unrealised losses except unrealised losses from principal positions that are mentioned in Paragraph (E)(1)(b)(iv)) must be deducted from Liquid Capital;
 - (iii) unrealised gains from principal positions must be included in the computation of Liquid Capital; and
 - (iv) unrealised losses from principal positions must be deducted from Liquid Capital.
- (c) A Participating Organisation must Mark to Market all the Participating Organisation's Marketable Securities reported in Schedule 1 on a daily basis.

(2) Sources of capital

(a) Preference shares

In the computation of the Participating Organisation's Core Capital, a Participating Organisation:

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- Comment [B11]: To set out clearly the [24]
- Deleted: Change in Capital Adequacy [25]
- Comment [Bursa12]: Previously, the [26]
- Deleted: shall be
- Deleted: any director or
- Deleted: Compliance Officer...ead of [27]
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- Comment [Bursa13]: Previously, Rule [28]
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- Deleted: (10th)
- Deleted: calendar day after the end of [30]
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- Comment [Bursa14]: Previously, Rule [36]
- Deleted: Subject to Rules 1105.4(3) to [37]
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- Comment [Bursa15]: Previously, Rule [40]
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- Comment [Bursa16]: Unnecessary as [44]
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- (i) must include non-cumulative and non-redeemable preference share capital; and
 - (ii) may include preference shares other than non-cumulative and non-redeemable preference shares if the Participating Organisation satisfies the requirements in the Exchange's Directives on when such preference shares may be included.
- (b) **Approved subordinate Debts**
- (i) An approved subordinated Debt is a Debt that is:
 - (aa) legally subordinated for an initial term of at least 2 years and at least 1 year remaining period in the manner the Exchange approves or determines; and
 - (bb) only repayable with the Exchange's prior written approval.
 - (ii) A Participating Organisation may include an approved subordinated Debt in the computation of the Participating Organisation's Liquid Capital if:
 - (aa) the aggregate amount of the Debt is less than 100% of the Participating Organisation's Effective Shareholders' Funds. The Exchange will not recognise any subordinated Debts if the Participating Organisation's Effective Shareholders' Funds is in the negative.
 - (bb) the creditor of the subordinated Debt has irrevocably agreed that:
 - (A) the creditor's right to receive principal and interest for the Debts is subordinated to all other creditors of the Participating Organisation; and
 - (B) the creditor is not entitled to claim or receive payment from the Participating Organisation, by way of set-off or in any other manner, of the subordinated Debts until all other Debts of the Participating Organisation not being the Debts subordinated has been paid or where the Exchange has given the Exchange's written approval under Paragraph (E)(2)(b)(ii)(ee) below.
 - (cc) the Debts are not subject to any cross default and negative pledge;
 - (dd) the Exchange at its discretion can require that the Participating Organisation's Debts will be converted into equity if the Participating Organisation fails:
 - (A) to comply with the Capital Adequacy Requirements; and
 - (B) to effect an appropriate capital reconstruction of the Participating Organisation approved by the Exchange.
 - (ee) the Participating Organisation can only repay the Debts (or part of the Debts) with the Exchange's prior written approval.

Deleted: Non...on-cumulative and non- [45]

Deleted: Subordinated Debts

Deleted: Approved ...n approved subo [46]

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Comment [B17]: This requirement is included because any loan that has less than a year remaining is regarded in accounting terms as short term liability and repayable within a year, hence it does not qualify as a loan.

Deleted: approved or determined by the Exchange ...he Exchange approves or [48]

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Comment [Bursa18]: Under Rule 201.1(2)(b), the Exchange has the power to, amongst other things, waive any of the Rules. As such, it is unnecessary to state "unless the Exchange permits" here.

Deleted: , there shall be no recognition [51]

Comment [Bursa19]: Unnecessary as it is clear above that a PO may include approved subordinated debts in the computation of its Liquid Capital to the extent that the approved subordinated debts meet the criteria listed here

Deleted: ii...b) The ...he lender or ...r [52]

Deleted: aa...) its ...he creditor's right [53]

Deleted: bb...) it ...he creditor shall .. [54]

Deleted: iii...c) The ...he debts shall . [55]

Deleted: iv...d) Subject to such terms [56]

Comment [Bursa20]: Capital Adequacy Requirements is defined in Rule 101.1(1) to mean the capital adequacy requirements in Chapter 13.

Deleted: aa...) to comply with the Cap [57]

Deleted: under this Rule 1105

Deleted: bb...) to undertake or ...ffect [58]

Deleted: v...e) the Participating Orgar [59]

Comment [Bursa21]: It is not necessary to state that the Exchange may withhold its consent if it is not satisfied that the PO is able to continuously comply with the Capital Adequacy Requirements as this is a given

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(ff) ~~in the event of a dissolution, winding-up, liquidation or reorganisation of the Participating Organisation, the creditors of the Participating Organisation other than the creditor of the subordinated Debt has the prior right to receive payment in full of the other creditors' Debts before the creditor of the subordinated Debt receives any payment in respect of the subordinated Debts; and~~

Deleted: vi...f) In ...n the event of a ... [60]

(gg) ~~despite this Paragraph (E)(2)(b)(ii), the creditor of the subordinated Debt receives any distribution in respect of the subordinated Debts, the creditor will pay over such distribution to the other creditors of the Participating Organisation. This payment will be made rateably against the other creditors' Debts until the other creditors' Debts are paid in full.~~

Deleted: vii...g) If, notwithstanding the ... [61]

(c) **Revaluation reserve**

~~A Participating Organisation may include a revaluation reserve of a fixed asset on an "as is" basis in the computation of the Participating Organisation's Liquid Capital if the Participating Organisation:~~

Deleted: Reserves

Deleted: Revaluation ...evaluation rese... [62]

Deleted: The ...ncludes the lower of th... [63]

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Deleted: fifty per cent (...0%)...of any ... [64]

Deleted: The ...onducts the revaluation... [65]

Deleted: not earlier than ...fter the expi... [66]

(i) ~~includes the lower of the following figure of:~~

Comment [Bursa22]: Under Rule 201.1(2)(b), the Exchange has the power to, amongst other things, waive any of the Rules. As such, it is unnecessary to state "unless otherwise determined by the Exchange" here.

(aa) ~~the excess between the force sale value and the net book value of the fixed asset; or~~

Comment [Bursa23]: An amendment to the Rules to amend this timeframe will be subject to SC's approval. Hence, it is unnecessary to include the words "upon consultation with the Commission" here.

(bb) ~~50% of the excess between the fair market value and the net book value of the fixed asset; and~~

Deleted: from time to time upon consultation with the Commission

(ii) ~~conducts the revaluation exercise from which the revaluation reserve is calculated:~~

Deleted: by ...hrough a professional va... [67]

(aa) ~~after the expiry of 10 years from the date the fixed asset was purchased or the date of the last revaluation on the fixed asset; and~~

Comment [Bursa24]: Unnecessary in view of Rule 101.2(2)(a) that provides that a reference to a statute includes all re-enactments and regulations made under such statute.

(bb) ~~through a professional valuer acceptable to the Exchange and licensed under the Valuers, Appraisers and Estate Agents Act 1981.~~

Comment [Bursa25]: Previously, Rule 1105.4(4). Unless otherwise stated, amendments are in line with plain language drafting.

(3) **Specific excluded assets and excluded asset types**

(a) ~~A Participating Organisation must exclude fully the following assets from the computation of Liquid Capital:~~

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Deleted: Excluded Assets:

(i) **Fixed assets and intangible assets**

The total net book value of fixed assets and intangible assets reported in the balance sheet including goodwill, capitalised development costs, licences, trademarks and similar rights.

Deleted: Notwithstanding anything contained in this Rule 1105,... Participating Organ... [68]

Deleted: a...) **Fixed Assets and Inta**... [69]

Deleted: as

(ii) **Tax assets**

The full amount of tax assets or advance tax payments, unless the Participating Organisation has a written statement from the relevant tax authority indicating that payment will be made within 3 months from the date of the written statement.

Deleted: b...i) **Tax Assets** ... [70]

Deleted: authorities ...uthority indicatin... [71]

Comment [Bursa26]: Unnecessary as we have a general power under Rule 201.1(2)(b) to add to, vary, repeal or waive any of these Rules.

Deleted: The Exchange may, from time to time as it considers appropriate, include any other types of assets under this Rule 1105.4(4).

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(iii) Other non-current assets

All other non-current assets including investments in the form of equity holding of 20% or more in a corporation. Investment in excess of 20% in a company shall be regarded as an investment in an associated company.

Comment [Bursa27]: Previously, Rule 1105.4(5). Merged this rule with the rule above as both rules relate to assets that must be excluded from the computation of Liquid Capital.

Deleted: (5) Excluded Asset Types: In addition to the assets specified in Rule 1105.4(4), the following assets shall also be fully excluded from the computation of Liquid Capital -

(iv) Charged asset

Liquid assets charged to third parties unless:

Deleted: a...ii) Other Non-current As ... [72]

Deleted: (but not limited to) ...nvestme ... [73]

(aa) the asset is charged for the sole purpose of raising funds from a third party on an arm's length basis for use exclusively in the Participating Organisation's business; and

Comment [Bursa28]: Under the Companies Act, a "company" is defined as a company incorporated pursuant to the Companies Act or pursuant to any corresponding enactment. The amendment from "company" to "corporation" is to make it clear that this Rule extends to equity holding in foreign corporations as well as in Malaysian companies. Hence, investments in related and associated persons (whether foreign or local) are excluded from the computation of Liquid Capital.

(bb) the Participating Organisation has duly notified the Exchange of the details of the charged assets.

(v) Deposits with non-approved institutions

Deposits other than deposits deposited at approved financial institutions. In this Paragraph, "approved financial institution" means a banking and financial institution licensed under Malaysian laws and any other financial institution the Exchange specifies.

Deleted: twenty percent (...0%) ... [74]

Deleted: b...v) Charged Asset ... [75]

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(vi) Related or Associated Person balances

Balances with a Related or Associated Person regardless whether these balances are secured.

Deleted: c...) Deposits With Non-ap ... [76]

Comment [Bursa29]: Unnecessary as Paragraph (b) below states that POs can use collateral to reduce the exclusion.

(vii) Other debtors

Balances with other debtors that are outstanding for more than 30 days. These balances exclude balances with Related or Associated Persons.

Deleted: those with ...pproved financia ... [77]

Deleted: For the purpose of this paragr ... [78]

Deleted: d...i) Related/...or Associat ... [79]

Deleted: related or associated person... ... [80]

(viii) Prepayments

Prepayments incapable of being cancelled and realised into cash within 30 days.

Deleted: e...ii) Other Debtors ... [81]

Comment [Bursa30]: Unnecessary as Paragraph (b) below states that POs can use collateral to reduce the exclusion.

Deleted: which ...hat are outstanding d ... [82]

(ix) Other assets

Assets not realisable within 30 days except to the extent the assets are secured by securities or some other form of collateral the Exchange may accept. Assets secured by securities or some other form of collateral acceptable to the Exchange may include a loan to an affiliated corporation regulated under any law or regulation that treats such loan as part of the regulatory or statutory capital of the affiliate.

Deleted: Such ...hese balances exclud ... [83]

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Deleted: g...x) Other Assets ... [85]

Deleted: thirty (...0)...days except to th ... [86]

(b) A Participating Organisation may use collateral or security to reduce the exclusion of the assets set out in Paragraphs (E)(3)(a)(iii) to (ix) if the collateral satisfies the principles in Paragraph (H)(4)(a). A Participating Organisation must take into account the applicable discounts in Schedule 18 when determining the value of the collateral.

Deleted: For the purposes of this Rule 1105.4(5), a... Participating Organisatio ... [87]

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(4) Contingent Liabilities

(a) General

A Participating Organisation entering into a position as to an instrument, financial or otherwise that gives rise to a contingent liability, must throughout the period of maintaining the position, maintain:

Comment [Bursa31]: Previously, Rule 1105.4(6). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting

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Deleted: **Liabilities:**

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Deleted: which ...hat is adequate to en (... [89])

(i) a Liquid Margin that is adequate to enable the Participating Organisation to fully perform the Participating Organisation's obligations under the contingent liability; and

(ii) a Capital Adequacy Ratio of more than 1.20.

Comment [Bursa32]: Unnecessary as the Exchange may prescribe otherwise anytime under Rule 201.1(2)(d).

Deleted: minimum ...apital Adequacy R (... [90])

(b) Guarantees

(i) A Participating Organisation must exclude guarantees issued by the Participating Organisation from the computation of Liquid Capital.

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(ii) The Exchange may, on the written application of a Participating Organisation, allow a guarantee the Participating Organisation issues to be partially or fully included into the Participating Organisation's computation of Liquid Capital.

Deleted: times or such other minimum as may be from time to time prescribed by the Exchange

(iii) If a guarantee is given by a Participating Organisation to a company within the Participating Organisation's group of companies, the receiving company's liabilities (to the extent that they are covered by the guarantee) must be taken into account as being part of the Participating Organisation's assets and liabilities for the computation, and in such case, the guarantee must not be deducted from the capital computations.

Deleted: Guarantees issued by Participating Organisations shall be excluded ... Part (... [91])

Deleted: Notwithstanding Rule 1105.4(6)(b)(i), a Participating Organisation may apply to the Exchange for partial inclusion or full inclusion of a guarantee issued by the Participating Organisation, into the computation of Liquid Capital. Approval for such partial inclusion or full inclusion of a guarantee issued by a Participating Organisation into the computation for Liquid Capital shall be at the discretion of the Exchange.

(iv) A Participating Organisation must immediately inform the Exchange in writing of any intra-group and related party guarantees.

Deleted: Notwithstanding Rule 1105.4(6)(b)(i), where

(c) Option(s)

(i) A Participating Organisation's liability arising from a Put Option written by it must be:

Deleted: that ...he receiving company's (... [92])

(aa) treated as the Participating Organisation's contingent liability from the date of the Participating Organisation's unequivocal acceptance of the commitment of the Put Option or the date the agreement for the Put Option is signed, whichever occurs earlier; and

Deleted: shall ...ust be taken into acco (... [93])

Comment [Bursa33]: The inclusion of these words is unnecessary as it is a given. Doing away with redundancy.

Deleted: The ... Participating Organisa (... [94])

Deleted: put option(s)... Put Option wri (... [95])

Deleted: liabilities ...liability of the Part (... [96])

(bb) deducted or excluded from the computation of Liquid Capital.

(ii) A Participating Organisation must calculate all contingent liabilities arising from Put Option(s) written by the Participating Organisation in the manner stipulated in Schedule 2.

Deleted: shall ...ust calculate all contin (... [97])

(iii) A Participating Organisation may reduce the Participating Organisation's contingent liabilities arising from Put Option(s) to the extent the Participating Organisation holds collateral under the conditions set out in Paragraph (H)(4)(a).

Deleted: In calculating contingent liabilities arising from put option(s), the ... Partici (... [98])

(iv) A Participating Organisation must take into account the applicable discounts stipulated in Schedule 18, when determining the value of the collateral.

Deleted: For the purposes herein, the value of collateral shall be determined by applyin (... [99])

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(F) OPERATIONAL RISK REQUIREMENT REFERRED TO IN RULE 1305

(1) Calculation of Annual Expenditure Requirement

A Participating Organisation must calculate the Participating Organisation's annual expenditure requirement with reference to the Participating Organisation's most recent auditor's report lodged with the Exchange in the following manner:

Comment [Bursa34]: Previously, Rule 1105.6(4). Unless otherwise stated, amendments are in line with plain language drafting.

- (a) the Participating Organisation's total revenue less profit before taxation; or
- (b) the aggregate of the Participating Organisation's total revenue and any loss before taxation;

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less the aggregate of the following items:

- (i) non-contractual bonuses paid out of the relevant year's profits to directors and employees;
- (ii) payments and other appropriations of profit in whatever form, except for fixed or guaranteed remunerations payable even if the company makes a loss for that year;
- (iii) paid commissions shared with persons other than employees or directors;
- (iv) fees, levy and other charges paid to the Clearing House, the Commission and Depository;
- (v) interest payable to counterparties;
- (vi) interest payable on borrowings to finance the Participating Organisation's investment business and associated business carried on in connection with the investment business;
- (vii) exceptional items (including those items that arise from events or transactions within the ordinary activities of the business of a Participating Organisation and that are both material and not expected to recur frequently or regularly), with the Exchange's prior written approval;
- (viii) losses arising on the translation of foreign currency balances; and
- (ix) any other cost and expense the Exchange stipulates.

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Comment [Bursa35]: Previously, Rule 1105.6(5). Unless otherwise stated, amendments are in line with plain language drafting.

(2) Exemption

- (a) A Participating Organisation that does not have an auditor's report because:
 - (i) the Participating Organisation has just commenced business; or
 - (ii) the Participating Organisation has not carried on business long enough to have submitted the Participating Organisation's auditor's report to the Exchange,
 must base the Participating Organisation's annual expenditure requirement on budgeted or other accounts that the Participating Organisation submitted to the

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Exchange as part of the Participating Organisation's application to become a Participating Organisation.

Deleted: its ...he Participating Organif (... [100])

- (b) A Participating Organisation that does not have an auditor's report because the Participating Organisation's accounts represent a period in excess of 12 months, must calculate the Participating Organisation's annual expenditure requirement on a proportionate basis that is approved by the Exchange.

Deleted: in the case where its ...he (... [101])

(G) POSITION RISK REQUIREMENT REFERRED TO IN RULE 1306

(1) Principles applicable to equity Position Risk Requirement:

A Participating Organisation, in calculating the Position Risk Requirement for the Participating Organisation's equity and equity equivalent positions:

Comment [Bursa36]: Previously, Rule 1105.6(2). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting

Deleted: 2

Deleted: **Applicable to Equity**

Deleted: In ...n calculating the Positio (... [102])

- (a) must, on a daily basis, Mark to Market all the Participating Organisation's principal positions;

Deleted: Equity Derivative

Deleted: , a Participating Organisation shall observe the following principles -

- (b) may, in the case of securities the Participating Organisation holds following intra-day activities, reduce the Participating Organisation's risk exposure to the extent of the Mark to Market value of any collateral held after deducting the applicable discounts stipulated in Schedule 18;

Comment [Bursa37]: Already addressed in Rule 1306.1(1). Unnecessary to repeat this here.

Deleted: ¶

- (c) must calculate the Participating Organisation's Position Risk Requirement on a country by country basis (if applicable);

Deleted: (a) in accordance with Rule 1105.6(1), a Participating Organisation shall calculate all principal positions held by it;

Deleted: ¶

- (d) in the case of depository receipts, must allocate a share represented by that depository receipt to the same country as the underlying share; and

Deleted: b... a Participating Organis (... [103])

Deleted: c...) a Participating Organis (... [104])

- (e) must add any Income accrued on any Securities Borrowed, Securities Lent or SBL Collateral and must deduct any fees and charges imposed on the borrowing, lending or the SBL Collateral.

Deleted: d...) where applicable, a (... [105])

Deleted: e...) in the case of deposito (... [106])

Deleted: f...) a Participating Organis (... [107])

(2) Methods of computation of Position Risk Requirement for equity and equity equivalent positions

Comment [Bursa38]: Previously Rule 1105.6(5). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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- (a) A Participating Organisation must apply either the Standard Approach or the Building Block Approach in calculating the equity Position Risk Requirement for equity shares.

Deleted: **Types of Positions to be Included:**

- (b) A Participating Organisation may, in the calculation of the Participating Organisation's equity Position Risk Requirement, include positions listed below as equity equivalent positions by applying the Standard Approach or the Building Block Approach. In doing so, the Participating Organisation must comply with the requirements in Paragraph (G)(3)(b).

Deleted: shall ...ust apply either the S (... [108])

Deleted: Subject to Rule 1105.6(6)(b)((... [109])

- (i) Equity swaps;

Deleted: in the

Deleted: following equity derivatives

Deleted: Equity Derivatives

- (ii) Exchange Traded Options and stock Options;

Deleted: with ...he Standard Approach (... [110])

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- (iii) Individual share futures;

Deleted: exchange traded options ...x (... [111])

- (iv) Over-the-counter share Options;

Deleted: individual

Deleted: over...ver-the-counter share (... [112])

- (v) Warrants over single share;

Deleted: warrants

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- (vi) Index and basket Exchange Traded Derivatives;
- (vii) Depository receipts; and
- (viii) Convertible notes.

Deleted: index ...ndex and basket eq(... [113]

Deleted: Equity

Deleted: depository

Deleted: convertible

If a Participating Organisation is unable to comply with the rules in Paragraph (G)(3)(b), the Participating Organisation must calculate the Position Risk Requirement by applying either the Margin Method, the Hedging Method or the Basic Method, as appropriate.

Deleted: Provided that where the relevant provisions of ...f a Participating Organi(... [114]

- (c) If the conversion of a convertible note or any Exchange Traded Derivative into an equity equivalent position gives rise to a notional loss, the Participating Organisation must treat this loss as an additional capital charge. A Participating Organisation must derive the equity equivalent position of a convertible note prior to applying the Standard Approach or Building Block Approach in calculating the equity Position Risk Requirement.

Deleted: Where ...f the conversion of(... [115]

Deleted: Equity

Deleted: such ...he Participating Orga(... [116]

(3) Qualifying criteria for application of the Standard Approach or Building Block Approach to Exchange Traded Derivatives:

Comment [Bursa39]: Previously, Rule 1105.6(6). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

- (a) A Participating Organisation must treat convertible notes as equity instruments if:
 - (i) less than 1 year remains to the conversion date of the convertible note; and
 - (ii) the convertible notes are traded at a "premium" of less than 10%.

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Deleted: equity derivatives

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If the above criteria is not met, the Participating Organisation may treat the convertible notes as either an equity instrument (as described above) or Debt Securities under Paragraph (G)(12). In this Paragraph, "premium" means the current Mark to Market value of the convertible note less the current Mark to Market value of the underlying security, expressed as a percentage of the current Mark to Market value of the underlying security.

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Deleted: there remain ...ess than one(... [118]

Deleted: they ...he convertible notes (... [119]

Deleted: said...criteria are ...s not (... [120]

Deleted: instrument

- (b) A Participating Organisation intending to convert the equity instruments referred to in Paragraph (G)(2)(b) into equity equivalent positions must comply with the rules set out below.

Deleted: Rule 1105.6(15)...aragraph (... [121]

Deleted: The conversion of ...he equi(... [122]

- (i) Equity swaps must be treated as 2 notional positions.

Deleted: shall ...ust be treated as two(... [123]

- (ii) The Standard Approach or Building Block Approach may be applied in calculating the Position Risk Requirement for an Option position or a Warrant position. However, the Option position or Warrant position (as applicable) must be In the Money by at least the Position Risk Factor used in the Standard Approach stipulated in Schedule 3. If the Option position or Warrant position does not satisfy this requirement, a Participating Organisation must:

Comment [Bursa40]: Incorporates Paragraph (vi) below on warrant positions as when the Standard Approach or Building Block Approach may be applied in calculating the PRR for an Option position and a warrant position is similar.

Deleted: An option ...ption position or(... [124]

- (aa) calculate the Position Risk Requirement of that Option position or Warrant position by applying either the Basic, Hedging or Margin Methods, as appropriate; and

Deleted: shall be calculated by the Participating Organisation ...y applying(... [125]

- (bb) not treat the Option position or Warrant position as an equity equivalent position.

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- (iii) Purchased Call Options and written Put Options must be treated as long positions.
- (iv) Purchased Put Options and written Call Options must be treated as short positions.
- (v) Individual share futures may be included as single equity equivalent positions at the individual share futures' current Mark to Market value.
- (vi) Equity Options and futures contracts over indices or baskets of shares may be treated as either a single equity equivalent position or as a notional position in the constituent equities.
- (vii) The Exchange will decide on the requirements for the conversion of any other instrument on a case by case basis.

Deleted: call options...all Options and ... [126]

Deleted: put options ...ut Options and ... [127]

Deleted: their ...he individual share fu ... [128]

Comment [Bursa41]: As when the Standard Approach or Building Block Approach may be applied in calculating the PRR for an Option position and a Warrant position is similar, this rule on warrant positions has been incorporated under Paragraph (ii) above.

Deleted: (vi) A warrant position may only qualify for an inclusion in the Standard Approach or Building Block Approach if it is in the money by at least the Position Risk ... [129]

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Comment [Bursa42]: Previously, Ru ... [132]

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Deleted: **Equity Equivalent Positions:**

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Comment [Bursa43]: Previously, Ru ... [135]

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Comment [Bursa44]: Previously, Ru ... [138]

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Deleted: Any positions ...osition that ... [139]

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(4) Calculation of equity equivalent positions of instruments for which no treatment is specified

A Participating Organisation must calculate the equity equivalent position of Exchange Traded Derivatives or such other instrument for which no treatment is specified under this Paragraph (G) based on requirements the Exchange specifies.

(5) Position netting

A Participating Organisation may, in respect of:

- (a) an equity, net a long position against a short position if the positions are in the same type of equity;
- (b) an equity equivalent position identified in Paragraph (G)(2)(b), net a long position against a short position if the positions are in the same type of instrument. However, the instrument must have been converted into an equity equivalent position in accordance with Paragraph (G)(3)(b); and
- (c) Securities Borrowing and Lending, net a position of Securities Lent against Securities Borrowed if the positions are of the same type.

(6) Standard Approach

(a) Net position

A Participating Organisation must convert a position that applies the Standard Approach into a net position.

(b) Methodology

A Participating Organisation must calculate the total Position Risk Requirement based on the Standard Approach on a country by country basis in the following manner:

Step 1

Draft

Calculate the Position Risk Requirement for each net equity position using the formula below. Net long and net short positions must both generate positive Position Risk Requirements.

$$PRR_{\text{equity position}} = \frac{\text{Mark To Market value of net position}}{\text{value of net position}} \times PRF$$

Where,

PRF = Applicable Position Risk factor, as stipulated in Schedule 3

Step 2

Calculate the Position Risk Requirement based on the Standard Approach for each country portfolio as follows:

$$PRR_{\text{country portfolio}} = \text{Aggregate of PRR applicable to the net long and net short position within the country portfolio}$$

Step 3

Calculate the total Position Risk Requirement based on the Standard Approach as follows:

$$\text{Total PRR}_{\text{Standard Approach}} = \text{Aggregate of the PRRs of all country portfolios}$$

(7) Building Block Approach

(a) Additional qualifying criteria

A Participating Organisation may use the Building Block Approach on equity and equity equivalent positions if:

- (i) within a country's portfolio, there are at least 5 net long or 5 net short positions held in listed and quoted securities that form part of the component stock of any market index maintained or acceptable to the Exchange. Schedule 4 sets out the Recognised Market Indices; and
- (ii) a particular net long or short position exceeds 20% of the gross value of the country's portfolio. Here, only the amount up to 20% may be treated under the Building Block Approach. The excess amount must be treated under the Standard Approach.

(b) Methodology

A Participating Organisation must calculate the total Position Risk Requirement based on the Building Block Approach on a country by country basis as the sum of the specific risk and general market risk. This is illustrated below.

$$PRR_{\text{country portfolio}} = \text{General Market Risk} + \text{Specific Market Risk}$$

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- Deleted: to market
- Comment [Bursa45]: PRR is defined in Rule 1301.2(1)
- Deleted: PRR
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- Comment [Bursa46]: This is not a defined term and should not be capitalised
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- Comment [Bursa47]: Previously, Rule 1105.6(10). The mark-up reflects the proposed amendments. Unless otherwise stated, ... [142]
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The specific risk and general market risk must be calculated as follows:

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Specific Risk

Deleted: -

The specific risk must be calculated on a country by country basis.

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Step 1

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Calculate the specific risk for an individual equity position using the formula below. Net long and net short positions must both generate positive Position Risk Requirement.

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$$SR_{\text{each equity position}} = \frac{\text{Mark to market value of the individual net position}}{\text{position}} \times PRF$$

Where,

SR = Specific risk

PRF = Applicable Position Risk factor, as stipulated in Schedule 5

Comment [Bursa49]: This is not a defined term and should not be capitalised

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Step 2

Comment [Bursa50]: This is not a defined term and should not be capitalised

Calculate the specific risk for each country portfolio as specified below. Netting of long and short specific risk is prohibited.

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$$SR_{\text{each country portfolio}} = \text{Aggregate of the Position Risk Requirements applicable to the net long and net short positions within the country portfolio}$$

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General market risk

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The general market risk must be calculated on a country by country basis.

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Step 1

Deleted: as follows -

Calculate the general market risk for an individual equity position using the formula below.

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$$GMR_{\text{individual equity position}} = \frac{\text{Mark to market value of the individual net position}}{\text{position}} \times PRF$$

Where,

GMR = General market risk

PRF = Position Risk factor, as stipulated in Schedule 5

Comment [Bursa51]: This is not a defined term and should not be capitalised

Deleted: Market Risk

Step 2

Comment [Bursa52]: This is not a defined term and should not be capitalised

Calculate the general market risk for a country portfolio using the formula below. Netting of long and short general market risk is allowed.

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Deleted: prescribed

$$GMR_{\text{specific country portfolio}} = \text{Net value of PRRs applicable to the net long and short positions within the country portfolio}$$

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If the net amount is in the negative, the sign must be reversed to a positive value.

Where,
 GMR = General market risk

Total PRR

The total Position Risk Requirement based on the Building Block Approach is the sum of the Position Risk Requirements of all country portfolios.

Total PRR Building Block Approach = Aggregate of the PRRs of all country portfolios

(8) Margin Method

(a) Criteria

- (i) A Participating Organisation may apply the Margin Method for calculating the Position Risk Requirement for all Exchange Traded Derivative positions that have a positive initial margin requirement.
- (ii) A Participating Organisation may use the Margin Method if the Participating Organisation chooses not to utilise any of the other available methods. However, a Participating Organisation must use the Margin Method if it does not satisfy the criteria for those other methods.

(b) Methodology

- (i) A Participating Organisation must determine the Position Risk Requirement using the Margin Method by multiplying 100% of the initial margin requirement of the relevant exchange by 4.
- (ii) If the relevant exchange calculates the margin requirement on an overall basis, or offsets futures and Options in the margin calculation, the Position Risk Requirement may be based on the overall margin.

(9) Hedging Method

- (a) A Participating Organisation may apply the Hedging Method for calculating the Position Risk Requirement for an equity position hedged by an Option or a Warrant.
- (b) The Hedging Method may only be used to the extent that the nominal amount of the equity underlying the Option matches the nominal amount of the equity.
- (c) A Participating Organisation must determine the Position Risk Requirement for positions using the Hedging Method in accordance with Schedule 6.

(10) Basic Method

- (a) A Participating Organisation may apply the Basic Method for calculating the Position Risk Requirement for Exchange Traded Derivatives.
- (b) A Participating Organisation must determine the Position Risk Requirement positions using the Basic Method in accordance with Schedule 6.

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- Comment [Bursa53]: Unnecessary { ... [146]
- Deleted: Upon determining the Positio ... [145]
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- Comment [Bursa54]: Previously, Ru ... [147]
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(11) Foreign exchange

A Participating Organisation must calculate the Position Risk Requirement for foreign exchange exposure by applying the applicable discount stipulated in Schedule 18 to the sum of the net long positions in foreign currencies.

Comment [Bursa57]: Previously, Rule 1105.6(14). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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Deleted: Exchange:

Deleted: The ... Participating Organis(... [150]

(12) Debt Securities

(a) The Position Risk Requirement for convertible notes other than Debt Securities must be calculated as follows:

Comment [Bursa58]: Previously, Rule 1105.6(15). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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Deleted: Instruments:

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$$PRR = \text{Market Value multiply by } 8\%$$

Comment [Bursa59]: PRR is defined in Rule 1301.2(1).

Deleted: Where, PRR

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(b) A Participating Organisation must calculate the Position Risk Requirement for FI Securities in accordance with the formula set out below.

$$FI\ PRR \quad \equiv \quad \text{Market value of positions in FI Securities} \quad \times \quad PRFs$$

Where,

FI PRR \equiv Position Risk Requirement for FI Securities

Market value of positions \equiv The netted value of long and short positions in the FI Security of the same type, tenure and rating; and

PRFs \equiv The applicable specific risk Position Risk factor + the applicable general market risk Position Risk factor. The Position Risk factors for FI Securities are set out in Schedule 7

(c) A Participating Organisation must calculate the Position Risk Requirement for FI Securities on a weekly basis in the manner stipulated in Schedule 8.

Comment [Bursa60]: Previously, Rule 1105.6(16). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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Deleted: Securities:

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(13) Suspended securities

A Participating Organisation must calculate the Position Risk Requirement for suspended securities by applying the applicable Position Risk factor stipulated in Schedule 3 to the Last Done Price. If the security has been suspended for a continuous period of more than 3 Market Days, the applicable Position Risk factor is 100%.

Comment [Bursa61]: We have removed the definitions of Last Done Price in previous Rules 701.1(1) and 703.1(1) and added the definition of Last Done Price in Rule 101.1(1) to mean "in relation to securities, the last traded price of the securities".

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Comment [Bursa62]: The inclusion of these words is unnecessary. Doing away with(... [155]

Comment [Bursa63]: Previously, Ru(... [156]

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Comment [Bursa64]: To incorporate(... [159]

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(14) Exchange Traded Funds

(a) A Participating Organisation must reduce the Participating Organisation's exposure to proprietary positions in equities and Debt Securities held solely for the purpose of creation of an Exchange Traded Fund in proportion to the amount of Exchange Traded Funds actually sold.

(b) A Participating Organisation must ensure that proprietary positions in equities and Debt Securities arising from reverse repo transactions has a position exposure based on the positive difference of the Mark to Market value of the underlying instrument and the pre-determined re-sale value of the underlying instrument, as agreed between the Participating Organisation and the repo seller.

(15) Unit trusts

A Participating Organisation must calculate the Position Risk Requirement for the Participating Organisation's investments in unit trusts by applying the applicable Position Risk factor stipulated in Schedule 9 to the market value of the unit trust.

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(16) Margin Financing On-Pledged Risk

(a) A Participating Organisation must observe the principles below in calculating the Position Risk Requirement for Margin Financing On-Pledged Risk as to Onward Pledged MFF Collateral.

Comment [Bursa65]: Previously Rule 1105.10(4). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

(i) The Participating Organisation must calculate the Position Risk Requirement for all the Participating Organisation's Onward Pledged MFF Collateral positions;

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(ii) The sum of the Position Risk Requirement for all the Participating Organisation's Onward Pledged MFF Collateral positions represents the total Position Risk Requirement for the Participating Organisation's Margin Financing On-Pledged Risk as to Onward Pledged MFF Collateral;

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Deleted: the ...he sum of such positio (... [163]

(iii) the Participating Organisation must, on a daily basis, Mark to Market all the Participating Organisation's collateral, and if required, the value of the collateral must be discounted in the manner stipulated in Paragraph (H)(4)(b) and Schedule 18.

Deleted: shall...ust, on a daily basis, (... [164]

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(b) A Participating Organisation must calculate the Participating Organisation's Position Risk Requirement as to Onward Pledged MFF Collateral in the manner stipulated in Schedule 10.

Deleted: (b) Methodology:

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(17) Position Risk Requirement for Margin Financing Onward Lent Risk:

A Participating Organisation must observe the principles stipulated in Rule 1306 and Paragraph (G) in calculating the Position Risk Requirement for Margin Financing Onward Lent Risk as to Onward Lent Margin Securities.

Comment [Bursa66]: Previously, Rule 1105.10(5). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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(H) COUNTERPARTY RISK REFERRED TO IN RULE 1307

(1) General

A Participating Organisation, in calculating the Participating Organisation's Counterparty Risk Requirement:

Comment [Bursa67]: Previously, Rule 1105.7(2). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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(a) must calculate a Counterparty Risk Requirement only if the Participating Organisation has a positive exposure to a Counterparty;

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Deleted: It is only required to ...ust ca (... [168]

(b) must not include any Counterparty Risk Requirement if there is no Counterparty exposure;

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Comment [Bursa68]: Deleted as we have included in Paragraph (c) below that a PO must Mark to Market all Counterparty exposures on a daily basis.

(c) must, on a daily basis, Mark to Market all Counterparty exposures;

Deleted: ¶

(d) may reduce the Participating Organisation's Counterparty exposures to the extent the Participating Organisation holds collateral in accordance with the conditions set out in Paragraph (H)(4);

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Deleted:) Counterparty Risk Requirement shall be calculated at least once each market day;

(e) may net positive and negative Counterparty exposures prior to the calculation of Counterparty Risk Requirement if the exposures are with the same counterparty and they are similar in nature in that they fall within the same class or type as set out in Rule 1307.1(1);

Deleted: d...) It shall mark to market (... [170]

Deleted: e...) It ...ay reduce its ...he (... [171]

Deleted: f...) It ...ay net positive and (... [172]

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- (f) may reduce the Counterparty exposure on which the Participating Organisation's Counterparty Risk Requirement is calculated to the extent of any provisions made;
- (g) must calculate a Counterparty Risk Requirement for all Counterparty exposures irrespective of any connection with the Counterparty; and
- (h) is not required to calculate a Counterparty Risk Requirement for an Option over shares of a company if the Participating Organisation is the writer of the Option.

(2) Computation

A Participating Organisation must, unless these Rules specify otherwise, calculate the Participating Organisation's Counterparty Risk Requirement using formula below.

$$CRR = CE \times CW \times 8\%$$

Where,

- CE = Counterparty exposure, as determined under this Paragraph (H)(3).
- CW = Counterparty weighting, as specified in Schedule 11.

(3) General rules in calculating Counterparty exposure and CRR

A Participating Organisation must calculate the Participating Organisation's Counterparty exposures and Counterparty Risk Requirement as follows:

(a) Unsettled agency (including those under DF Accounts)

(i) Counterparty exposures

Subject to Paragraph (H)(3)(a)(iii), a Participating Organisation's Counterparty exposures on:

- (aa) an agency purchase is equal to the Mark to Market Difference; and
- (bb) an agency sale is equal to the Mark to Market Difference.

(ii) CRR for unsettled agency trades

A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement on the Participating Organisation's unsettled agency trades in accordance with Schedule 12.

- (iii) In the event that the Mark to Market value is not available for whatsoever reason for the purpose of computing the Mark to Market Difference as stipulated under Paragraph (H)(3)(a)(i)(aa) and Paragraph (H)(3)(a)(i)(bb), the Counterparty exposures shall be equal to the purchase contract value or sale value respectively.

(b) Debt, contra losses and other amounts due

(i) Counterparty exposure

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Deleted: h...) It shall ...ust calculate ... [174]

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Comment [Bursa69]: Previously, Rule 1105.7(4). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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Comment [Bursa70]: For consistency with the other formulae in these directives.

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Comment [Bursa71]: CRR is define ... [177]

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Comment [Bursa72]: This is not a d ... [179]

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Comment [Bursa73]: This is not a d ... [181]

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Comment [Bursa74]: Previously, Ru ... [182]

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Deleted: Rule 1105.7(5)(a)(iii)... a Pa ... [186]

Deleted: or a principal sale shall be ... [187]

Comment [Bursa75]: Contract is a c ... [189]

Deleted: or a principal purchase shall ... [188]

Deleted: "delivery vs. payment" ...g ... [190]

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Comment [Bursa76]: We no longer ... [192]

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A Participating Organisation has a Counterparty exposure if a Debt, contra loss or other amount due is not paid on the agreed due date. In the case of a contra loss, the due date is the date of contra.

Deleted: counterparty...ounterparty ef (... [196])

(ii) **Calculation of CRR:**

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A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement in respect of the above exposure in the manner stipulated in Schedule 13.

Deleted: shall ...ust calculate its ...he (... [197])

(c) **Free deliveries**

Deleted: Deliveries:

(i) If a Participating Organisation delivers securities without receiving payment, or pays for securities without receiving the securities, the Participating Organisation's Counterparty exposure is the full contract value of the transaction.

Deleted: Where ...f a Participating (... [198])

Comment [Bursa77]: Unnecessary to state that the CRR must be calculated in accordance with Paragraph (H)(2) as Paragraph (H)(2) already states that the CRR must be calculated in the manner set out in that rule.

(ii) Despite the above Paragraph (H)(3)(c)(i), if delivery or settlement remains outstanding for more than 2 Market Days after the due date, the Participating Organisation's Counterparty Risk Requirement must be the full contract value of the transaction.

Deleted: Notwithstanding Rule 1105.7(5)(c)(i), where ...espite the above Paragraph (... [199])

(iii) In this Paragraph, the due date is:

Deleted: For the purposes herein...n (... [200])

(aa) where the Participating Organisation delivers securities without receiving payment, the date of such delivery;

(bb) where the Participating Organisation pays for securities without receiving the securities, the date of such payment.

(d) **Securities Borrowing and Lending**

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(i) **Counterparty exposures**

Deleted: :

A Participating Organisation must calculate the Participating Organisation's Counterparty exposures for Securities Borrowing and Lending in the following manner:

Deleted: shall ...ust calculate its ...he (... [201])

(aa) for borrowing transactions entered into on behalf of the Participating Organisation's Client:

Deleted: its client...he Participating (... [202])

(A) the Participating Organisation's Counterparty exposures must be computed based on the difference between the Mark to Market value of the Securities Borrowed and the Mark to Market value of the SBL Collateral deposited, and

Deleted: counterparty...ounterparty ef (... [203])

Comment [Bursa78]: Unnecessary to state "subject to the provisions of Rule 1105.7(6)" as Rule 1307.4 already states that a PO may use collateral to reduce the PO's counterparty exposure in the manner the Exchange determines.

(C) in computing the Mark to Market value of the Securities Borrowed or the SBL Collateral, the Participating Organisation must add any Income accrued on the Securities Borrowed or the SBL Collateral and deduct any fees and charges imposed on the borrowing or the SBL Collateral; and

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Deleted: In ...n computing the mark to (... [204])

(bb) for lending transactions entered into on behalf of the Participating Organisation's Client:

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(A) ~~the~~ Participating Organisation's Counterparty exposures ~~must~~ be computed based on the difference between the Mark to Market value of the Securities Lent and the Mark to Market value of the SBL Collateral deposited ~~and~~

Deleted: a ...he Participating Organisa(... [205]

Comment [Bursa79]: Unnecessary to state "subject to the provisions of Rule 1105.7(6)" as Rule 1307.4 already states that a PO may use collateral to reduce the PO's counterparty exposure in the manner the Exchange determines.

(B) ~~in~~ computing the Mark to Market value of the Securities Lent or the SBL Collateral, ~~the~~ Participating Organisation ~~must~~ add any Income accrued on the Securities Lent or the SBL Collateral and ~~deduct~~ any fees and charges imposed on the lending or the SBL Collateral.

Deleted: In ...n computing the mark to (... [206]

(ii) **Calculation of CRR**

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A Participating Organisation ~~must~~ calculate ~~the Participating Organisation's~~ Counterparty Risk Requirement for Securities Borrowing and Lending in accordance with Schedule 14.

Deleted: Pursuant to the above-menti(... [207]

(e) **Derivatives Transactions:**

(i) **Exchange Traded derivatives**

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(aa) **Counterparty exposure**

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(A) A Participating Organisation's Counterparty exposure on an Exchange Traded Derivative Contract is the uncovered margin or the margin call due for the Contract and/or any additional margin requirements, whichever is higher, as ~~the~~ Participating Organisation or Clearing House may ~~require~~

Deleted: i...) A Participating Organisa(... [208]

Deleted: derivative

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Comment [Bursa80]: Clearing House is defined in Rule 101.1(1) as "Bursa Malaysia Securities Clearing Sdn Bhd and any other clearing house as the Exchange may designate".

(B) **Options (bought)**

A Participating Organisation has a Counterparty exposure on the uncovered premium ~~for~~ options bought (in the case of the buyer of an Option) ~~if~~ the transaction is unsettled. ~~The~~ uncovered premium ~~is~~ the unpaid premium due from the buyer of the options.

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(C) **Options (sold)**

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A Participating Organisation has a Counterparty exposure on the uncovered margin in respect of the Options sold (in the case of the seller of an Option) ~~if~~ the transaction is unsettled. ~~The~~ uncovered margin ~~is~~ the margin due less any premium received.

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(bb) **Calculation of CRR**

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A Participating Organisation ~~must~~ calculate ~~the Participating Organisation's~~ Counterparty Risk Requirement on Exchange Traded Derivatives as follows:

Deleted: shall ...ust calculate its ...he(... [212]

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Comment [Bursa81]: For consistency with the other formulae in these directives

$$CRR = CE \times CW \times CRR \text{ charge (\%)}$$

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Where,
CE = Counterparty exposure, as determined in accordance with Paragraph (H)(3)(e)

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- CW = Counterparty weighting, as stipulated in Schedule 11
- CRR charge = CRR charge as stipulated in Schedule 12
- (ii) Over-the-Counter derivative Contracts
- (aa) Counterparty exposure
- A Participating Organisation's Counterparty exposure on an over-the-counter derivative contract is the credit equivalent amount as specified in Schedule 15.
- (f) Sub-underwriting:
- (i) Counterparty exposure:
- If a Participating Organisation, acting as lead underwriter, enters into a sub-underwriting agreement with a Counterparty, the Participating Organisation's Counterparty exposure is equal to 30% of the sub-underwritten amount.
- (g) Reverse repo transactions
- If a Participating Organisation purchases instruments through a reverse repo transaction, the Participating Organisation's Counterparty exposure is the full pre-determined re-sale value of the instruments as agreed between the Participating Organisation and the repo seller.
- (h) Margin Financing Facilities:
- (i) Counterparty exposure
- A Participating Organisation's Counterparty exposure to a Margin Financing Facility is the Outstanding Balance.
- (ii) Principles applicable to Margin Financing Counterparty Risk Requirement:
- A Participating Organisation, in calculating the Participating Organisation's Counterparty Risk Requirement as to Margin Financing Facilities, must observe the requirements below in addition to the principles applicable in calculating Counterparty Risk Requirement in Paragraph (H)(1).
- (aa) A Participating Organisation is not required to calculate a Counterparty Risk Requirement for a Margin Account if specific provisions equivalent to 100% of the amount outstanding (as defined in Directive 1203-001) have been made in accordance with the provisions of Rule 1203 and Directive 1203-001;

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- Deleted: OTC ...ver-the-Counter De... [216]
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- Deleted: counterparty...ounterparty ef... [217]
- Comment [Bursa82]: Unnecessary as Paragraph (H)(2) states that the CRR must be calculated in accordance with the formula in that rule unless otherwise stated.
- Deleted: ¶
- Deleted: (bb) **Calculation of CRR:** A Participating Organisation shall calculate its Counterparty Risk Requirement on OTC derivative in accordance with Rule 1105.7(4).
- Deleted:
- Deleted: Where ...f a Participating ... [218]
- Comment [Bursa83]: Unnecessary as Paragraph (H)(2) states that the CRR must be calculated in accordance with the formula in that rule unless otherwise stated.
- Deleted: (ii) **Calculation of CRR:** A Participating Organisation shall calculate its sub-underwriting Counterparty Risk Requirement in accordance with Rule 1105.7(4).
- Deleted: **Repo Transactions:**
- Deleted: (i) Where ...f a Participating ... [219]
- Comment [Bursa84]: Unnecessary as Paragraph (H)(2) states that the CRR must be calculated in accordance with the formula in that rule unless otherwise stated.
- Comment [Bursa85]: Previously, Rule 1105.10(3). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.
- Deleted: 3
- Deleted: **Counterparty Risk Require** ... [220]
- Deleted: a...) **Counterparty exposu** ... [221]
- Deleted: counterparty...ounterparty ef... [222]
- Comment [Bursa86]: Unnecessary f... [223]
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- Comment [Bursa87]: Under the ren... [227]
- Deleted: (aa) it is not required to cal... [226]
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(bb) A Participating Organisation must calculate a Counterparty Risk Requirement for a Margin Account if the Equity, after applying the applicable discounts stipulated in Paragraph (H)(4)(b) and Schedule 18, is below 150% of the Outstanding Balance.

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Deleted: Rule 1105.10(3)(b)(ii) shall represent the total Counterparty Risk Requirement of a Participating Organisation in relation to margin financing facilities

(iii) **Calculation of CRR**

(aa) A Participating Organisation must calculate a Participating Organisation's Counterparty Risk Requirement for Margin Financing Facilities in the manner stipulated in Schedule 16.

(bb) A Participating Organisation's total Counterparty Risk Requirement for Margin Financing Facilities is the sum of the Counterparty Risk Requirements calculated in accordance with this Paragraph (H)(3)(h)(iii).

(i) **Debt Securities**

A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement for Counterparty exposures arising from Debt Securities in accordance with the formula set out below if the Client or Counterparty does not pay the Participating Organisation on the Settlement Date.

(i) **Settlement Date to 15 Market Days:**

$$CRR = CE \times CW \times 8\%$$

Where,

CE = (i) Positive Mark to Market Difference of the Debt Securities;
or
(ii) Any losses incurred from closing-out the position; or
(iii) The penalty including other amounts due incurred from the cancellation of the contract (as applicable)

CW = Counterparty weighing, as stipulated in Schedule 11

(ii) **16 Market Days to 30 Market Days from the Settlement Date:**

$$CRR = 50\% \text{ of CE}$$

(iii) **More than 30 Market Days from the Settlement Date:**

$$CRR = 100\% \text{ of CE}$$

Where for both Paragraphs (i) and (ii) above,

CE = (i) The full contract value if the PO has not closed-out the position; or
(ii) Any losses incurred from closing-out the position; or
(iii) The penalty including other amounts due incurred from the cancellation of the contract (as applicable)

(iv) The applicable aging for the calculation of the Counterparty Risk Requirement for Counterparty exposures arising from Debt Securities is determined by comparing the current market date against the Settlement Date irrespective of the nature of the Counterparty exposure.¹

Deleted: For example, if a Participating Organisation closes off a position that is 14 Market Days old resulting in a loss, the Counterparty Risk Requirement for the loss amount due from the Client must be computed from the 14th Market Day onwards (i.e. CE x CW x 8% for the 14th and 15th Market Day, 50% of the Counterparty exposure for the 16th to 30th Market Day and thereafter, 100%).

¹ For example, if a Participating Organisation closes off a position that is 14 Market Days old resulting in a loss, the Counterparty Risk Requirement for the loss amount due from the Client must be

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(v) A Participating Organisation must calculate the Counterparty Risk Requirement for Counterparty exposures arising from FI Securities on a daily basis in the manner stipulated in Schedule 17.

(vi) In this Rule, "Settlement Date" means:

(i) in the case of a Universal Broker trading as a RENTAS member, one Market Day after the settlement date stipulated by the relevant requirements of the Commission, the Central Bank or any other relevant body on the RENTAS system;

(ii) in the case of a Participating Organisation trading via a RENTAS member, one Market Day after the settlement date as mutually agreed between the Participating Organisation and the RENTAS member.

Comment [Bursa88]: Previously, Rule 1105.7(6). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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Comment [Bursa89]: Deleted as the word "includes" above already indicates that the list is not exhaustive. Further the Exchange has the power under Rule 201.1(2)(d) to issue directives, rulings or guidelines for the purposes of or in connection with the Rules.

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Deleted: a collateral held by a Participating Organisation is in a form other than cash deposit in Ringgit, the value of the collateral shall be discounted

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Comment [Bursa90]: To incorporate this requirement that previously was contained in R/R 10 of 2004 (capital adequacy requirements for activities in debt securities).

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(4) Collateral

(a) Conditions

A Participating Organisation may use collateral or security including collateral placed by the Participating Organisation's Dealer's Representative appointed on a commission basis to reduce the Participating Organisation's Counterparty exposure if:

(i) the Participating Organisation has an unconditional right to realise the collateral or security in the event of default by the Counterparty;

(ii) the collateral or security is liquid in nature and this includes:

(aa) cash deposit in Ringgit;

(bb) cash deposit in foreign currency acceptable to the Exchange, as stipulated in Schedule 18;

(cc) securities listed on the Exchange or other Recognised Stock Exchanges; and

(dd) government bonds or other Debt Securities that have a ready market.

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Comment [Bursa90]: To incorporate this requirement that previously was contained in R/R 10 of 2004 (capital adequacy requirements for activities in debt securities).

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(b) Discounting

A Participating Organisation must discount the value of collateral held:

(i) in a form other than a Ringgit cash deposit by applying the applicable discounts stipulated in Schedule 18; and

(ii) in a form of FI Securities by the amount equivalent to the sum of the applicable specific risk Position Risk factor and the applicable general market risk Position Risk factor stipulated in Schedule 7.

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Comment [Bursa90]: To incorporate this requirement that previously was contained in R/R 10 of 2004 (capital adequacy requirements for activities in debt securities).

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(c) Deposits and commission

computed from the 14th Market Day onwards (i.e. CE x CW x 8% for the 14th and 15th Market Day, 50% of the Counterparty exposure for the 16th to 30th Market Day and thereafter, 100%).

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A Participating Organisation may apply the DR Security Deposit and commission the Participating Organisation holds for a Dealer's Representative against that Dealer's Representative's Client if the Client owes the Participating Organisation any money. A Participating Organisation must not use the DR Security Deposit of one Dealer's Representative as collateral for another Dealer's Representative who has insufficient funds.

(d) **Hedging**

A Participating Organisation must calculate the Counterparty Risk Requirement for hedging positions in the manner stipulated in Schedule 6.

(1) LARGE EXPOSURE RISK REQUIREMENT REFERRED TO IN RULE 1308

(1) Exposure to single client or counterparty – Debt Securities

A Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement to a single Client in relation to the Participating Organisation's activities in Debt Securities in the manner stipulated in Schedule 19. This requirement does not apply if the Counterparty exposure has already incurred 100% charge under the Counterparty Risk Requirement.

(2) Direct exposure to debt – FI Securities

A Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement for its exposure position to debt for FI Securities in the manner stipulated in Schedule 21.

(3) Maximum Large Exposure Risk to FI Security issued by the central government or government related agencies that are fully guaranteed by the central government

(a) A Participating Organisation is not subject to Rule 1308.3(3) if the Debt Securities is an FI Security issued by the central government or government related agencies that are fully guaranteed by the central government.

(b) A Participating Organisation may bear a Large Exposure Risk to FI Securities issued by the central government or government related agencies that are fully guaranteed by the central government, of up to 500% of the Participating Organisation's Effective Shareholders' Funds.

(c) In this Paragraph, the central government and government related agencies may include (not exhaustive):

- (i) the Government of Malaysia;
- (ii) Khazanah Nasional Berhad;
- (iii) the Central Bank;
- (iv) Pengurusan Danaharta Nasional Berhad, such as Danaharta Bonds;
- (v) Danamodal Nasional Berhad, such as Danamodal Bonds;
- (vi) Cagamas Berhad;

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Comment [Bursa91]: DR Security Deposit is defined in Rule 101.1(1)

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Deleted: placed by Commissioned Dealer's Representatives with, and commissions

Deleted: held by, a Participating Organisation may be applied

Comment [Bursa92]: It is sufficient to replace a Client who has an outstanding contract, debt or other outstanding amount with a Client that owes the PO any money.

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Comment [Bursa93]: To incorporate the LERR to a Single Client as to the PO's activities in Debt Securities previously contained in the CAR for activities in debt securities in R/R 10 of 2004.

Comment [Bursa94]: To exclude unsettled agency trades of an institutional Client from the maximum LER rule. This exclusion is currently in the Exchange's letter of 28/2/2006 to POs and we are incorporating this exclusion into the directives.

Deleted: (2) Maximum Large Exposure Risk to a single client or counterparty - Exception

(a) A Participating Organisation is not subject to Rule 1308.2(4) if the Large Exposure Risk arises from an unsettled agency trade of an institutional Client and:

(i) the Large Exposure Risk for a sales Contract is maintained between the date the Contract was entered into and 2 Market Days after the Contract date and no longer;

... [230]

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Comment [Bursa95]: To set out the calculation for LERR for exposure to de(... [231]

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Comment [Bursa96]: To exclude FI securities (1) issued by the central gov(... [232]

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(vii) Syarikat Prasarana Negara Berhad; and

(viii) KL International Airport Berhad,

where the issuance of the FI Securities are fully guaranteed by the central government.

(d) A Participating Organisation may bear a Large Exposure Risk to FI Securities that are rated AA or AAA by a credit rating agency recognised by the Commission, of up to 250% of the Participating Organisation's funds.

(4) Exposure to a single equity – net position or exposure

(a) A Participating Organisation, in calculating the Participating Organisation's net position or exposure to a single equity;

Comment [Bursa97]: Previously, Rule 1105.8(5)(b). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

(i) need not include the Participating Organisation's underwriting or sub-underwriting commitment, unless that commitment has become a principal position;

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Deleted: (b) **Net position or exposure:**

(ii) must include an equity OTC Options or an equity Warrant that is In the Money at its full underlying value;

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(iii) must not treat an Out of the Money equity OTC Options or an equity Warrant as an exposure; and

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(iv) must not treat an Exchange Traded Fund, where the underlying instruments are government or government-related agency bonds, as an exposure.

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(5) Exposure in relation to a net purchase contract value of single equity underlying clients' accounts:

(a) A Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement in relation to the net purchase contract value of single equity underlying clients' accounts arising from transactions either under a Ready Basis Contract starting from the date that it has not been paid for on and subsequent to the FDSS due settlement date; and

Comment [B98]: Previously, Rule 1105.8(5)(d).

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(b) A Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement in relation to the net purchase contract value of single equity underlying clients' accounts arising from transactions under a DF Account starting from the date that it has not been paid for on and subsequent to the FDSS due settlement date.

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(6) Exposure to a single equity relative to instrument on issue

(a) If a Participating Organisation has a Large Exposure to a single equity relative to the Participating Organisation's total issue as specified in Rule 1308.4(1)(a), the Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement by multiplying the value of the exposure that is in excess of 10% of the total issue by the Position Risk Factor used in the Standard Approach in the manner stipulated in Schedule 22.

Comment [Bursa99]: Previously, Rule 1105.8(5)(e). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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(b) If a Participating Organisation has an exposure in excess of 20% of the issuer's capital arising from the Participating Organisation's investment in the stock accounts as stipulated in Rule 1308.4(5)(c), the Participating Organisation is considered an associate of the issuer.

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(7) Exposure to a single equity relative to Effective Shareholders' Funds

Comment [Bursa100]: Previously, Rule 1105.8(5)(e). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

If a Participating Organisation has a Large Exposure to a single equity relative to the Participating Organisation's Effective Shareholders' Funds as specified in Rule 1308.4(1)(b), the Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement by multiplying the value of the exposure that is in excess of 10% of the Participating Organisation's Effective Shareholders' Funds by the Position Risk Factor used in the Standard Approach, in the manner stipulated in Schedule 22.

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(8) Exposure to a single equity relative to both an instrument on issue and Effective Shareholders' Funds

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If a Participating Organisation has both a large exposure to a single equity relative to an instrument on issue and a large exposure to the same equity relative to the Participating Organisation's Effective Shareholders' Funds, the Participating Organisation's Large Exposure Risk Requirement is the higher of the 2 requirements.

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(J) UNDERWRITING RISK REFERRED TO IN RULE 1309

(1) Computation

Comment [Bursa101]: Previously, Rule 1105.9(2). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

A Participating Organisation's Underwriting Risk Requirement is 30% of the underwritten commitment multiplied by the Standard Approach Position Risk factor, depending on the type of securities underwritten, as set out in Schedule 3.

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$$URR = UE \times PRF \times 30\%$$

Comment [Bursa102]: For consistency with the other formulae in these directives.

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Where

UE = Underwriting exposure as defined in Paragraph (J)(2)(a)
 PRF = Applicable Position Risk factor, as stipulated in Schedule 3

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URR

Comment [Bursa103]: URR is defined in Rule 1301.2(1)

(2) Methodology

A Participating Organisation in assessing the Participating Organisation's underwriting and sub-underwriting commitment must observe the principles set out below.

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(a) An Underwriting exposure is an underwriting commitment that is computed based on the quantity and price in the underwriting agreement or document as amended or supplemented.

Comment [Bursa104]: Previously, R ... [250]

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(b) An Underwriting Risk exists from:

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(i) the date of the Participating Organisation's unequivocal acceptance of the underwriting commitment; or

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(ii) the date on which the underwriting agreement or document is signed,

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whichever occurs earlier.

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- (c) ~~If~~ a third party sub-underwrites part of a Participating Organisation's underwriting commitment, the Participating Organisation's underwriting commitment may be reduced by such sub-underwritten amount ~~if~~ proper documentation or an agreement for the sub-underwriting ~~is~~ executed.
- (d) ~~A Participating Organisation must treat the third party's~~ sub-underwriting amount as a Counterparty Risk.
- (e) ~~If~~ a Participating Organisation undertakes a sub-underwriting commitment, the ~~Participating Organisation must treat the~~ sub-underwriting commitment ~~as~~ an underwriting commitment ~~from the later of the following events:~~
- (i) the date of ~~the Participating Organisation's~~ unequivocal acceptance of the sub-underwriting commitment or the date on which the sub-underwriting agreement or document is signed, whichever ~~occurs earlier~~; or
- (ii) the date of the ~~lead underwriter's~~ unequivocal acceptance of the underwriting commitment or the date on which the underwriting agreement or document is signed, whichever ~~occurs earlier~~.
- (f) ~~A Participating Organisation's~~ underwriting commitment ~~continues~~ as an Underwriting Risk until the date the application closes, ~~After that, the~~ Underwriting Risk either:
- (i) ceases; or
- (ii) becomes a Position Risk.

Deleted: Where

Deleted: provided that

Deleted: has been

Deleted: The

Deleted: under paragraph (c) above shall be treated by the Participating Organisation

Deleted: Where

Deleted: shall be treated

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Deleted: comes first

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Deleted: shall continue

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Deleted: in which event such

Deleted: -

(3) Underwriting Risk for Debt Securities

A Participating Organisation must calculate the Participating Organisation's Underwriting Risk Requirement for FI Securities in accordance with the formula set out below.

$$FI\ URR \quad \equiv \quad UE \quad \times \quad PRFs \quad \times \quad 30\%$$

- Where,
- FI URR \equiv Underwriting Risk Requirement for FI Securities
- UE \equiv Underwriting exposure calculated in the manner stipulated in Paragraph (J)(2)(a).
- PRFs \equiv The applicable specific risk Position Risk factor + the applicable general market risk Position Risk factor. The Position Risk factors for FI Securities are set out in Schedule 7

Comment [Bursa105]: To incorporate the method of calculation of the PO's URR for FI Securities. This was previously in the capital adequacy requirements for activities in debt securities in R/R 10 of 2004.

[End of Directive]

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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Schedule 1
[Paragraphs (D)(1), (E)(1)(a) and (E)(1)(c)]

	<i>RM</i> Total	<i>RM</i> Ranking For Liquid Capital	<i>RM</i> Not Ranking For Liquid Capital
--	--------------------	--	---

RETURN PRESCRIBED IN
PARAGRAPH (D)(1) OF THE
EXCHANGE'S DIRECTIVES ON
CAPITAL ADEQUACY
REQUIREMENTS

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Participating Organisation _____
Balance Sheet as at _____

Capital Employed	_____	_____	
Ordinary Share Capital	_____	_____	
Preference Share Capital - Non-	_____	_____	
Cumulative/Non-Redeemable	_____	_____	
Reserve Fund - Non distributable	_____	_____	
Share Premium Account	_____	_____	
Capital Reserves	_____	_____	
Audited Retained Earnings	_____	_____	

CORE CAPITAL

Share Premium Account - Others	_____	_____	
Preference Share Capital – Others	_____	_____	
Approved Subordinated Loan	_____	_____	
Revaluation Reserves	_____	_____	(____)
Unaudited Profits/Unaudited Losses	___/(____)	___/(____)	
Unrealised Gains/Unrealised Losses	___/(____)	___/(____)	
from principal positions	_____	_____	
Loans secured against Fixed Assets	_____	_____	
Term Loan	_____	_____	
Unsecured Loans	_____	_____	
Deferred Taxation	_____	_____	
Provision for Taxation	_____	_____	
Hire Purchase Creditors	_____	_____	
Total	_____	_____	_____

	Total	Not Ranking For Liquid Capital	Ranking For Liquid Capital
Employment of Capital			
Intangible Assets	_____	_____	
Fixed Assets	_____	_____	
Long Term Investments	_____	_____	
- Listed Investments	_____	_____	
- Unlisted Investments	_____	_____	
- Subsidiary/Related Companies	_____	_____	
Long-Term Receivables	_____	_____	
Other Non-current Assets/ Tax Assets	_____	_____	

Total Fixed Assets

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 1203-001

	RM Total	RM Not Ranking For Liquid Capital	RM Ranking For Liquid Capital
Current Assets			
Cash and Bank Balances			
- Trust			
- Non-Trust			
Deposits – approved banks & financial institutions			
- Trust			
- Non-Trust			
Deposits – others			
- Trust			
- Non-Trust			
Marketable Securities -Listed Equities			
Marketable Securities – FI Securities (corporate)			
Marketable Securities – FI Securities (government)			
Marketable Securities – Unit Trusts			
Marketable Securities – Others			
Trade Debtors - Dealers (gross)			
Less: Specific Provision for Bad and Doubtful Debts			
Less: Provision for Interest in Suspense			
Trade Debtors – Clients (gross)			
Less: Specific Provision for Bad & Doubtful Debts			
Less: Provision for Interest In Suspense			
Clients Margin Accounts			
Less: Specific Provision for Bad & Doubtful Debts			
Less: Provision for Interest In Suspense			
Less: General Provision			
Outstanding contracts < T+4			
Directors Account			
Loans & Advances			
Amount due from Holding Company			
Amount due from Subsidiary/Related Companies			
Prepayment			
Other Debtors			
Others/Charged Assets			
Total Current Assets			

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 1203-001

	RM Total	RM Not Ranking For Liquid Capital	RM Ranking For Liquid Capital
Current Liabilities			
Bank Overdraft/Revolving Credits	_____		_____
Short Term Loans/Borrowings	_____		_____
Trust Accounts - Clients	_____		_____
- Others	_____		_____
Trade Creditors	_____		_____
- Dealers	_____		_____
- Clients	_____		_____
Outstanding Contracts < T+ 4	_____		_____
Directors Account	_____		_____
Other Creditors and Accruals	_____		_____
Remisiers' Accounts	_____		_____
Hire Purchase Creditors	_____		_____
Provision for Taxation	_____		_____
Proposed Dividends	_____		_____
Amount due to Holding Company	_____		_____
Amount due to Subsidiary/Related Companies	_____		_____
Total Current Liabilities	=====		=====
TOTAL EMPLOYMENT OF CAPITAL	=====		
Less Contingent Liabilities		_____	
Add: Collateral used to secure Deposit with Non-Approved Institution		_____	
Add: Collateral used to secure Other Debtors		_____	
Add: Collateral used to secure Other Assets		_____	
		=====	
LIQUID CAPITAL		=====	
Total Risk Requirement		=====	
		=====	
LIQUID MARGIN			
CAPITAL ADEQUACY RATIO			

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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RETURN PRESCRIBED IN [PARAGRAPH \(D\)\(1\) OF THE EXCHANGE'S DIRECTIVES ON CAPITAL ADEQUACY RATIO](#)
Risk Components that form the Total Risk Requirement:

Deleted: TERMS OF RULE 1105

Ref	Position Risk Requirement (PRR)
	Total PRR – Standard Approach
	Total PRR – Foreign Exchange Method
	Total PRR – MFOPRR
	Total PRR – Building Block Approach
	Total PRR – Equity Index Arbitrage Difference
	Total PRR – Debt Instrument quoted on the KLSE
	Total PRR – FI Securities-not quoted on the KLSE
	Total PRR – Loss on conversion
	Total PRR – Basic Method
	Total PRR – Margin Method
	Total PRR – Hedging Method
	Total PRR – Equity Index Arbitrage
	Position Risk Requirement
	Counterparty Risk Requirement (CRR)
	Total CRR – Debt, Contra Losses and Other Amounts Due
	Total CRR – Unsettled Agency and Principal Trades
	Total CRR – Free Deliveries
	Total CRR – Securities Borrowing and Lending
	Total CRR – Exchange Traded Derivatives
	Total CRR – OTC Derivative Contracts
	Total CRR – Sub-Underwriting
	Total CRR – Margin Financing
	Total CRR – Fixed Income Securities
	Total CRR – Potential Material Loss
	Total CRR – Exceptional Instruments
	Total CRR – Manual SBL
	Total CRR – Manual Derivatives
	Counterparty Risk Requirement
	Large Exposure Risk Requirement (LERR)
	Total LERR to Single Client
	Total LERR to Issuer of Debt
	Total LERR to Single Equity
	Large Exposure Risk Requirement
	Underwriting Risk Requirement (URR)
	Total Underwriting Risk Requirement
	Underwriting Risk Requirement
	Operational Risk Requirement
	Operational Risk Requirement
	Operational Risk Requirement
	Total Risk Requirement
	Effective Shareholders' Funds

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Schedule 2
[Paragraph (E)(4)(c)(ii)]

METHODS OF COMPUTATION OF CONTINGENT LIABILITIES ARISING FROM PUT OPTION(S)

Purpose of Put Option(s)	Calculation of Amount of Contingent Liabilities for Put Option(s)	
	If EP is more than Price _{MTM}	If EP is equal to or less than Price _{MTM}
To guarantee performance as placement agent	European Option(s): [Q x (EP - Price _{MTM}) x ISDM Fraction] - Collateral	Nil
To support security arrangements for credit facilities	European Option(s): [Q x (EP - Price _{MTM}) x ISDM Fraction] - Collateral	Nil
	American Option(s): [Q x (EP - Price _{MTM})] - Collateral	
<i>Notes:</i>		
American Option(s)	An Option that may be exercised any time between the Option's initiation and expiration dates, inclusive	
ISDM Fraction	A fraction based on Inverse-Sum-of-Digit Method, figured on yearly basis if Option(s) period exceeds 1 year	
European Option(s)	An Option that is only exercisable on the expiration date of the Option	
EP	Exercise Price of the Option(s)	
Price _{MTM}	The Mark to Market price of the underlying securities forming the subject matter of the Option(s)	
Q	Number of underlying securities over which the Option(s) is granted	

Deleted: SCHEDULE 8N

Deleted: [Chapter 11]

Deleted: option(s)...ption(s): - ... [253]

Deleted: Less ...rice_{MTM}) x ISDM Frac... [254]

Deleted: option(s)...ption(s): - ... [255]

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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Schedule 3
[Paragraph (G)(3)(b), (G)(6)(b), (G)(13) and (J)(1)]

POSITION RISK FACTOR FOR STANDARD APPROACH

- Deleted: SCHEDULE
- Deleted: 8C [CHAPTER 11]
- Deleted: SCHEDULE 8C (Chapter 11)
- Deleted: [Rule 1105.6(9)]

INSTRUMENT	POSITION RISK FACTOR
Bursa Malaysia Equities	
▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks	15%
▪ Other stocks, including <u>ACE Market</u>	21%
▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX futures	5%
▪ Suspended <u>securities</u> (more than 3 <u>Market Days</u>)	100%
Bursa Malaysia Derivatives	
▪ <u>KLCI Options</u>	5%
▪ <u>KLIBOR futures</u>	4.5%
▪ <u>Crude Palm Oil futures</u>	5%
▪ <u>Kernel Palm Oil futures</u>	5%
Unit trust or Exchange Traded Fund	
• Equity fund	15%
• Debt securities fund	5%
International Equities	
▪ Single stocks in Recognised Market Indices	12%
▪ Other single international stocks of <u>Recognised Stock Exchanges</u>	16%
▪ Recognised Market Indices	8%

Deleted: MESDAQ

Deleted: Securities

Deleted: market days

Comment [Bursa106]: To include new position risk factors for the standard approach for the specified Bursa Malaysia derivatives

Deleted: /

Deleted: recognised stock exchanges

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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Other Securities Not being those categorised above	100%
--	------

Comment [Bursa107]: As "Recognised Market Indices" is referred to in Schedules 3, 5 and 22, we have moved this to a separate schedule in Schedule 4.

Deleted: Recognised Market Indices:

Deleted: <#>Country ... [264]

Deleted: <#>Japan ... [265]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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Schedule 4
[Paragraph (G)(7) and Schedules 3, 5 and 22]

RECOGNISED MARKET INDICES

<i>Country</i>	<i>Index</i>	<i>Country</i>	<i>Index</i>
Australia	All Ordinaries	Netherlands	EOE 25
Austria	ATX	Spain	IBEX 35
Belgium	BEL 20	Sweden	OMX
Canada	TSE 35	Switzerland	SMI
France	CAC40	UK	FTSE 100
Germany	DAX	UK	FTSE mid-250
Japan	Nikkei 225	USA	S&P 500

Comment [Bursa108]: Deleted as these requirements are stipulated in Rule 1205.3.

Deleted: SCHEDULE 8B [CHAPTER 11]

Deleted: ¶
¶

Deleted: SCHEDULE 8B (Chapter 11) MINIMUM OPERATIONAL RISK REQUIREMENT¶
[Rule 1105.5(3)]¶

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¶

Comment [Bursa109]: As this term is referred to in Schedules 3, 5 and 22, we have set out the Recognised Market Indices in a separate Schedule altogether. Previously this used to be in Schedule 8C together with the Position Risk factors for the Standard Approach

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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Schedule 5
[Paragraph (G)(7)(b)]

**POSITION RISK FACTOR FOR BUILDING
BLOCK APPROACH**

- Deleted: SCHEDULE
- Deleted: 8D
- Deleted: CHAPTER 11
- Deleted: SCHEDULE 8D (Chapter 11)
- Deleted: [Rule 1105.6(10)]

INSTRUMENT	POSITION RISK FACTOR
Bursa Malaysia Equities	
Specific Risk	
▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks	10%
▪ Other stocks, including <u>ACE Market</u>	16%
▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX futures	0%
General Risk	
▪ All single stocks and market indices	5%
Bursa Malaysia Derivatives	
▪ <u>KLCI Options</u>	<u>0%</u>
▪ <u>KLIBOR futures</u>	<u>0%</u>
▪ <u>Crude Palm Oil futures</u>	<u>0%</u>
▪ <u>Kernel Palm Oil futures</u>	<u>0%</u>
Unit trust or Exchange Traded Fund	
Specific Risk	
• Equity fund	0%
• Debt securities fund	0%
General Risk	
• Equity fund	15%
• Debt securities fund	5%
International Equities	
Specific Risk	
▪ Single stocks in Recognised Market Indices	4%
▪ Other single international stocks of <u>Recognised Stock Exchanges</u>	8%
▪ Recognised Market Indices	0%
General Risk	
▪ All single stocks and market indices	8%
Other Securities	

Deleted: MESDAQ

Comment [Bursa110]: To include new position risk factors for the standard approach for the specified Bursa Malaysia derivatives

Deleted: /

Deleted: recognised stock exchanges

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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▪ Not being those categorised above	100%
-------------------------------------	------

Schedule 6
[Paragraphs (G)(9)(c) and (G)(10)(b)]

**POSITION RISK REQUIREMENT USING HEDGING
METHOD OR BASIC METHOD**

Deleted: SCHEDULE
Deleted: 8E
Deleted: CHAPTER 11
Deleted: SCHEDULE 8E (Chapter 11)
Deleted: [Rule 1105.6(12) and (13)]
Deleted: BASIS

	Equity Position	Option Position	In the Money \geq PRF %	In the Money $<$ PRF %	Out of the Money
Basic Method	Naked	Long call	NL	NL	NL
		Long put	NL	NL	NL
		Short call	NSO	NSO	NSI
		Short put	NSO	NSO	NSI
Hedging Method	Long in security	Long put Short call	0% SHI	LPI SHI	HO HO
	Short in security	Long call Short put	0% SHI	LCI SHI	HO HO

Deleted: %
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Key
PRF - Position Risk Factor

PRF The Standard Approach PRF%

%

NL The lesser of the underlying instrument multiplied by PRF% and the current value of the Option on the Participating Organisation's books

NSI The market value of the underlying instrument multiplied by PRF%

NSO The market value of the underlying position multiplied by PRF% minus 0.5 times the amount by which the Option is In the Money, subject to a maximum reduction to zero

LPI The market value of the underlying position minus (1-PRF%) times the underlying position at the Exercise Price

HO The market value of the underlying position times PRF%

SHI The market value of the underlying position times PRF% minus Mark to Market value of Option, subject to a maximum reduction to zero

LCI (1+PRF%) times the underlying position at the Exercise Price minus the market value of the underlying position, subject to a maximum reduction to zero

Comment [Bursa111]: To include a definition of PRF

Comment [Bursa112]: "Option" is defined in Paragraph (B)
Deleted: option

Deleted: option
Deleted: in the money

Comment [Bursa113]: "In the Money" is defined in Paragraph (B)
Comment [Bursa114]: "Exercise Price" is defined in Paragraph (B)
Deleted: exercise price

Comment [Bursa115]: "Mark to Market" is defined in Rule 1201.2(1)
Deleted: mark to market
Deleted: option
Deleted: exercise price

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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Schedule 7
[Paragraphs (G)(12)(b), (H)(4)(b)(ii) and (J)(3)]

Comment [Bursa116]: Previously, Appendix 1 of R/R 6 of 2003 on Dealings in Unquoted Debt Securities by Universal Brokers and Non-Universal Brokers.

POSITION RISK FACTOR FOR FIXED INCOME SECURITIES

Fixed Income Securities

Specific Risk

<ul style="list-style-type: none"> ▪ Government – bonds issued and guaranteed by the Malaysian Government, Bank Negara Malaysia, Danaharta, Danamodal and OECD central government and central banks 	0%																																										
<ul style="list-style-type: none"> ▪ State Government / Financial institutions - including bonds issued and guarantees by local/state government, statutory authorities, licensed banking institutions, licensed development financial institutions, discount houses and Cagamas 	<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td colspan="3" style="text-align: center;"><u>Remaining Maturities</u></td> </tr> <tr> <td></td> <td style="text-align: center;"><= 1 year</td> <td style="text-align: center;">> 1-5 years</td> <td style="text-align: center;">> 5 years</td> </tr> <tr> <td></td> <td style="text-align: center;">1.0%</td> <td style="text-align: center;">1.6%</td> <td style="text-align: center;">1.6%</td> </tr> </table>		<u>Remaining Maturities</u>				<= 1 year	> 1-5 years	> 5 years		1.0%	1.6%	1.6%																														
	<u>Remaining Maturities</u>																																										
	<= 1 year	> 1-5 years	> 5 years																																								
	1.0%	1.6%	1.6%																																								
<ul style="list-style-type: none"> ▪ Corporate 	<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td colspan="3" style="text-align: center;"><u>Remaining Maturities</u></td> </tr> <tr> <td style="text-align: center;">Ratings</td> <td style="text-align: center;"><= 1 years</td> <td style="text-align: center;">>1-5 years</td> <td style="text-align: center;">>5 years</td> </tr> <tr> <td>P1</td> <td style="text-align: center;">1.0%</td> <td></td> <td></td> </tr> <tr> <td>P2</td> <td style="text-align: center;">1.0%</td> <td></td> <td></td> </tr> <tr> <td>P3</td> <td style="text-align: center;">2.0%</td> <td></td> <td></td> </tr> <tr> <td>AAA</td> <td style="text-align: center;">1.0%</td> <td style="text-align: center;">3.0%</td> <td style="text-align: center;">3.5%</td> </tr> <tr> <td>AA</td> <td style="text-align: center;">1.0%</td> <td style="text-align: center;">3.5%</td> <td style="text-align: center;">4.5%</td> </tr> <tr> <td>A</td> <td style="text-align: center;">1.0%</td> <td style="text-align: center;">4.5%</td> <td style="text-align: center;">5.5%</td> </tr> <tr> <td>BBB</td> <td style="text-align: center;">2.0%</td> <td style="text-align: center;">6.0%</td> <td style="text-align: center;">7.0%</td> </tr> <tr> <td>Unrated Instruments/ Below investment grade</td> <td style="text-align: center;">8.0%</td> <td style="text-align: center;">8.0%</td> <td style="text-align: center;">8.0%</td> </tr> </table>		<u>Remaining Maturities</u>			Ratings	<= 1 years	>1-5 years	>5 years	P1	1.0%			P2	1.0%			P3	2.0%			AAA	1.0%	3.0%	3.5%	AA	1.0%	3.5%	4.5%	A	1.0%	4.5%	5.5%	BBB	2.0%	6.0%	7.0%	Unrated Instruments/ Below investment grade	8.0%	8.0%	8.0%		
	<u>Remaining Maturities</u>																																										
Ratings	<= 1 years	>1-5 years	>5 years																																								
P1	1.0%																																										
P2	1.0%																																										
P3	2.0%																																										
AAA	1.0%	3.0%	3.5%																																								
AA	1.0%	3.5%	4.5%																																								
A	1.0%	4.5%	5.5%																																								
BBB	2.0%	6.0%	7.0%																																								
Unrated Instruments/ Below investment grade	8.0%	8.0%	8.0%																																								

Fixed Income Securities

General Risk

All types of Fixed Income Securities

Remaining Maturities

<ul style="list-style-type: none"> ▪ Up to 1 month ▪ > 1 to 3 month ▪ > 3 to 6 months ▪ > 6 to 12 months ▪ > 1 to 2 years ▪ > 2 to 3 years ▪ > 3 to 4 years ▪ > 4 to 5 years ▪ > 5 to 7 years ▪ > 7 to 10 years ▪ > 10 to 15 years ▪ > 15 to 20 years ▪ Over 20 years 	<ul style="list-style-type: none"> 0.00% 0.20% 0.50% 0.80% 1.40% 2.00% 2.70% 3.40% 4.30% 4.90% 6.50% 7.70% 9.10%
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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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Schedule 8
[Paragraph (G)(12)(c)]

TEMPLATES FOR MANUAL COMPUTATION OF POSITION RISK REQUIREMENT (PRR) FOR FIXED INCOME SECURITIES

Name of Participating Organisation : _____
Position as at _____

Comment [Bursa117]: Previously, Form 1 of R/R 6 of 2003 on Dealings in Unquoted Debt Securities by Universal Brokers and Non-Universal Brokers.

Deleted: Member Company

No.	Type of FI Securities	Ratings (RAM and MARC short and long term ratings)	Time to Maturity [(The different between reporting date and the Maturity Date of FI Securities (months/years)]	Quantity	Market Value of the FI Securities (RM) (a)	Position Risk Factors (PRFs)			PRR (RM) (e) [e=axd]
						PRFsp (b)	PRFg (c)	Total PRFs (d) [d=b+c]	
Total PRR									

We hereby declare that the information contained herein are true and correct in all aspects.

Date:

Date:

Comment [Bursa118]: We are doing away with requiring specific persons to sign reports to be submitted to us. See Proposal A.8.2 of our Proposals for the revamp of Chapters 2, 10, 11, 12 and 13.

Deleted: Executive Director, Operations Director/ Compliance Officer/ Executive Director Compliance (if Universal Broker)

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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[Schedule 9](#)
[\[Paragraph \(G\)\(15\)\]](#)

TEMPLATES FOR MANUAL COMPUTATION OF POSITION RISK REQUIREMENT (PRR) FOR UNIT TRUST

Name of [Participating Organisation](#) : _____
Position as at _____

No.	Name of Unit Trust	Quantity of Limit Trust	Market Value of Unit Trust (RM)	Position Risk Factor (PRF)	PRR (RM)
			(a)	(b)	(c) [c=axb]
Category 1 : Equity Fund					
1				15%	
2					
3					
Category 2 : Bond Fund					
1				5%	
2					
3					
Total PRR					

We hereby declare that the information contained herein are true and correct in all aspects.

Date: _____

Date: _____

Comment [Bursa119]: Previously, Appendix D of R/R 10 of 2004 (Form 7 of the directives on Capital Adequacy Requirements for activities in debt securities).

Deleted: Member Company

Comment [Bursa120]: We are doing away with requiring specific persons to sign reports to be submitted to us.

Deleted: Executive Director, Operations Director/ Compliance Officer/ Executive Director Compliance (if Universal Broker)

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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~~Schedule 10~~
~~[Paragraph (G)(16)(b)]~~

~~POSITION RISK REQUIREMENT FOR~~
~~ONWARD PLEDGED MFF COLLATERAL~~

- Deleted: SCHEDULE 8M
- Deleted: CHAPTER 11
- Deleted: SCHEDULE 8M (CHAPTER 11)
- Comment [Bursa121]: "Onward pledged MFF Collateral" is defined in Rule 1301.2(1)
- Deleted: [Rule 1105.10(4)] SECURITIES

Position Risk Requirement	Calculation
PRR onward pledged collateral	$BO \times (OPMM - OPM)$ Where, $OPM = \frac{\text{Discounted MTM of Onward Pledged MFF Collateral}}{\text{Balance owing to third party}} \times 100\%$
Key:	
BO	The balance owing to the third party secured by Onward Pledged MFF Collateral
OPMM	The Onward Pledge Minimum Margin of Onward Pledged MFF Collateral , after applying the applicable discounts stipulated in Schedule 18 , being 150% of BO
OPM	The Onward Pledge Margin
Discounted MTM	The Mark to Market value of the Onward Pledged MFF Collateral after applying the applicable discounts stipulated in Schedule 18

- Deleted: (PRR)
- Deleted: multiply by
- Deleted: minus
- Comment [Bursa122]: "Onward pledged MFF Collateral" is defined in Rule 1301.2(1)
- Deleted: collateral onward pledged
- Deleted: onward pledged collateral
- Deleted: onward pledged collateral
- Deleted: prescribed
- Deleted: 8J
- Comment [Bursa123]: "Mark to Market" is defined in Rule 1301.2(1)
- Deleted: mark to market
- Deleted: onward pledged collateral
- Deleted: prescribed
- Deleted: 8J

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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Schedule 11
[Paragraphs (H)(2), (H)(3)(e)(i)(bb), (H)(3)(i)(i) and (H)(4)(d)]

- Deleted: SCHEDULE 8F
- Deleted:
- Deleted: CHAPTER 11
- Deleted: SCHEDULE 8F (Chapter 11)
- Deleted: [Rule 1105.7(4)]

COUNTERPARTY WEIGHTING

Counterparty Exposure	Weight
Government <ul style="list-style-type: none"> ▪ Central government ▪ Government related agencies 	0%
Cagamas Berhad	10%
State or local Government <ul style="list-style-type: none"> ▪ 	20%
Financial Institutions <ul style="list-style-type: none"> ▪ Banks and financial institutions licensed under BAFIA ▪ Banks licensed under the Islamic Banking Act 1983 	20%
Clearing Houses and Exchanges <ul style="list-style-type: none"> ▪ Clearing Houses/Recognised Stock Exchanges ▪ exchange approved by the Minister 	20%
Malaysian authorised investment firms <ul style="list-style-type: none"> ▪ A holder of a Capital Markets Services Licence to carry on the business of fund management under the Capital Markets and Services Act ▪ A registered person under item 4 of Part 1 of Schedule 4 of the Capital Markets and Services Act as to unit trust schemes 	50%
Participating Organisation <ul style="list-style-type: none"> ▪ A Participating Organisation under trading restrictions as announced by the Exchange ▪ A Participating Organisation not under trading restrictions 	100% 50%
Other counterparties (not being those categorised above)	100%

- Deleted: /
- Deleted: State/local government
- Comment [Bursa124]: "BAFIA" is defined in Rule 101.1(1)
- Deleted: the Banking and Financial Institutions Act, 1989
- Deleted: ,
- Comment [Bursa125]: "Clearing House" is defined in Rule 101.1(1)
- Comment [Bursa126]: "Recognised Stock Exchange" is defined in Rule 101.1(1)
- Deleted: houses
- Deleted: ¶ recognised stock exchanges
- Deleted: in relation

SCHEDULE 12
[Paragraphs (H)(3)(a) and (H)(3)(e)(i)(bb)]

**COUNTERPARTY RISK REQUIREMENT
FOR UNSETTLED AGENCY TRADES**

Agency Transaction	Time period for application of Percentage	Counterparty Risk Requirement
1. <u>Securities</u> contract	T to T+2 of clients	0.5%
	From T+3 to T+30 of clients	<ul style="list-style-type: none"> 8% of the <u>Mark to Market</u> Difference of the <u>Contract</u> multiplied by the weighting, if the <u>Mark to Market</u> value less the sales contract value of the stock is positive 0%, if the <u>Mark to Market</u> value less the sales contract value of the stock is zero or negative
	Beyond T+30 of clients	<ul style="list-style-type: none"> The <u>Mark to Market</u> Difference multiplied by the weighting, if the <u>Mark to Market</u> value less the sales contract value of the stock is positive 0%, if the <u>Mark to Market</u> value less the sales contract value of the stock is zero or negative
2. Purchase contracts (cash payments)	T to T+3 of clients	0%
	From T+4 to T+30 of clients	<ul style="list-style-type: none"> 8% of the <u>Mark to Market</u> Difference of the <u>Contract</u> multiplied by the weighting, if the purchase contract value less <u>Mark to Market</u> value of the stock is positive 0%, if the purchase contract value less <u>Mark to Market</u> value of the stock is zero or negative
	Beyond T+30 of clients	<ul style="list-style-type: none"> The <u>Mark to Market</u> Difference multiplied by the weighting, if the purchase contract value less <u>Mark to Market</u> value of the stock is positive 0%, if the purchase contract value less the <u>Mark to Market</u> value of the stock is zero or negative

Deleted: 8G
Deleted: ¶ [CHAPTER 11]
Deleted: SCHEDULE 8G (Chapter 11)
Deleted: [Rule 1105.7(5)(a)]

Deleted: Sales
Deleted: (scrip delivery)
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Comment [Bursa127]: "Mark to Market" is defined in Rule 1201.2(1)
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Comment [Bursa128]: "Contract" is defined in Rule 101.1(1)
Deleted: contract
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Deleted: SCHEDULE 8G (Chapter 11) COUNTERPARTY RISK REQUIREMENT¶ [Rule 1105.7(5)(a)] FOR PRINCIPAL TRADES

Comment [Bursa129]: Removing this schedule as it is no longer applicable in the Counterparty Risk Requirement computation.

Deleted: Principal Transaction [266]
Deleted: 22/12/2008

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 1203-001

Comment [Bursa130]: Moved to new Schedule 14 as this should be a separate schedule altogether.

Deleted: <#>SCHEDULE 8G (Chapter 11) COUNTERPARTY RISK REQUIREMENT¶ [Rule 1105.7(5)(d)] FOR SECURITIES BORROWING / LENDING TRANSACTIONS

Deleted: Securities Borrowing and LendingTransaction

... [267]

Deleted: Where:¶

Deleted: CE = Counterparty Exposure, as determined in accordance with Rule 1105.7(5)(d).¶

¶
CW = Counterparty Weighting, as specified in Schedule 8F.¶

Deleted: 'On Borrowing' means upon crediting of the securities borrowed from the Clearing House into the Borrower's CDS account,¶

¶
'On Lending' means upon debiting of the securities lent to the Clearing House from the Lender's CDS account.

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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SCHEDULE 13
[Paragraph (H)(3)(b)]

**COUNTERPARTY RISK REQUIREMENT FOR
DEBT, CONTRA LOSSES AND OTHER AMOUNTS DUE**

Contract default Aging Period	Counterparty Risk Requirement
Less than T+16 days	Zero
T+16 to T+30 days	50% of the amount due
Over T+30 days	100% of the amount due

- Deleted: 8H
- Deleted:
- Deleted: CHAPTER 11
- Deleted: SCHEDULE 8H (Chapter 11)
- Deleted: [Rule 1105.7(5)(h)]

- Deleted: Debt
- Deleted: (CRR)

- Deleted: zero

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~~Schedule 14~~
[Paragraph (H)(3)(d)(ii)]

COUNTERPARTY RISK REQUIREMENT
FOR SECURITIES BORROWING AND LENDING TRANSACTIONS

Securities Borrowing and Lending Transaction		Time period for application of Percentage	Counterparty Risk Requirement
1. Borrowing	On borrowing	Pre-Recall	CE x CW x 0%
	On Recall	From Recall to Recall + 3 days	CE x CW x 8%
	On Recall	Beyond Recall + 3 days	CE x CW x 100%
2. Lending	On Lending	Pre-Recall	CE x CW x 0%
	On Recall	From Recall to Recall + 3 days	CE x CW x 8%
	On Recall	Beyond Recall + 3 days	CE x CW x 100%

Where:

CE = Counterparty exposure, as determined under Paragraph (H)(3)(d).

CW = Counterparty weighing, as specified in Schedule 11.

'On Borrowing' means upon crediting of the securities borrowed into the borrower's CDS Account.

'On Lending' means upon debiting of the securities lent from the lender's CDS Account.

Deleted: SCHEDULE

Deleted: 8G (Chapter 11)

Deleted: [Rule 1105.7(5)(d)]

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Comment [Bursa131]: "Counterparty exposure" is not a defined term and should not be capitalised

Deleted: Exposure

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Deleted: Rule 1105.7(5)(d)

Deleted: Weighting

Deleted: 8F

Comment [Bursa132]: "Borrower" is not a defined term and should not be capitalised

Comment [Bursa133]: Defined in Rule 101.1(1)

Deleted: Borrower's

Deleted: account

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Comment [Bursa134]: "Lender" is not a defined term and should not be capitalised

Comment [Bursa135]: Defined in Rule 101.1(1)

Deleted: Lender's

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Schedule 15
[Paragraph (H)(3)(e)(ii)]

METHODOLOGY FOR CALCULATING COUNTERPARTY EXPOSURES

(CREDIT EQUIVALENT AMOUNTS) FOR OVER-THE-COUNTER DERIVATIVE TRANSACTIONS

Type of <u>Over-the-Counter</u> Derivative Transaction	Credit Equivalent Amount	
	If A is positive	If A is negative
Written Options	0 (no risk)	0 (no risk)
Individual share futures, <u>over-the-counter Options</u> , <u>Warrants</u> and equity swaps:		
▪ less than <u>1</u> year to maturity	A + 1% of N	1% of N
▪ over <u>1</u> year to maturity	A + 5% of N	5% of N
Notes: A = the <u>Mark to Market</u> value of the <u>over-the-counter</u> derivative N = the notional or actual principal amount or value underlying the <u>Contract</u>		

- Deleted: SCHEDULE
- Deleted: 8I
- Deleted:
- Deleted: CHAPTER 11
- Deleted: SCHEDULE 8I
- Deleted: (Chapter 11)
- Deleted: ¶ [Rule 1105.7(5)(e)]
- Comment [Bursa136]: "OTC" is not a defined term in these Rules
- Deleted: OTC
- Deleted: OTC

- Comment [Bursa137]: "Options" is defined in Paragraph (B) of this Directive
- Deleted: OTC
- Deleted: options
- Comment [Bursa138]: "Warrants" is defined in Paragraph (B) of this Directive
- Deleted: warrants
- Deleted: one
- Deleted: one

- Deleted: mark to market
- Deleted: OTC
- Deleted: contract

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Schedule 16
[Paragraph (H)(3)(h)(iii)(aa)]

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 Deleted: CHAPTER 11

**METHODOLOGY FOR CALCULATING
 COUNTERPARTY RISK REQUIREMENT FOR MARGIN FINANCING TRANSACTIONS**

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 Deleted: [Rule ... [269]

Category of Margin Accounts	Counterparty Risk Requirement
Margin Accounts where <u>Equity</u> is above 130% of <u>the Outstanding Balance</u>	$CRR_{margin\ financing} = CE \times CW \times CS \times 8\%$ <p>Where, CS = MEM \rightarrow EM EM = $\frac{Discounted\ MTM}{CE} \times 100\%$</p>
Margin Accounts where <u>Equity</u> is below 130% of <u>Outstanding Balance</u>	$CRR_{margin\ financing} = (CE \rightarrow Discounted\ MTM) \times SP\%$
Key	
CE	Counterparty <u>exposure</u> , being the <u>Outstanding Balance</u> in the <u>Margin Account</u>
CW	Counterparty <u>weighting</u> , as <u>stipulated</u> in Schedule <u>11</u>
CS	Collateral Shortfall
MEM	The minimum equity of 150% of <u>the Outstanding Balance</u> , as determined in the manner <u>stipulated</u> in Rule <u>101.1(1)</u>
EM	Equity Margin
Discounted MTM	The <u>Mark to Market</u> value of the collateral after applying the applicable discounts <u>stipulated</u> in Schedule <u>18</u>
SP%	The applicable percentage (%) of specific provision required to be made for amounts outstanding in <u>Margin Accounts</u> as may from time to time be classified as <u>doubtful</u> and <u>bad</u> following <u>Rule 1203</u> and <u>directives issued pursuant to that Rule</u> .

Deleted: (CRR)
 Deleted: equity
 Comment [Bursa139]: "Equity" is defined in Rule 101.1(1).
 Deleted: outstanding balance
 Deleted: multiply by... CW multiply by (... [270]
 Comment [Bursa140]: "Outstanding Balance" is defined in Rule 101.1(1).
 Deleted: minus
 Deleted: equity ...quity is below 130% (... [271]
 Deleted: minus...Discounted MTM)m (... [272]

Comment [Bursa141]: "Counterparty Exposure" is not a defined term and should not be capitalised.
 Deleted: Exposure
 Deleted: outstanding balance ...utstar (... [273]
 Comment [Bursa142]: "Margin Account" is defined in Rule 101.1(1)
 Deleted: as defined in Rule 703.1
 Comment [Bursa143]: "Counterparty Weighting" is not a defined term and should not be capitalised.
 Deleted: Weight
 Deleted: prescribed ...tipulated in Sch (... [274]
 Deleted: outstanding balance...utstar (... [275]
 Comment [Bursa144]: "Mark to Market" is defined in Rule 1201.2(1)
 Deleted: mark to market
 Deleted: prescribed ...tipulated in Sch (... [276]
 Deleted: respect of margin accounts. (... [277]
 Comment [Bursa145]: Doubtful and bad debt are not defined terms and should not be capitalised.
 Deleted: in accordance with the provisions of
 Deleted: 1...04... and Schedule 7 (... [278]

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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Schedule 17
[Paragraph (H)(3)(i)(v)]

TEMPLATES FOR MANUAL COMPUTATION OF COUNTERPARTY RISK REQUIREMENT (CRR) FOR FIXED INCOME SECURITIES

Name of Participating Organisation :
Position as at _ :

Comment [Bursa146]: Previously, Form 2 of the Capital Adequacy Requirements for Activities in debt securities in R/R 6 of 2003.

Deleted: Member Company

No.	Counterparty Name	Type of FI Securities	Debt Ageing Period (no. of market days overdue)	Counterparty Exposure (RM)	Discounted Collaterals and/or value of provisions made (RM)	Net Counterparty Exposure (RM)	Counterparty Weight (%)	CRR%	CRR (RM)	Total CRR (RM)
				(a)	(b)	(c) [c=a-b]	(d)	(e)	(f) [f=cxdxe]	
Grand Total of CRR										

We hereby declare that the information contained herein are true and correct in all aspects.

Date:

Date:

Comment [Bursa147]: We are doing away with requiring specific persons to sign reports to be submitted to us.

Deleted: Executive Director, Operations Director/ Compliance Officer/ Executive Director Compliance (if Universal Broker)

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SCHEDULE 18

[\[Paragraphs \(E\)\(3\)\(b\), \(E\)\(4\)\(c\)\(iv\), \(G\)\(1\)\(b\), \(G\)\(11\), \(G\)\(16\), \(H\)\(3\)\(h\)\(ii\)\(bb\), \(H\)\(4\)\(a\)\(ii\) and \(H\)\(4\)\(b\)\(i\)\]](#)

DISCOUNTING FOR COLLATERAL

Type of Collateral	Applicable Discount
<p>Foreign Currency Cash Deposit</p> <ul style="list-style-type: none"> Foreign currency acceptable to the Exchange: <ul style="list-style-type: none"> US Dollar Euro and the currency of countries of the European Union that do not use the Euro Japanese Yen Hong Kong Dollar New Zealand Dollar Singapore Dollar Australian Dollar Cash deposits of any other currency that the Exchange specifies Other foreign currency not acceptable to the Exchange 	<p>8% after conversion into Ringgit by applying the Central Bank's best available exchange rate quoted by commercial banks of Kuala Lumpur or by applying any other rate as the Exchange decides.</p> <p>100% after conversion into Ringgit by applying the Central Bank's best available exchange rate quoted by commercial banks of Kuala Lumpur or by applying any other rate as the Exchange decides.</p>
<p>Quoted Securities</p> <p>Securities listed on the Exchange or other Recognised Stock Exchange (Mark to Market on a daily basis)</p>	<p>Position Risk Factor used in the Standard Approach, as stipulated in Schedule 3.</p>
<p>Suspended Securities</p> <p>Malaysian Government Securities, Khazanah Bonds, Malaysian Treasury Bills, Malaysian Government Investment Certificates</p>	<p>Position Risk Factor used in the Standard Approach, as stipulated in Schedule 3.</p>

- Deleted: 8J [CHAPTER 11]
- Deleted: b
- Deleted: SCHEDULE 8J (Chapter 11)
- Deleted: [Rule 1105.7(6)(c)]
- Deleted: prevailing
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- Comment [Bursa148]: To clarify and update this category
- Deleted: Currencies from European E[... [279]
- Deleted: prevailing
- Deleted: may be determined by
- Deleted: prescribed
- Deleted: 8C
- Deleted: 2
- Comment [Bursa149]: "Recognised[... [280]
- Deleted: recognised stock exchange
- Deleted: mark to market
- Comment [Bursa150]: "Mark to Mar[... [281]
- Deleted: prescribed
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- Deleted: 2
- Deleted: securities
- Deleted: bonds
- Deleted: treasury bills
- Deleted: investment certificates
- Deleted: 22/12/2008

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 1203-001

Type of Collateral	Applicable Discount
<ul style="list-style-type: none"> ▪ Up to 1 year maturity ▪ More than 1 year maturity 	<p style="text-align: center;">2.5%</p> <p style="text-align: center;">5.0%</p>
<p>Cagamas Bonds</p> <ul style="list-style-type: none"> ▪ Up to 1 year maturity ▪ More than 1 year maturity 	<p style="text-align: center;">12.5%</p> <p style="text-align: center;">15.0%</p>
<p>Letters of Credit/Bank Guarantee</p> <p>Letters of credit <u>or bank guarantees</u> guaranteed by financial institutions licensed under <u>BAFIA</u> or the Islamic Banking Act 1983</p>	20%
<p>Negotiable Instruments of Deposit</p> <p>Negotiable instruments of deposit guaranteed by financial institutions licensed under <u>BAFIA</u> or the Islamic Banking Act 1983</p>	20%
<p>Other collateral or security</p> <p>Any other collateral or security (not being those categorised above)</p>	100%

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- Deleted: Bank Guarantee
- Comment [Bursa151]: BAFIA is defined in Rule 101.1(1)
- Deleted: the Banking and Financial Institutions Act, 1989
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- Deleted: the Banking and Financial Institutions Act, 1989
- Deleted: ,

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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[Schedule 19](#)
[\[Paragraph \(l\)\(1\)\]](#)

Comment [Bursa152]: Previously, Form 4 of the Capital Adequacy Requirements for Activities in debt securities in R/R 6 of 2003.

TEMPLATES FOR MANUAL COMPUTATION OF LARGE EXPOSURE RISK REQUIREMENT (LERR) TO SINGLE CLIENT

Name of [Participating Organisation](#) : _____
Position as at _____

Deleted: Member Company

No.	Counterparty Name [only report if (e) >10% of ESF]	Type of FI Securities	Net Counterparty Exposure (CE) for FI Securities (RM)	CRR for FI Securities (RM) (a)	Net CE for the client as extracted from LER_0001 report (RM) (b)	CRR for the client as extracted from LER_0001 report (RM) (c)	Total Net CE (RM) (d)	LERR = Total CRR (RM) (e) [e=a+c]	30% of ESF (RM) (f) [f=b+d]	Breach maximum LER limit if Total CE exceeds 30% of ESF (yes/no)
Grand Total of LERR										

We hereby declare that the information contained herein are true and correct in all aspects.

Date:

Date:

Comment [Bursa153]: We are doing away with requiring specific persons to sign reports to be submitted to us.

Deleted: Executive Director, Operations Director/ Compliance Officer/ Executive Director Compliance (if Universal Broker)

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

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[Schedule 20](#)
[\[Paragraph \(1\)\(2\)\(a\)\(iii\)\]](#)

To: Capital Adequacy Department, Intermediary Supervision (Fax: 03-27328362)

From: Name of Participating Organisation

LARGE EXPOSURE RISK (“LER”) EXCEEDING 30% OF EFFECTIVE SHAREHOLDERS’ FUND (“ESF”) ON SINGLE CLIENT – RULE [1208.2\(4\)](#)

Comment [Bursa154]: Previously, the enclosure to the Exchange’s letter dated 28/02/2006 setting out the exclusion of unsettled agency trades of an institutional Client from the maximum LER rule.

Deleted: 1105.8(3)(e)

CONTRACT DATE	CLIENT	ESF	AMOUNT OF LER [NET CLIENT PURCHASES/(SALES)]	LER		REMARKS
				EXCESS IN NET VALUE OF PURCHASES / (SALES)	EXCESS AS A % OF ESF	
		(A) RM	(B) RM	(C) = (B)-[30% of (A)] RM	(C)/(A) %	

We hereby confirm that the information above is complete and accurate in all respects.

 Date of report: _____
 Date: _____

Comment [Bursa155]: We are doing away with requiring specific persons to sign reports to be submitted to us.

- Deleted: Executive Director, Operations
- Deleted: Executive Director Compliance /
- Deleted: Compliance Officer

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[Schedule 21](#)
[\[Paragraph 1\(3\)\]](#)

Comment [Bursa156]: Previously, Form 3A of the Capital Adequacy Requirements for Activities in debt securities in R/R 10 of 2004.

TEMPLATES FOR MANUAL COMPUTATION OF POSITION RISK REQUIREMENT (PRR) FOR FIXED INCOME SECURITIES

Name of [Participating Organisation](#) : _____
Position as at _____

Deleted: Member Company

No.	Type of FI Securities (only report if (a) > 15% of ESF)	Ratings (RAM and MARC short and long term ratings)	Time to Maturity (The different between reporting date and the Maturity Date of FI Securities (months/years))	Quantity	Market Value of the FI Securities (a)	Position Risk Factors			LERR (RM) (e) [e=axd]	30%, 250% or 500% of ESF whichever is applicable (RM)	Breach maximum LER limit if (a) exceeds 30%, 250% or 500% of ESF, whichever is applicable (yes/no)
						PRFsp (b)	PRFg (c)	Total PRFs (d) [d=b+c]			
Category 1: FI Securities issued by the central government or government related agencies											
1											
2											
3											
Category 2: FI Securities issued by company with AA or AAA rating											
1											
2											
3											
Category 3: FI Securities issued by other than the above											
1											
2											
3											
TOTAL LERR											

Comment [Bursa157]: We are doing away with requiring specific persons to sign reports to be submitted to us.

We hereby declare that the information contained herein are true and correct in all aspect

Deleted: Executive Director, Operations Director/ Compliance Officer/ Executive Director Compliance (if Universal Broker)

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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Date:

Date:

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Schedule 22
[Paragraph (I)(7)(a) and (I)(8)]

**LARGE EXPOSURE RISK REQUIREMENT
FOR SINGLE EQUITY**

Deleted: SCHEDULE 8K
Deleted: CHAPTER 11
Deleted: SCHEDULE 8K (Chapter 11)
Deleted: [Rule 1105.8(5)(d) and (e)]

LERR for exposure to Equity Relative to Instrument on Issue	
Types of Equity	LERR
FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX <u>stocks</u>	15% of the amount in excess of the net exposure or position
Other <u>stocks</u> , including <u>ACE Market</u>	21% of the amount in excess of the net exposure or position
<u>Bursa Malaysia Derivatives</u>	
▪ <u>KLCI futures</u>	<u>5% of the amount in excess of the net exposure or position</u>
▪ <u>KLIBOR futures</u>	<u>4.5% of the amount in excess of the net exposure or position</u>
▪ <u>Crude Palm Oil futures</u>	<u>5% of the amount in excess of the net exposure or position</u>
▪ <u>Kernel Palm Oil futures</u>	<u>5% of the amount in excess of the net exposure or position</u>
▪ <u>KLCI futures</u>	<u>5% of the amount in excess of the net exposure or position</u>
Unit trust <u>or</u> Exchange Traded Fund:	
• Equity fund	15% of the amount in excess of the net exposure or position
• Debt securities fund	5% of the amount in excess of the net exposure or position
Single <u>stocks</u> in Recognised Market Indices	12% of the amount in excess of the net exposure or position
Other single stocks of <u>Recognised Stock Exchanges</u>	16% of the amount in excess of the net exposure or position

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Comment [Bursa158]: To include LERR for the specified Bursa Malaysia derivatives

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Deleted: recognised stock exchanges
Comment [Bursa159]: "Recognised Stock Exchange" is defined in Rule 101.1(1)

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DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 1203-001
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LERR for exposure to Equity Relative to Effective Shareholders' Funds	
Types of Equity	LERR
FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX <u>stocks</u>	15% of the amount in excess
Other <u>stocks</u> , including <u>ACE Market</u>	21% of the amount in excess
<u>Bursa Malaysia Derivatives</u>	
▪ <u>KLCI futures</u>	<u>5% of the amount in excess of the net exposure or position</u>
▪ <u>KLIBOR futures</u>	<u>4.5% of the amount in excess of the net exposure or position</u>
▪ <u>Crude Palm Oil futures</u>	<u>5% of the amount in excess of the net exposure or position</u>
▪ <u>Kernel Palm Oil futures</u>	<u>5% of the amount in excess of the net exposure or position</u>
▪ <u>KLCI futures</u>	<u>5% of the amount in excess of the net exposure or position</u>
Unit trust <u>or Exchange Traded Fund:</u>	
• Equity fund	15% of the amount in excess of the net exposure or position
• Debt securities fund	5% of the amount in excess of the net exposure or position
Single <u>stocks</u> in Recognised Market Indices	12% of the amount in excess
Other single stocks of <u>Recognised Stock Exchanges</u>	16% of the amount in excess

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Comment [Bursa160]: To include new LERR for the specified Bursa Malaysia derivatives

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Comment [Bursa161]: "Recognised Stock Exchange" is defined in Rule 101.1(1)

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Capital Base	shall have same meaning as assigned to that expression in the Guidelines on Investment Banks. [Bursa1]	
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the Participating Organisation as the buyer is the holder of the right to exercise,		
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the Participating Organisation as the buyer is the holder of the right to exercise,		
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the Participating Organisation as the writer is the holder of the obligation,		
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the Participating Organisation as the writer is the holder of the obligation,		
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the Participating Organisation as the buyer is the holder of the right to exercise,		
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the Participating Organisation as the buyer is the holder of the right to exercise,		
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the Participating Organisation as the writer is the holder of the obligation,		
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the Participating Organisation as the writer is the holder of the obligation,		
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Page 3: [17] Comment [Bursa8] Bursa 07-10-09 7:27:00 PM

As this term is referred to in Schedules 3, 5 and 22, we have set out the Recognised Market Indices in a separate Schedule 4.

Page 3: [18] Comment [Bursa9] Bursa 07-10-09 7:27:00 PM

Introducing a new definition for Warrant as a consequential amendment to the introduction of the new definitions of Call Warrant and Put Warrant and the amendment to "Exercise Price" to include warrants.

Page 3: [19] Comment [Bursa10] Bursa 07-10-09 7:27:00 PM

Previously, Rule 1105.3(3)(b).

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More than or equal to four point zero (4.0)

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Less than four point zero (4.0) but more than or equal to two point zero (2.0)

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two point zero (

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Page 4: [24] Comment [B11]	Bursa	07-10-09 7:27:00 PM
To set out clearly the obligations of a PO in the event there is a change in the PO's Capital Adequacy Ratio resulting in a change in that PO's reporting frequency. Was previously a rule included in the last row of the table in previous Rule 1105.4(3)		
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Change in Capital Adequacy Ratio:In the event there is change in Capital Adequacy Ratio for which a change in the reporting frequency is required, a Participating Organisation shall report to the Exchange no later than 4.00 p.m. of the market day immediately following the market day on which such change occurred for the position thereat.		
Page 4: [26] Comment [Bursa12]	Bursa	07-10-09 7:27:00 PM
Previously, the last paragraph of Rule 1105.3(3)(b).		
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Page 4: [28] Comment [Bursa13]	Bursa	07-10-09 7:27:00 PM
Previously, Rule 1105.3(5).		
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(a) on a monthly basis, not later than 4		
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calendar day after the end of the month if the Participating Organisation's Capital Adequacy Ratio is greater than 1.20;		
(b) on a weekly basis, not later than 4		
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the Participating Organisation's Capital Adequacy Ratio is		
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between (but not including) one point one zero (
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;		
(c) on a daily basis, not later than 4		
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the Participating Organisation's Capital Adequacy Ratio is		
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Page 4: [36] Comment [Bursa14]	Bursa	07-10-09 7:27:00 PM
Previously, Rule 1105.4(2). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting		
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Page 4: [40] Comment [Bursa15]	Bursa	07-10-09 7:27:00 PM
Previously, Rule 1105.4(3). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting		
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In the computation of its Liquid Capital, a Participating Organisation may, to the extent that they meet the criteria as prescribed in respect thereof, include the following sources of capital -		
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Page 4: [44] Comment [Bursa16]	Bursa	07-10-09 7:27:00 PM
Unnecessary as the PO's obligations in relation to a particular source of capital will be stated clearly in the specific rule.		

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shall be calculated by the Participating Organisation		
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call options		

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Page 12: [126] Deleted	Bursa	20-06-08 9:47:00 AM
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(vi) A warrant position may only qualify for an inclusion in the Standard Approach or Building Block Approach if it is in the money by at least the Position Risk Factor used in the Standard Approach as prescribed in Schedule 8C. In any other case, the Position Risk Requirement shall be calculated by the Participating Organisation by applying either the Basic, Hedging or Margin Methods, as may be appropriate, and not as an equity equivalent position;		
Page 12: [130] Deleted	Bursa	20-06-08 10:00:00 AM
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Page 12: [131] Deleted	Bursa	25-06-08 5:23:00 PM
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Page 12: [132] Comment [Bursa42]	Bursa	07-10-09 7:27:00 PM
Previously, Rule 1105.6(7). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.		
Page 12: [133] Deleted	Bursa	25-06-08 5:26:00 PM
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Subject to Rule 1105.6(5) and Rule 1105.6(6), a		

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Page 12: [135] Comment [Bursa43]	Bursa	07-10-09 7:27:00 PM
Previously, Rule 1105.6(8). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.		
Page 12: [136] Deleted	Bursa	09-09-08 11:35:00 AM
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securities borrowing and/or lending		
Page 12: [137] Deleted	Bursa	20-06-08 10:10:00 AM
securities borrowing and/or lending		
Page 12: [138] Comment [Bursa44]	Bursa	07-10-09 7:27:00 PM
Previously, Rule 1105.6(9). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.		
Page 12: [139] Deleted	Bursa	25-06-08 5:46:00 PM
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Page 13: [141] Deleted	Bursa	04-07-08 7:57:00 AM
PRR = Position Risk Requirement [Bursa:		
Page 13: [142] Comment [Bursa47]	Bursa	07-10-09 7:27:00 PM

Previously, Rule 1105.6(10). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

Page 13: [143] Deleted Bursa 25-06-08 6:41:00 PM

the following conditions are satisfied -

Page 13: [144] Comment [Bursa48] Bursa 07-10-09 7:27:00 PM

To clarify that BBA may be used for computation of the PRR if there are at least 5 net long or 5 net short positions held by a PO in any listed and quoted securities that form part of the component stock of any market index maintained or recognised by the Exchange. This clarification used to be in the Exchange's letter to all POs dated 03/04/2000.

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Upon determining the Position Risk Requirement for each country portfolio in the manner aforesaid, the

Page 15: [146] Comment [Bursa53] Bursa 07-10-09 7:27:00 PM

Unnecessary as in order to calculate the total Position Risk Requirement, you must determine the PRR for each country portfolio as the total PRR is the aggregate of the PRRs of all country portfolios.

Page 15: [147] Comment [Bursa54] Bursa 07-10-09 7:27:00 PM

Previously, Rule 1105.6(11). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

Page 15: [148] Comment [Bursa55] Bursa 07-10-09 7:27:00 PM

Previously, Rule 1105.6(12). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

Page 15: [149] Comment [Bursa56] Bursa 07-10-09 7:27:00 PM

Previously, Rule 1105.6(13). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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shall

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PRR = Position Risk Requirement
[Bursa:

Page 16: [153] Deleted Bursa 25-06-08 11:42:00 AM

(a) **Methodology:** The

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(a) **Methodology:** The

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(a) **Methodology:** The

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(as defined in Rule 701.1(1))

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(as defined in Rule 701.1(1))

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(as defined in Rule 701.1(1))

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(as defined in Rule 701.1(1))

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(as defined in Rule 701.1(1))

Page 16: [155] Comment [Bursa62] Bursa 07-10-09 7:27:00 PM

The inclusion of these words is unnecessary. Doing away with redundancy.

Page 16: [156] Comment [Bursa63] Bursa 07-10-09 7:27:00 PM

Previously, Rule 1105.6(17). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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Proprietary

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Page 16: [159] Comment [Bursa64] Bursa 07-10-09 7:27:00 PM

To incorporate the requirement for calculating PRR for PO's investments in unit trust currently in R/R 10 of 2004.

Page 17: [160] Deleted Bursa 09-09-08 11:54:00 AM

Principles Applicable to Position Risk Requirement for

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Principles Applicable to Position Risk Requirement for

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Unless otherwise provided for under this Rule 1105.7, the

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Page 18: [177] Comment [Bursa71]	Bursa	17-03-10 3:43:00 PM
CRR is defined in Rule 1301.2(1)		
Page 18: [178] Deleted	Bursa	04-07-08 8:16:00 AM
CRR = Counterparty Risk Requirement [Bursa]		
Page 18: [179] Comment [Bursa72]	Bursa	07-10-09 7:27:00 PM
This is not a defined term and should not be capitalised		
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Page 18: [181] Comment [Bursa73]	Bursa	07-10-09 7:27:00 PM
This is not a defined term and should not be capitalised		
Page 18: [182] Comment [Bursa74]	Bursa	07-10-09 7:27:00 PM
Previously, Rule 1105.8(5). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.		
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Rule 1105.7(5)(a)(iii)		
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Rule 1105.7(5)(a)(iii)		
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Rule 1105.7(5)(a)(iii)		

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or a principal sale shall be		
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Contract is a defined term in Rule 101.1(1)		
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"delivery vs. payment"		
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"delivery vs. payment"		
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We no longer require principal "delivery versus payment" trades in the Counterparty Risk Requirement computation.		
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Counterparty Risk Requirement for margin financing facilities

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Unnecessary to state "outstanding balance of the margin account" as Outstanding Balance is a defined term – see Rule 101.1(1).

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(aa) it is not required to calculate a Counterparty Risk Requirement in respect of any margin account with credit balance;		
Page 21: [227] Comment [Bursa87]	Bursa	17-03-10 4:18:00 PM
Under the renumbered Paragraph (bb) below, if the PO does not have a Outstanding Balance (i.e. the Margin Account has a credit balance), there is no need to calculate the CRR. This is because renumbered Paragraph (bb) below requires the PO to calculate CRR for a Margin Account only if the Equity (after discounting) is below 150% of the Outstanding Balance. If there is no Outstanding Balance, On this basis, we are deleting this rule as it is unnecessary.		
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Schedule 7		
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(2[Bursa5])	Maximum Large Exposure Risk to a single client or counterparty - Exception	
(a)	A Participating Organisation is not subject to Rule 1308.2(4) if the Large Exposure Risk arises from an unsettled agency trade of an institutional Client and:	
(i)	the Large Exposure Risk for a sales Contract is maintained between the date the Contract was entered into and 2 Market Days after the Contract date and no longer;	
(ii)	the Large Exposure Risk for a purchase Contract is maintained between the date the Contract was entered into and 3 Market Days after the Contract date and no longer; and	

- (iii) the Participating Organisation submits the information in Schedule 20 to the Exchange immediately via facsimile at 03-2732 8362 if any of the Participating Organisation's Clients exceeds the maximum Large Exposure Risk stipulated in Rule 1308.2(4).

Page 24: [231] Comment [Bursa95]	Bursa	07-10-09 7:27:00 PM
To set out the calculation for LERR for exposure to debt for FI Securities. This was previously in the capital adequacy requirements for activities in debt securities in R/R 10 of 2004.		
Page 24: [232] Comment [Bursa96]	Bursa	17-03-10 3:51:00 PM
To exclude FI securities (1) issued by the central government or government related agencies that are fully guaranteed by the central government and (2) rated AA or AAA by a recognised credit rating agency from the maximum LER rule in Rule 1308.3(3). This was previously in the capital adequacy requirements for activities in debt securities in R/R 10 of 2004.		
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Underwriting Risk Requirement

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Previously, Rule 1105.9(3). The mark-up reflects the proposed amendments. Unless otherwise stated, amendments are in line with plain language drafting.

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		<p>if the sales contract value less mark to market value of the stock is positive</p> <p>0%, if the sale contract value less mark to market value of the stock is zero or negative</p>
	Beyond T+30 of clients	<p>The mark to market difference multiplied by the weighting, if the sales contract value less mark to market value of the stock is positive</p> <p>0%, if the sales contract value less mark to market value of the stock is zero or negative</p>
2. Purchase contracts (scrip delivery)	T to T+3 of counterparties, i.e. Exchange or other Participating Organisations	0.5%
	From T+4 to T+30 of counterparties	<p>8% of the mark to market difference of the contract multiplied by the weighting, if the mark to market value less the purchase contract value of the stock is positive</p> <p>0%, if the mark to market value less the purchase contract value is zero or negative</p>
	Beyond T+30 of counterparties	<p>The mark to market difference multiplied by the weighting, if the mark to market value less the purchase contract value of the stock is positive</p> <p>0%, if the mark to market value less the purchase contract value of the stock is zero or negative</p>

Securities Borrowing and Lending Transaction		Time period for application of Percentage	Co Re
1. Borrowing	On borrowing	Pre-Recall	CE
	On Recall	From Recall to Recall + 3 days	CE
	On Recall	Beyond Recall + 3 days	CE
2. Lending	On Lending	Pre-Recall	CE

prescribed

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respect of margin accounts

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respect of margin accounts

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respect of margin accounts

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Currencies from European Economic Community (EEC) countries

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"Recognised Stock Exchange" is defined in Rule 101.1(1)

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"Mark to Market" is defined in Rule 1301.2(1)