

DIRECTIVES ON SUBMISSION OF PERIODIC REPORTS	No. 2.01(2)-004
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Relevant to : Rule 2.01(2)(k)
Introduced with effect from : 2 May 2013
Amended : 27 February 2017 vide R/R 3 of 2017 ~~and~~ R/R 4 of 2017 and 12 December 2017 vide R/R 11 of 2017
POs' Circular No(s). : R/R 10 of 2011
Refer also to Directive No(s). : N/A

1. Rule 2.01(2)(k)

- (1) Rule 2.01(2)(k) empowers the Exchange to require the Participating Organisations or Registered Persons to provide reports, information, Documents, Books and Records to the Exchange in relation to any matter under these Rules or Directives.
- (2) Pursuant to the above Rule, the Exchange requires the Participating Organisations to submit periodic reports to the Exchange, the details of which are set out below.

1.1 Reporting Requirements

- (1) The Participating Organisation must submit the periodic reports prescribed in the Schedule of this Directive ("Schedule") to the Exchange:
 - (a) in the format prescribed in the appendices to the Schedule ("Templates");
 - (b) via the Exchange's File Information Exchange System ("FIX System"); and
 - (c) not later than the times and days stipulated in the Schedule.
- (2) A Participating Organisation and the relevant Heads must ensure that all periodic reports transmitted via the FIX System ("Periodic Reports"), are reviewed by the relevant authorised officer and the reports are factual, accurate, comprehensive and not misleading. In this respect, the respective Heads will be held accountable for the Periodic Reports submitted notwithstanding that the Reports may be submitted by a person other than the Heads.
- (3) If a Participating Organisation is, for any reason whatsoever, unable to transmit by the stipulated times all or any of the Periodic Reports via the FIX System, the Participating Organisation must submit the duly completed and printed hard copy of such Periodic Report by way of facsimile, courier or by hand no later than the times and days set out in the Schedule for the duration of its inability to transmit electronically via the FIX System.
- (4) If having submitted the Periodic Reports via the FIX System a Participating Organisation amends any of the Periodic Reports for any reason whatsoever, the Participating Organisation must re-submit the duly amended Periodic Report by way of facsimile not later than the times and days set out in the Schedule, and deliver the hard copy of the amended Periodic Report by courier or by hand as soon as possible.
- (5) The Exchange may at any time prescribe any other periodic reports to be submitted via the FIX System or vary the times, frequency and manner for submission of any Periodic Report prescribed in the Schedule.
- (6) The Participating Organisation must comply with the operational procedures and guidelines on the use of the FIX System as may be prescribed from time to time.

[End of Directive]

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Schedule

No.	Name of Report	Appendix	Frequency	Timing of submission via FIX transmission	Timing of submission of reports pursuant to paragraphs 1.1(3) and 1.1(4) of the Directive
1.	Market Positions of Participating Organisations	Appendix 1a	Weekly (WK.xls)	Weekly report By 5.30 p.m., of the first Market Day of the week following the date of the report	Weekly report By 8.30 p.m., of the first Market Day of the week following the date of the report
2.	Margin Account Positions of Participating Organisations	Appendix 1b			
3.	Clients' Trust Monies, Commissioned Dealer's Representatives'/ Salaried Dealer's Representatives' Deposits and Overpledging of Shares	Appendix 1c			
4.	Investment, Proprietary Day Trader (PDT) & Error or Mistake Accounts of Participating Organisations	Appendix 1d			
5.	Securities Borrowing & Lending/ ISSBNT – List of Clients with collateral below 102%	Appendix 1e			
6.	[Deleted]	[Deleted]			
7.	Additional Explanatory Notes (<i>for report item no. 1 to 5</i>)	Appendix 1f			
8.	Gearing Ratio, Margin Financing and Shareholders' Funds	Appendix 2a	Monthly (MTH.xls)	By 5.30 p.m., not later than 10 Market Days from the last day of the reporting month	By 8.30 p.m., not later than 10 Market Days from the last day of the reporting month
9.	Maintenance of Margin Accounts – Equity Value <130% of the Outstanding Balance	Appendix 2b			
10.	Interest In Suspense and Provision for Bad & Doubtful Debts	Appendix 2c			

**ANNEXURE 2
AMENDED DIRECTIVE
In relation to ISSBNT**

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No.	Name of Report	Appendix	Frequency	Timing of submission via FIX transmission	Timing of submission of reports pursuant to paragraphs 1.1(3) and 1.1(4) of the Directive
11.	Additional Explanatory Notes <i>(for report item no. 8 to 10)</i>	Appendix 2d			
12.	Profit & Loss Statement Of Participating Organisations	Appendix 3a	Quarterly (QTR.xls)	Quarterly report By 5.30 p.m., on the last Market Day of the fifth week, following the reporting quarter	Quarterly report By 8.30 p.m., on the last Market Day of the fifth week, following the reporting quarter
13.	Additional Explanatory Notes <i>(for report item no. 12)</i>	Appendix 3b			
14.	Failure to Deliver (Buying-in without notice)	Appendix 4	As and when there is a buying-in without notice (Bia.xls)	By 12.30 p.m. on the buying-in day (T+3)	By 3.30 p.m. on the buying-in day (T+3)
15.	Failure to Deliver (Manual Buying-in)	Appendix 5	As and when there is a manual buying-in (Bim.xls)	By 5.30 p.m. on the buying-in day	By 8.30 p.m. on the buying-in day
16.	Securities Borrowing & Lending/ISSBNT for potential failed trades	Appendix 6	As and when SBL/ISSBNT is utilised for potential failed trades	By 5.30 p.m. on the next Market Day	By 5.30 p.m. on the next Market Day

[End of Schedule]

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Appendix 1a

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
MARKET POSITIONS OF PARTICIPATING ORGANISATIONS
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>> **Position As At :** month/date/year (last market day of the week)

i) Clients' accounts (excluding Discretionary Financing & Margin Accounts)

Transaction	Days Outstanding			Total at cost RM	Total at marked to market value RM
	T to T+3 RM	T+4 to T+8 RM	T+9 and beyond RM		
Outstanding Purchases	0.00	0.00	0.00	0.00	0.00
Contra Losses	0.00	0.00	0.00	0.00	Not applicable
Outstanding Sales	0.00	0.00	0.00	0.00	Not applicable
Contra Gains	0.00	0.00	0.00	0.00	Not applicable
Net Balance	0.00	0.00	0.00	0.00	Not applicable

For the purpose of reporting, the above should include "Clearing Accounts" and "Short-Selling Position" for clients.

ii) Clients' accounts classified under Discretionary Financing (excluding Margin Accounts)

Transaction	Days Outstanding				Total at cost RM	Total at marked to market value RM
	T to T+3 RM	T+4 to T+7 RM	T+8 to T+12 RM	T+13 and beyond RM		
Outstanding Purchases	0.00	0.00	0.00	0.00	0.00	0.00
Contra Losses	0.00	0.00	0.00	0.00	0.00	Not applicable
Outstanding Sales	0.00	0.00	0.00	0.00	0.00	Not applicable
Contra Gains	0.00	0.00	0.00	0.00	0.00	Not applicable
Net Balance	0.00	0.00	0.00	0.00	0.00	Not applicable

iii) Margin Accounts, Clearing Accounts And Short-Selling Positions

Transaction	Days Outstanding				Total at cost RM
	T RM	T+1 RM	T+2 RM	T+3 and beyond RM	
Outstanding Purchases In Clearing Accounts	0.00	0.00	0.00	0.00	0.00
Outstanding Sales In Clearing Accounts	0.00	0.00	0.00	0.00	0.00
Outstanding Net Short-Selling Position	0.00	0.00	0.00	0.00	0.00
Outstanding Purchases In Margin Accounts	0.00	Not applicable	Not applicable	Not applicable	Not applicable
Outstanding Sales In Margin Accounts	0.00	Not applicable	Not applicable	Not applicable	Not applicable

[End of Appendix 1a]

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Appendix 1b

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
MARGIN ACCOUNT POSITIONS OF PARTICIPATING ORGANISATIONS
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>

Position As month/date/year
At : (last market day of the week)

Percentage of Equity Value Over Outstanding Balance	No. of Accounts	Approved Limit RM	Outstanding Balance RM	Value of Equity RM
<130%	0	0.00	0.00	0.00
130%-150%	0	0.00	0.00	0.00
>150%	0	0.00	0.00	0.00
TOTAL	0	0.00	0.00	0.00

[End of Appendix 1b]

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Appendix 1c

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
CLIENTS' TRUST MONIES, COMMISSIONED DEALER'S REPRESENTATIVES'/SALARIED DEALER'S
REPRESENTATIVES'
DEPOSITS AND OVERPLEDGING OF SHARES
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position As At : month/date/year
(last market day of the week)

1. CLIENTS' TRUST ACCOUNT	No. of Clients	Total amount	Remarks
		RM	
Clients' monies not banked into trust account		0	

2. COMMISSIONED DEALER'S REPRESENTATIVES' / SALARIED DEALER'S REPRESENTATIVES' NET DEPOSITS	No. of Commissioned dealer's representatives / Salaried dealer's representatives	Total amount	Remarks
		RM	
Amount or commissioned dealer's representatives / salaried dealer's representatives' net deposits (note 1) not deposited into trust account (to compute on the basis of each commissioned dealer's representatives /dealer's representative) <i>(note 1 :- cash deposits less contra losses and other relevant charges)</i>		0	

3. OVERPLEDGING OF SHARES	No. of Clients	Total amount	Remarks
		RM	
Amount of margin clients' securities <i>(at market value)</i> mortgaged, pledged or hypothecated by Participating Organisation to Participating Organisation's financiers in excess of the corresponding client's outstanding balance in the client's margin account (to compute on the basis of client by client)		0	

[End of Appendix 1c]

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Appendix 1d

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
INVESTMENT, PDT AND ERROR OR MISTAKE ACCOUNTS OF PARTICIPATING ORGANISATIONS
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position As At : month/date/year
(last market day of the week)

Company's Investment In Quoted Shares (Shares Listed on Bursa Malaysia and Recognised Stock Exchanges)

COST				Marked To Market Value As At End Of The Week RM
Position As At Beginning Of The Week RM	Acquisition During The Week RM	Disposal During The Week RM	Position As At End Of The Week RM	
0.00	0.00	0.00	0.00	

Trades of PDTs

COST				Marked To Market Value As At End Of The Week RM
Position As At Beginning Of The Week RM	Acquisition During The Week RM	Disposal During The Week RM	Position As At End Of The Week RM	
0.00	0.00	0.00	0.00	

Company's Other Investments (eg. Money market instruments, Unit Trust & Private Debt Securities)

COST				Marked To Market Value As At End Of The Week RM
Position As At Beginning Of The Week RM	Acquisition During The Week RM	Disposal During The Week RM	Position As At End Of The Week RM	
0.00	0.00	0.00	0.00	

Company's Error or Mistake Account

COST				Marked To Market Value As At End Of The Week RM
Position As At Beginning Of The Week RM	Addition During The Week RM	Disposal During The Week RM	Position As At End Of The Week RM	
0.00	0.00	0.00	0.00	

[End of Appendix 1d]

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Appendix 1e

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
SECURITIES BORROWING & LENDING - (CLA and SBLNT where the PO is the Approved Borrower))/ ISSBNT
(where the PO is the Approved User)
(LIST OF CLIENTS WITH COLLATERAL BELOW 102%)
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position as at : month/date/year
(last market day of the week)

No	Name of Client	Value of borrowing/ <u>purchase</u> pursuant to <u>ISSBNT</u>	Value of collateral (after haircut)	Ratio	Actions Taken
1				#DIV/0!	
2				#DIV/0!	
3				#DIV/0!	
4				#DIV/0!	
5				#DIV/0!	
6				#DIV/0!	
7				#DIV/0!	
8				#DIV/0!	
9				#DIV/0!	
10				#DIV/0!	

[End of Appendix 1e]

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Appendix 1f

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
For the reporting week ending : month/date/year

Additional Explanatory Notes (if any)

	ISSUES	ADDITIONAL EXPLANATORY NOTES
1	Clients' accounts (excluding discretionary financing & margin accounts)	
2	Clients' accounts classified under discretionary financing	
3	Margin Accounts, Clearing Accounts And Short-Selling Positions	
4	Margin Account Positions	
5	Clients' Trust Monies	
6	Commissioned Dealer's Representatives'/ Salaried Dealer's Representatives' Net Deposits	
7	Overpledging Of Shares	
8	Company's Investment, PDT and Error Or Mistake Accounts	
9	Securities Borrowing & Lending <u>/ISSBNT</u> - List of clients with collateral below 102%	
10	Others	

[End of Appendix 1f]

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Appendix 2a

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
GEARING RATIO, MARGIN FINANCING
AND SHAREHOLDERS' FUNDS
(Monthly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>

Position as at : month/date/year
(as at last reporting date of the month)

1. GEARING RATIO

Utilised Level	Effective Shareholders' Funds	Gearing Ratio
(a) RM	(b) RM	(c=a/b) times
0.00	0.00	#DIV/0!

2. MARGIN FINANCING - Limit Of Outstanding Balance

Total Outstanding Balance	Effective Shareholders' Funds	Total Outstanding Balance / Effective Shareholders' Funds
(a) RM	(b) RM	c=(a/b)x100% %
0.00	0.00	#DIV/0!

3. SHAREHOLDERS' FUNDS - Investment Banks Only

Shareholders' Funds (note 1)
RM
0.00 (note 2)

Note 1 - Reference extracted from Investment Bank Guidelines

5.0 Minimum capital requirement as stipulated in the IB Guidelines

5.1 Pursuant to Section 14 of BAFIA, investment banks that are part of banking groups will be required to comply with the minimum capital funds unimpaired by losses requirement of RM2 billion on a banking group basis, while investment banks that are not part of banking groups will be required to comply with a minimum capital funds requirement of RM500 million.

Note 2 - The requirement is to report the shareholders' funds for the previous month. For example for monthly submission for the month of November 2011, the information of the shareholders' funds should be as at 31 October 2011.

[End of Appendix 2a]

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Appendix 2b

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
MAINTENANCE OF MARGIN ACCOUNTS OF PARTICIPATING ORGANISATIONS
(Monthly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position As At : month/date/year
(last market day of the month)

List of Margin Accounts with Equity Value < 130% of Outstanding Balance

No	Name of Clients	Approved Limit RM	Outstanding Balance RM	Value of Equity RM	Percentage (%) of Equity Value over Outstanding Balance
1		0.00	0.00	0.00	#DIV/0!
2		0.00	0.00	0.00	#DIV/0!
3		0.00	0.00	0.00	#DIV/0!
4		0.00	0.00	0.00	#DIV/0!
5		0.00	0.00	0.00	#DIV/0!
6		0.00	0.00	0.00	#DIV/0!
7		0.00	0.00	0.00	#DIV/0!
8		0.00	0.00	0.00	#DIV/0!
9		0.00	0.00	0.00	#DIV/0!
10		0.00	0.00	0.00	#DIV/0!
11		0.00	0.00	0.00	#DIV/0!
12		0.00	0.00	0.00	#DIV/0!
13		0.00	0.00	0.00	#DIV/0!
14		0.00	0.00	0.00	#DIV/0!
15		0.00	0.00	0.00	#DIV/0!
16		0.00	0.00	0.00	#DIV/0!
17		0.00	0.00	0.00	#DIV/0!
18		0.00	0.00	0.00	#DIV/0!
19		0.00	0.00	0.00	#DIV/0!
20		0.00	0.00	0.00	#DIV/0!

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21		0.00	0.00	0.00	#DIV/0!
22		0.00	0.00	0.00	#DIV/0!
	Total	0.00	0.00	0.00	#DIV/0!

[End of Appendix 2b]

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Appendix 2c

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
INTEREST-IN-SUSPENSE AND PROVISION FOR BAD & DOUBTFUL DEBTS
(Monthly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position as at : month/date/year
(As at last reporting date of the month)

INTEREST-IN-SUSPENSE	Opening balance	Addition	Reversal	Written-off	Closing balance
ITEM	(RM)	(RM)	(RM)	(RM)	(RM)
Contra Losses	0.00	0.00	0.00	0.00	0.00
Overdue Purchase Contracts	0.00	0.00	0.00	0.00	0.00
Margin Accounts	0.00	0.00	0.00	0.00	0.00
Others <i>(if any)</i>	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00

IMPAIRMENT PROVISION	Opening balance	Addition	Reversal	Written-off	Closing balance
ITEM	(RM)	(RM)	(RM)	(RM)	(RM)
Contra Losses	0.00	0.00	0.00	0.00	0.00
Overdue Purchase Contracts	0.00	0.00	0.00	0.00	0.00
Margin Accounts	0.00	0.00	0.00	0.00	0.00
Others <i>(if any for e.g. collective impairment etc)</i>	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00

[End of Appendix 2c]

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Appendix 2d

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD
(Monthly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position As At : month/date/year
(As at last reporting date of the month)

Additional Explanatory Notes (if any)

	ISSUES	ADDITIONAL EXPLANATORY NOTES
1	Gearing Ratio	
2	Margin Financing - Limit of Outstanding Balance	
3	Shareholders' Funds - Investment Banks Only	
4	Margin Accounts with Equity Value <130% of Outstanding Balance	
5	Interest in Suspense / Provision	
6	Others	

[End of Appendix 2d]

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Appendix 3a

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
PROFIT & LOSS STATEMENT OF PARTICIPATING ORGANISATIONS
(Quarterly Submission)**

Participating Organisation: <<insert name of Participating Organisation>>
For the quarter ending on: month/date/year

Item	Retail A RM	Institutional B RM	Inter-broker C RM	Others D RM	Total E = A + B + C+ D RM
VALUE OF TRADES DONE					
1. Online routed trades	0.00	0.00	0.00	0.00	0.00
2. Other trades	0.00	0.00	0.00	0.00	0.00
3. Trades in Recognised Stock Exchanges	0.00	0.00	0.00	0.00	0.00
TOTAL VALUE OF SECURITIES TRADES DONE (1+2+3)	0.00	0.00	0.00	0.00	0.00
NUMBER OF DERIVATIVES CONTRACTS					
4. Online routed trades	0.00	0.00	0.00	0.00	0.00
5. Other trades	0.00	0.00	0.00	0.00	0.00
6. Trades in Specified Exchanges	0.00	0.00	0.00	0.00	0.00
TOTAL NO. OF DERIVATIVES CONTRACTS DONE (4+5+6)	0.00	0.00	0.00	0.00	0.00
REVENUE					
Gross brokerage for equities:					

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1. Online routed trades	0.00	0.00	0.00	0.00	0.00
2. Offline	0.00	0.00	0.00	0.00	0.00
Total Gross Brokerage for equities	0.00	0.00	0.00	0.00	0.00
Less : Commission/incentives/salary/bonus to dealer's representatives:					
1. Online routed trades	0.00	0.00	0.00	0.00	0.00
2. Offline	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00
Net brokerage for equities:					
1. Online routed trades	0.00	0.00	0.00	0.00	0.00
2. Offline	0.00	0.00	0.00	0.00	0.00
Total Net Brokerage for equities	0.00	0.00	0.00	0.00	0.00
Gross brokerage for derivatives					
1. Online routed trades	0.00	0.00	0.00	0.00	0.00
2. Offline	0.00	0.00	0.00	0.00	0.00
Total Net Brokerage for derivatives	0.00	0.00	0.00	0.00	0.00
Total Net Brokerage					
					0.00
Interest Income:					
Placement & Deposit				0.00	
Share margin financing (SMF)				0.00	
Loans & advance (excluding SMF)				0.00	
Financial instruments				0.00	
Interest on amount due from holding / related company				0.00	
Other interest income				0.00	
Sub Total				0.00	
Interest expense:					
Interbank borrowing & deposit				0.00	
Loans & advances				0.00	
Other interest expense				0.00	
Sub Total				0.00	
Net interest income					
					0.00
Fee Income:					
Advisory & arranger (Corporate Finance related)				0.00	
Underwriting & Placement				0.00	

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Appendix 3b

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
PROFIT & LOSS STATEMENT OF PARTICIPATING ORGANISATIONS
(Quarterly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
For the quarter ending on : month/date/year

Additional Explanatory Notes - Other Revenue & Expenses

	Name of Other Revenue (if more than 5% of total revenue)	RM
1		0.00
2		0.00
3		0.00
4		0.00
5		0.00
6		0.00
7		0.00
8		0.00
9		0.00
10		0.00
11		0.00
12		0.00
	Total	0.00

	Name of Other Expenses (if more than 5% of total expenses)	RM
1		0.00
2		0.00
3		0.00
4		0.00
5		0.00
6		0.00
7		0.00
8		0.00
9		0.00

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10		0.00
11		0.00
12		0.00
	Total	0.00

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Appendix 4

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
FAILURE TO DELIVER (BUYING-IN WITHOUT NOTICE)**

Participating Organisation : <<insert name of Participating Organisation>>
Reporting date : month/date/year

CONTRACT DATE	BUYING-IN DATE	COUNTER	NAME OF DEFAULTING CLIENT	CDS A/C NO.	DEALER'S REPRESENTATIVE'S NAME	TOTAL NO. THAT FAILED TO DELIVER	CONTRACT PRICE	REASONS FOR FAILING TO DELIVER

[End of Appendix 4]

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Appendix 5

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
FAILURE TO DELIVER (MANUAL BUYING-IN)**

Participating Organisation : <<insert name of Participating Organisation>>
Reporting date : month/date/year

CONTRACT DATE	BUYING-IN DATE	COUNTER	NAME OF DEFAULTING CLIENT	CDS A/C NO.	DEALER'S REPRESENTATIVE'S NAME	TOTAL NO. THAT FAILED TO DELIVER	CONTRACT PRICE	REASONS FOR FAILING TO DELIVER

[End of Appendix 5]

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Appendix 6

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
SECURITIES BORROWING & LENDING /ISSBNT FOR POTENTIAL FAILED TRADES**

Participating Organisation : <<insert name of Participating Organisation>>
For the reporting day ending on : month/date/year

Date of Borrowing / Date of Purchase pursuant to ISSBNT	Contract Date	Counter / (Stock Code)	Quantity	Contract Price	Name of Client / (CDS A/C No)	Dealer's Representative's Name	Remarks

[End of Appendix 6]

DIRECTIVES ON READINESS AUDIT - SELF ASSESSMENT APPROACH, DECLARATORY APPROACH AND GREEN LANE	No. 2.01(2)-006
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Relevant to : Rule 2.01(2)(o)
Introduced with effect from : 2 May 2013
Amended : 5 April 2013 vide R/R 5 of 2013 [and 12 December 2017 vide R/R 11 of 2017](#)
POs' Circular No(s). : R/R 4 of 2013, R/R 2 of 2009
Refer also to Directive No(s). : N/A

1. Rule 2.01(2)(o)

- (1) Rule 2.01(2)(o) provides that in exercising its powers the Exchange may undertake a readiness audit on a Participating Organisation or require a Participating Organisation to carry out its own readiness audit, with the scope, criteria and manner to be determined by the Exchange.
- (2) Pursuant to the above Rule, a Participating Organisation must undertake a readiness audit in the circumstances prescribed below and in the manner set out below.

2. Circumstances in which a readiness audit is required to be undertaken by a Participating Organisation

- (1) An applicant wishing to commence new activities requiring the approval of the Securities Commission ("Commission") and the Exchange must first undertake a readiness audit in accordance with these Directives. These activities are:
 - (a) the commencement of operations as a new Participating Organisation (Principal Office); and
 - (b) the commencement of operations as a Universal Broker.
- (2) An applicant wishing to commence new activities requiring the Exchange's approval only must also first undertake a readiness audit in accordance with these Directives. These activities are:
 - (a) the establishment of new/additional trading floor;
 - (b) the relocation of business premises or change of business address (applicable to Principal Office and Branch Office)¹;
 - (c) the opening of a new Branch Office of a Participating Organisation;
 - (d) the opening of a new Electronic Access Facility;
 - (e) the conversion of an Electronic Access Facility to a Branch Office or vice versa;
 - (f) the offering of Margin Financing facilities; and
 - (g) the commencement of proprietary trading.

¹ For the avoidance of doubt, the relocation of business premises includes a redesignation between a Principal Office and a Branch Office i.e. where the Principal Office is redesignated as a Branch Office or the Branch Office is redesignated as the Principal Office.

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APPROACH, DECLARATORY APPROACH AND GREEN LANE**

No. 2.01(2)-006

- (3) Except where paragraph 4 applies, the Exchange will, upon receiving an application for approval from a Participating Organisation to commence a new activity and upon due consideration, give an approval-in-principle setting out the relevant conditions that need to be complied with by the Participating Organisation prior to commencement of the activity. The Exchange will indicate whether the Participating Organisation is required, in relation to the readiness audit, to follow the self assessment approach (“SAA”) or the declaratory approach (“DA”).
- (4) The requirement to follow either the SAA or DA is assessed based on the following principles:
- (a) Operating as a new Participating Organisation or Universal Broker
- The SAA will apply to readiness audits required for approval to commence operations as a new Participating Organisation or a Universal Broker.
- (b) Opening of a New Branch Office By a Participating Organisation
- (i) The SAA will apply to readiness audits required for approval to open the first 3 Branch Offices.
- (ii) The DA will apply to readiness audits required for approval to open subsequent Branch Offices.
- (c) All other activities of Participating Organisation
- (i) The SAA will apply to readiness audits required for approval to commence an activity for the first time.
- (ii) The DA will apply to readiness audits required for approval of subsequent applications of the same nature.
- (5) Notwithstanding items (a), (b) and (c) in paragraph 2(4) above, the Exchange may at any time or under any circumstance it deems fit, require the Participating Organisation to adhere to the SAA in place of the DA.

3. Requirements for SAA or DA

In following the SAA or DA in respect of its readiness audit, a Participating Organisation must comply with the requirements set out below.

3.1 Self Assessment Approach (SAA)

- (1) A Participating Organisation must comply with the requirements set out in the following appendices to this Directive, in relation to the SAA:

No.	Type Of Document	Appendix
1.	Procedures for submission and approval in respect of SAA	1
2.	Declaration of readiness for SAA	2

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3.2 Declaratory Approach (DA)

- (1) A Participating Organisation must comply with the requirements set out in the following appendices to this Directive, in relation to the DA:

No.	Type Of Document	Appendix
1.	Procedures for submission and approval in respect of DA	3
2.	Declaration of readiness for DA	4

3.3 Non-application of directives

This directive is not applicable to readiness audits or inspection by the Exchange in respect of Securities Borrowing & Lending, ISSBNT and Regulated Short Selling activities, for which the relevant provisions of the Rules continue to apply.

4. Green Lane Policy

- (1) The Exchange will allow a Participating Organisation to commence certain activities without waiting for the Exchange to issue its approval-in-principle under paragraph 2(3) above ("Green Lane Policy") if:
- (a) the Participating Organisation is assessed as being eligible under paragraph 4.1 below ("Eligible Participating Organisation");
 - (b) the activity falls within the types of activities prescribed under paragraph 4.2 below and meets the criteria prescribed under paragraph 4.3 below; and
 - (c) the Eligible Participating Organisation completes the readiness audit in accordance with the requirements stipulated in paragraph 1(4) of Appendix 1 and paragraph 4 of Appendix 3, and notifies the Exchange in the form attached as Appendix 5 before the commencement of the relevant activity.
- (2) The Eligible Participating Organisation that complies with the requirements of subparagraph 4(1)(c) above is deemed to have been given the Exchange's approval to carry out the said activity pursuant to these Rules.
- (3) Notwithstanding paragraph 4(1) above, the Exchange may, at any time or under any circumstance it deems fit, in respect of a Participating Organisation proceeding under paragraph 4(1) above, require the Participating Organisation to adhere to the SAA or DA, instead of providing the notification to the Exchange that is referred to under paragraph 4(1)(c).

4.1 Eligibility of a Participating Organisation

- (1) The Exchange will assess a Participating Organisation to determine whether it may be considered as an Eligible Participating Organisation for a particular activity. In making this assessment, the Exchange may take into consideration, among others, whether:
- (a) the Participating Organisation is familiar with the requirements applicable to the proposed activity, having undertaken the said activity previously;

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- (b) the Exchange has noted any unsatisfactory supervisory controls or governance or compliance culture issues in the Participating Organisation's front, middle or back office activities whether as part of its off-site or on-site supervision activities or otherwise;
 - (c) the Exchange or the Commission has any serious regulatory concern about the Participating Organisation; and
 - (d) where the Participating Organisation is also a participant of another subsidiary of Bursa Malaysia Berhad ("other participantship"), the Exchange has noted any unsatisfactory supervisory controls or governance or compliance culture issues in the Participating Organisation's activities vis-à-vis such other participantship(s).
- (2) The Exchange will notify a Participating Organisation upon determination that it is an Eligible Participating Organisation for a particular activity and where there is any subsequent change to its status. The Exchange's assessment is final and binding on the Participating Organisation concerned.
- (3) A Participating Organisation that has not fulfilled the criterion under paragraph 4.1(1)(b) or (c) may still be considered as an Eligible Participating Organisation if it addresses the weaknesses and breaches or serious regulatory concerns, to the satisfaction of the Exchange.

4.2 Activities

Subject to paragraph 4.3, the Exchange may apply the Green Lane Policy to the following types of activities:

- (a) the establishment of new/additional trading floor;
- (b) the relocation of business premises or change of business address (applicable to Principal Office and Branch Office)²;
- (c) the opening of a new Branch Office of a Participating Organisation;
- (d) the opening of a new Electronic Access Facility;
- (e) the conversion of an Electronic Access Facility to a Branch Office or vice versa;
- (f) the offering of Margin Financing facilities; and
- (g) the commencement of proprietary trading.

4.3 Criteria for activities falling within Green Lane Policy

The Exchange may apply the Green Lane Policy to the activities in paragraph 4.2 in the following manner:

² For avoidance of doubt, the relocation of business premises includes a redesignation between a Principal Office and a Branch Office i.e. the Principal Office is redesignated as a Branch Office and the Branch Office is redesignated as the Principal Office.

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- (a) in relation to the opening of a new Branch Office of a Participating Organisation, the Green Lane Policy will apply to readiness audits required for approval to open the Participating Organisation's 5th Branch Office onwards; and
- (b) in relation to the other activities, the Green Lane Policy will apply to readiness audits required for approval to commence an activity of the same nature for which approval had previously been granted by the Exchange.

[End of Directive]

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Appendix 1

SAA PROCEDURES ON SUBMISSION AND REVIEW OF APPLICATIONS FROM PARTICIPATING ORGANISATIONS ON NEW ACTIVITIES

1. Procedures For Submission and Approval in respect of SAA

- (1) The Participating Organisation intending to commence an activity is required to formally inform the Exchange in writing setting out the type of activity for which the approval is required.
- (2) The Exchange will upon due consideration give its Approval-In-Principle ("AIP") to the Participating Organisation.
- (3) Upon receipt of the AIP from the Exchange, the Participating Organisation shall commence to demonstrate its readiness to the Exchange. This will include making the necessary arrangements and commissioning of the relevant infrastructure that are needed to commence the proposed activity.
- (4) The Participating Organisation would then be required to carry out an independent readiness audit and complete the relevant checklists as prescribed by the Exchange or the Commission. The review shall be carried out by a party that is independent of trading and operations of the Participating Organisation, for example, internal audit or external audit.
- (5) A formal application will then be made by the Participating Organisation to the Exchange setting out the level of readiness, the intended commencement date together with all relevant supporting documents and the report produced from the independent readiness audit. The Exchange may seek additional clarification or documents where necessary to ensure the completeness of the readiness audit process.
- (6) If the proposed activity only requires the approval of the Exchange, it will then review the application made together with the supporting documents and communicate the outcome of the review and issue its approval directly to the Participating Organisation.
- (7) Where the proposed activity also requires the approval of the Commission, the Exchange will review the submission made by the Participating Organisation and forward the same together with the Exchange's recommendation to the Commission for its further consideration and approval.

2. Documentation Requirements for New Activities

The following documents are required:

- Relevant checklist in the prescribed form for each type of new activity.
- Final report of the independent readiness audit carried out by the Participating Organisation.
- Extract of board resolutions / minutes of meeting where applicable.

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- Extract of relevant sections of operations manual.
- Copies of relevant agreements entered into by Participating Organisation in connection with the proposed activity.
- Diagrams of new office layout where applicable.
- Results of infrastructure testing where required by the Exchange.
- Any other documents in support of the application or expressly required to be submitted by the Exchange.

Note:-

The Participation Organisation is required to submit complete documentation and checklist together with the required declaration to the Exchange at least 4 weeks prior to the intended commencement date of the proposed activity. The Participating Organisation should also ensure that all the relevant requirements of the checklist(s) wherein applicable has been complied with prior to the submission to the Exchange.

[End of Appendix 1]

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Appendix 2

DECLARATION OF READINESS FOR THE SELF ASSESSMENT APPROACH

To: Head
Participants Supervision Division
Regulation
BURSA MALAYSIA BERHAD
12th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]

DECLARATION ON COMPLIANCE FOR PURPOSES OF READINESS TO COMMENCE OPERATIONS

We refer to our application to commence the operation of our *[insert the particulars of the activity concerned]* referenced *[insert reference]* dated *[insert date]*, full details of which are contained in the proposal accompanying our said application.

We, *[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]*, hereby declare and confirm as follows:

1. we shall comply at all times with the relevant rules, directives, circulars and guidelines issued from time to time by Bursa Malaysia Berhad and/or other subsidiaries of Bursa Malaysia Berhad (collectively referred to hereinafter as the Bursa Group) in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by the Participating Organisation/Authorised Depository Agent/Trading Clearing Participant;
 2. that to the best of our knowledge, the *[insert the particulars of the activity concerned]* to be established, maintained or operated by us complies fully with all requirements prescribed by the Bursa Group in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by the Participating Organisation/Authorised Depository Agent/Trading Clearing Participant;
 3. that the *[insert the particulars of the activity concerned]* that is established, maintained or operated, or as the case may be, intended to be established, maintained or operated, outside our Principal Office, Branch Office(s) and/or any of electronic access facility(s) contains adequate and effective specifications and capabilities to ensure that the security of transactions and confidentiality of clients are at all times reasonably and adequately preserved;
 4. that the *[insert the particulars of the activity concerned]* is, in terms of the applications or software, the physical site location and the hardware, reasonably secured from unauthorised tampering and intrusion and in this respect we have at the minimum strictly complied with all relevant directives, guidelines, circulars and codes relating to security issue by the Bursa Group for the time being in force, including but not limited to the Participating Organisations' IT Security Code or the use of information technology (as may be amended from time to time);
-

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5. the [*insert the particulars of the activity concerned*] conforms in all material respects with all relevant rules, directives, circulars and guidelines issued by the Bursa Group with respect to trading of securities on the Exchange by Participating Organisations generally;
6. we are satisfied that the relevant controls and monitoring policies and procedures pertaining to the establishment, maintenance or operation of the [*insert the particulars of the activity concerned*] is/are adequate and effective; and
7. we shall indemnify the Bursa Group and not hold the Bursa Group liable to any claims made by any party as a result of the establishment, maintenance or operations of the [*insert the particulars of the activity concerned*] and its activities.

Signed _____
Authorised signatory

Date _____

[End of Appendix 2]

**DIRECTIVES ON READINESS AUDIT - SELF ASSESSMENT
APPROACH, DECLARATORY APPROACH AND GREEN LANE**

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Appendix 3

DA PROCEDURES ON SUBMISSION AND REVIEW OF APPLICATIONS FROM PARTICIPATING ORGANISATIONS ON NEW ACTIVITIES

1. The Participating Organisation intending to commence an activity is required to formally inform the Exchange in writing setting out the type of activity for which the approval is required.
2. The Exchange will upon due consideration give its Approval-In-Principle ("AIP") to the Participating Organisation.
3. Upon receipt of the AIP from the Exchange, the Participating Organisation shall commence to demonstrate its readiness to the Exchange. This will include making the necessary arrangements and commissioning of the relevant infrastructure that are needed to commence the proposed activity.
4. The Participating Organisation would then be required to carry out an independent readiness audit and complete the relevant checklists as prescribed by the Exchange. The review shall be carried out by a party that is independent of trading and operations of the Participating Organisation, for example, internal audit or external audit.
5. The Participating Organisation must then submit the DA Declaration Form in the format prescribed in Appendix 4 to this Directive at least 2 clear weeks before the above intended commencement date.
6. The Exchange will process the application based on the declaration provided by the Participating Organisation and issue its approval directly to the Participating Organisation.

[End of Appendix 3]

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Appendix 4

DECLARATION OF READINESS FOR THE DECLARATORY APPROACH

To: Head
Participants Supervision
Regulation
BURSA MALAYSIA BERHAD
12th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]

DECLARATION ON COMPLIANCE FOR PURPOSES OF READINESS TO COMMENCE OPERATIONS

PART I

We refer to our application to commence the operation of our *[insert particulars of the activity concerned]* referenced *[insert reference]* date *[insert date]*.

We, *[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]*, hereby declare and confirm as follows:

1. that *[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]* has carried out an independent readiness audit in regard of *[insert the particulars of the activity concerned]*, and we have reasonable assurance that all the relevant systems, policies and procedures and relevant front office and back office systems IT systems that are required for the effective establishment, maintenance or operation of *[insert the particulars of the activity concerned]* are readily available, operative and functional and are adequate and effective in achieving the intended purpose;
 2. we are satisfied that the relevant controls and monitoring policies and procedures pertaining to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* is/are adequate and effective;
 3. we shall comply at all times with the relevant rules, directives, circulars and guidelines issued from time to time by Bursa Malaysia Berhad and/or other subsidiaries of Bursa Malaysia Berhad (collectively referred to as the Bursa Group) in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by the Participating Organisation/Authorised Depository Agent/Trading Clearing Participant;
 4. that to the best of our knowledge, the *[insert the particulars of the activity concerned]* to be established, maintained or operated by us complies fully with all requirements prescribed by the Bursa Group in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by *[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]*;
 5. that the *[insert the particulars of the activity concerned]* that is established, maintained or operated, or as the case may be, intended to be established, maintained or operated, outside
-

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our Principal Office, Branch Office(s) and/or any of electronic access facility(s) contains adequate and effective specifications and capabilities to ensure that the security of transactions and confidentiality of clients are at all times reasonable and adequately preserved.

6. that the *[insert the particulars of the activity concerned]* is, in terms of the applications or software, the physical site location and the hardware, reasonably secured from unauthorized tampering and intrusion and in this respect we have at the minimum strictly complied with all relevant directives, guidelines, circulars and codes relating to security issued by the Bursa Group for the time being in force, including but not limited to the Participating Organisations' IT Security Code or the use of information technology (as may be amended from time to time);
7. the *[insert the particulars of the activity concerned]* conforms in all material respects with all relevant rules, directives, circulars and guidelines issued by the Bursa Group with respect to trading of securities on the Exchange by the Participating Organisations generally; and
8. we shall indemnify the Bursa Group and not hold the Bursa Group liable to any claims made by any party as a result of the establishment, maintenance or operations of the *[insert the particulars of the activity concerned]* and its activities.

PART II: NOTIFICATION

The following are the details of the activities that will be undertaken:*

Authorised signatory

Date

* To provide the details of the activities, including the systems employed and key personnel involved. For Branch Office, to indicate the systems employed and whether the back office and operations are centralized at the Principal Office/other Branch Office or whether there are remote terminals for processing of transactions.

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Appendix 5

NOTIFICATION OF COMMENCEMENT OF OPERATIONS UNDER THE GREEN LANE POLICY

To: Head
Participants Supervision
Regulation
BURSA MALAYSIA BERHAD
12th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]

NOTIFICATION OF COMMENCEMENT OF OPERATIONS UNDER THE GREEN LANE POLICY

The following are the details of the activities that will be undertaken:*

Authorised signatory

Date

* To provide the details of the activities, including the systems employed and key personnel involved. For Branch Office, to indicate the systems employed and whether the back office and operations are centralized at the Principal Office/other Branch Office or whether there are remote terminals for processing of transactions.

[End of Appendix 5]

DIRECTIVES ON CONDUCT OF BUSINESS	No. 5-001
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Relevant to	:	Rules 5.01, 5.02(a), 5.02(b), 5.03(1), 5.04(1), 5.13, 5.14(2)(a), 5.15(1)(a), 5.15(1)(b), 5.15(4), 5.16(1), 5.16(2), 5.16(4), 5.16(5), 5.19(1), 5.19(2) and 5.19(3), <u>7.19(2)(b), 7.36(2)(b) and 8.23(a).</u>
Introduced with effect from	:	2 May 2013
Amended	:	15 January 2015 vide R/R 9 of 2014, 15 November 2016 vide R/R 8 of 2016, 16 June 2017 vide R/R 7 of 2017, and 23 June 2017 vide R/R 8 of 2017 <u>and 12 December 2017 vide R/R 11 of 2017</u>
POs' Circular No(s).	:	N/A
Refer also to Directive No(s).	:	N/A

Introduction

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

1. Rule 5.01

- (1) Rule 5.01 requires a Participating Organisation and Registered Person 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.
- (2) In discharging the obligations under the said Rule, a Participating Organisation and Registered Person must, amongst others, comply with the requirements set out below.

1.1 Standard of Conduct

- (1) A Participating Organisation and Registered Person must:
 - (a) observe professional conduct and high standards of integrity and fair dealing;
 - (b) conduct their business in a manner that contributes to the maintenance of an orderly and fair market;
 - (c) 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 and Registered Person 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;
 - (d) not engage in any act that amounts to advertising securities for sale or purchase or share hawking;
 - (e) not engage in any unlawful or irregular or unhealthy practice;
 - (f) not engage in any act that may damage the confidence of investors or hamper the sound development of the stock market of the Exchange;
 - (g) not do or cause or permit to be done any act which:
 - (i) would adversely affect the goodwill or public image of the Exchange;

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- (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.
- (h) 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) In addition to the requirements above, a Participating Organisation must:
 - (a) exercise strict supervision over the Participating Organisation's business activities and the activities of the Participating Organisation's Registered Persons and employees to achieve compliance with these Rules, the Directives and Securities Laws; and
 - (b) must not unlawfully delegate powers or assign duties properly vested in the Registered Person to unauthorised person or persons.

2. Rule 5.02(a)

Rule 5.02(a) 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 said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

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 under the Participating Organisation's Capital Markets and Services Licence or otherwise, must maintain proper segregation of those functions within its organisation to prevent:
 - (a) the flow of "information" between different parts of its organisation that performs each function; and
 - (b) any conflict of interest that may arise as a result.
- (4) In paragraph 4(3)(a), "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

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(b) any securities listed and quoted on the Exchange; 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, its Registered Persons or employees

- (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 its Registered Persons and employees comply with the above requirements in relation to Registered Persons 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 5.02(b)

Rule 5.02(b) 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 said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

3.1 Risk management

- (1) A Participating Organisation must have its own system of monitoring risk on a daily basis.
- (2) A Participating Organisation must determine and record in its 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 must 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.

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4. Rule 5.03(1)

- (1) Rule 5.03(1) requires a Participating Organisation to have in place structures, policies, procedures and internal controls designed to:
- (a) facilitate the supervision of the Participating Organisation's business activities and the conduct of the Participating Organisation's Registered Persons, employees and agents;
 - (b) identify, monitor and manage conflicts of interests and risk that may arise in the conduct of the Participating Organisation's business;
 - (c) achieve compliance with these Rules, the Directives, Securities Laws; and
 - (d) provide for investor protection.
- (2) In discharging the obligations under the above Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

4.1 Written policies and procedures and internal controls

A Participating Organisation must have adequate and effective written policies and procedures in relation to:

Supervision of business activities

- (1) Clients:
- (a) on opening accounts for Clients including:
 - (i) steps to verify the Client's identity and the authenticity of the application;
 - (ii) evaluating and assessing applicants; and
 - (iii) assisting the Participating Organisation's Dealer's Representatives, Marketing Representatives and Trading Representatives in learning essential information about the applicant as required under Rule 5.15(1)(a);
 - (b) 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;
 - (c) on the treatment of Client's assets;
- (2) Trading, transactions and business:
- (a) on reviewing unusual patterns of large trading to detect a breach of these Rules and the Securities Laws in relation to market misconduct;
 - (b) 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;
 - (c) on supervising, monitoring and approving requests for and amendments to contracts;

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- (d) on supervising and monitoring Off-Balance Sheet Transactions that must include the items listed in **Appendix 1** of this Directive;
 - (e) on the operation and monitoring of the Participating Organisation's accounts and Client accounts including maintaining adequate records on Dealer's Representatives conducting trading;
 - (f) 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;
 - (g) on credit policies, capital allocations, trading limits, and designated approving authorities;
 - (h) to control liabilities and safeguard assets including assets belonging to other persons for which the Participating Organisation is accountable;
 - (i) 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;
 - (j) on Securities Borrowing and Lending or ISSBNT, if the Participating Organisation is desirous of engaging in Securities Borrowing and Lending or ISSBNT under these Rules, that must include the items listed in **Appendix 2(a) or Appendix 2(b)** of this Directive;
 - (k) 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 **Appendix 3** of this Directive;
- (3) Advertising:
- On reviewing the Participating Organisation's advertising and publicity materials;
- (4) Employees:
- (a) on prompt dissemination of these Rules, the Directives and requirements the Exchange and the Commission issues, to the Participating Organisation's Registered Person and relevant employees;
 - (b) 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;
 - (c) to monitor the business transacted for the Participating Organisation's employees, Dealer's Representatives and Directors;

Governance

- (5) Governance:
- (a) on reporting requirements by the Branch Office to the Principal Office to ensure sufficient supervision and control of the Branch Office;

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

- (i) timely reporting and transmission of data from a Participating Organisation's Branch Office to the Principal Office;
- (ii) daily reconciliation of all records of the Participating Organisation's Principal Office and the Branch Office(s); and
- (iii) reconciling and duly accounting for all trading and transactions undertaken by the Participating Organisation's Branch Office(s).

(6) Frequency of board of directors' meetings:

To ensure that at least 1 board of directors meeting is held every 2 months.

Risk management

(7) Generally, and in particular 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;

Compliance

(8) Compliance, to prevent any contravention by the Participating Organisation or any of its 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;

Conflicts of Interests

(9) Conflicts of interests:

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

5. Rule 5.04(1)

Rule 5.04(1) requires a Participating Organisation to keep proper records to evidence compliance with the requirements in these Rules. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

5.1. Record keeping

(1) A Participating Organisation must:

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- (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 5.13

Rule 5.13 requires a Participating Organisation to employ or engage Registered Persons, employees and agents who are fit and proper with suitable skill and experience with regard to the position and responsibility they hold. In discharging the obligations under the said Rule, a Participating Organisation must comply with the requirements set out below:

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.

7. Rule 5.14(2)(a)

Rule 5.14(2)(a) requires a Participating Organisation or a Dealer’s Representative to ensure, among others, that a Trading Clerk does not carry out the functions of a Dealer’s Representative.

7.1 Functions of a Dealer’s Representative

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 5.15(1)(a)

Rule 5.15(1)(a) 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 said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

8.1. Essential information

The essential information referred to in Rule 5.15(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;
- (e) whether the Client is trading for himself as a Beneficial Owner or as an Authorised Nominee; and
- (f) in respect of Clients who intend to trade on the LEAP Market, the Client's qualification as a Sophisticated Investor as defined in Chapter 16 or as a current securities holder as specified in Rule 16.02(2)(b).

9. Rule 5.15(1)(b)

Rule 5.15(1)(b) requires a Participating Organisation to verify the Client's identity and the authenticity of the application to open a trading account with the Participating Organisation. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

9.1 Authentication of account opening application

- (1) Participating Organisation must take all reasonable steps to verify, by reliable means, the Client's identity and the authenticity of the application before a Participating Organisation opens a trading account for the Client.
- (2) A Participating Organisation must comply with the following in verifying the Client's identity and the authenticity of the application:
 - (a) where the Client appears in person before the Participating Organisation to submit the application, the Participating Organisation must ensure the Client signs the account opening application in the presence of an officer, a Dealer's Representative, a Marketing Representative or a Trading Representative authorised by the Participating Organisation, and the officer, Dealer's Representative, Marketing Representative or Trading Representative verifies the Client's identity and the authenticity of the application;
 - (b) where the Client does not appear in person before the Participating Organisation to submit the application, the Participating Organisation must, as the case may be:

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- (i) ensure that the account opening application form is signed in the presence of an Acceptable Witness as referred to in paragraph 9.1(3) of this Directive and the Acceptable Witness has verified the Client's identity and the authenticity of the application; or
 - (ii) where such form is not signed in the presence of an Acceptable Witness, take any of the steps set out in paragraph 9.1(4) to verify the Client's identity and the authenticity of the application ("**Non Face-to-face Verification**").
- (3) Pursuant to paragraph 9.1(2)(b)(i), the Client's identity and the authenticity of the application must be verified by any of the following persons ("**Acceptable Witnesses**"):
 - (a) an officer, a Dealer's Representative, a Marketing Representative or a Trading Representative authorised by the Participating Organisation;
 - (b) an authorised officer of a Malaysian Embassy or High Commission Consulate;
 - (c) a lawyer in any jurisdiction who has a valid license to practice law in that jurisdiction;
 - (d) a commissioner for oaths in any jurisdiction;
 - (e) a Justice of the Peace in any jurisdiction;
 - (f) a notary public in any jurisdiction;
 - (g) an officer of a registered person referred to under the third column of Item 1(b) of Part 1 of Schedule 4 to 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);
 - (h) 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;
 - (i) in relation to a stockbroking company licensed or approved to trade on a recognised stock exchange, the following persons:
 - (i) any person who holds a licence equivalent to a licence held by a Dealer's Representative; or
 - (ii) any other person authorised by such licensed stockbroking company, or
 - (j) 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 3 Market Days from the date of such approval.
- (4) In conducting a Non Face-to-face Verification, a Participating Organisation must verify the Client's identity and the authenticity of the application through 1 or more of the following methods:

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- (a) obtain confirmation of the Client's identity from an independent source, for example, by contacting the human resources department of the Client's employer on a listed business number to confirm his employment;
 - (b) receive and encash a personal cheque of the Client for an amount of not less than RM100, where the name appearing on the cheque and the signature of the Client on the cheque must match the name and signature of the Client in the account opening application form;
 - (c) initiate face-to-face contact with the Client through an electronic mode including a video conference facility; or
 - (d) obtain confirmation of the Client's identity and relevant details of the Client from another entity within the Participating Organisation's Group which has previously verified the Client's identity in accordance with such entity's standard operating procedures and ensure that the details of the Client obtained from such other entity match the information in the Client's account opening application form.
- (5) In relation to paragraph 9.1(4), a Participating Organisation must be satisfied that it is reasonable for the Participating Organisation to rely on the methods for Non Face-to-face Verification.
- (6) A Participating Organisation must require a Client to be present in person before the Participating Organisation in relation to the opening of an account or for the Client's account opening application form to be signed in the presence of an Acceptable Witness if:
- (a) the Participating Organisation is not satisfied that it is reasonable for the Participating Organisation to rely on the methods for Non Face-to-face Verification, or it is unable to conduct Non Face-to-face Verification through any of the methods stated in paragraph 9.1(4) to its satisfaction;
 - (b) the Participating Organisation is of the view that the Client's identity and the authenticity of the application cannot be reasonably established through Non Face-to-face Verification conducted or intended to be conducted on the Client; or
 - (c) the Client is an individual from a high risk country or a country with anti-money laundering or counter financing of terrorism deficiencies as referred to in the Commission's Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries.

10. Rule 5.15(4)

Rule 5.15(4) requires a Participating Organisation to record and maintain up-to-date relevant information on the Participating Organisation's Clients, their trading accounts and trades executed in the Client's trading account. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

10.1 Information required to be maintained

In relation to Rule 5.15(4), a Participating Organisation must, in respect of each Client's account maintain records that include:

- (a) the date of opening of the account;

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- (b) the name of the officer who 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.

11. Rule 5.16(1)

- (1) Rule 5.16(1) requires a Participating Organisation and Registered Person to act:
 - (a) with due skill, care and diligence;
 - (b) honestly and fairly; and
 - (c) in the best interests of the Participating Organisation's Clients.
- (2) In discharging the obligations under the said Rule, a Participating Organisation and Registered Person must, amongst others, comply with the requirements set out below.

11.1 Arrangement with Clients

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

11.2 Unauthorised trading through Client's account

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

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

11.3 Client's order

- (1) A Participating Organisation, Head of Dealing and Dealer's Representative must:
 - (a) carry out Client's instructions in a timely manner;

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- (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 8.09.
- (2) A Participating Organisation, Head of Dealing or Dealer's Representative may only accept or act on an instruction from a 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.

11.4 Recommendations to Clients

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

- (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
- (c) satisfy itself that the Client has the financial capability to bear any risk attached to such recommended transactions.

11.5 Notice of changes

- (1) A Participating Organisation must give sufficient notice to the Participating Organisation's Clients before imposing new business policies or practices.
- (2) What constitutes "sufficient notice" depends on the circumstances surrounding the imposition of the new business policies or practices.

12. Rule 5.16(2)

Rule 5.16(2) requires a Participating Organisation and a Registered Person to make adequate and accurate disclosure of the risks, benefits and conflicts of interests to the Clients in the Participating Organisation's and Registered Person's dealings with the Clients. In discharging

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the obligations under the said Rule, a Participating Organisation and Registered Person must, amongst others, comply with the requirements set out below.

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. In relation to the corporate Clients described in paragraph 1.1(4) of Directive No. 5.15-001 (Directives on Opening Client Account), such Clients may opt in writing not to receive a monthly statement of account.
- (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.
- (3) A Participating Organisation may determine the mode and manner the statement of account is to be sent to the Client.
- (4) The Participating Organisation must comply with any requirement the Exchange or the Commission imposes in relation to the requirement for consent to issue and deliver electronic contract notes in relation to the consent required under this Directive.

12.2 Contract Note

- (1) Issuance of Contract Notes
 - (a) 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.
 - (b) 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.
- (2) Exchange rate for conversion from foreign currency
 - (a) A Participating Organisations must indicate the exchange rate used for conversion from foreign currency to RM on each contract note for transactions involving securities denominated in foreign currency irrespective of whether the settlement between the Client and the Participating Organisation is in foreign currency or otherwise.
 - (b) The exchange rate in paragraph (a) above must be an exchange rate which is quoted by a licensed on-shore bank to the Participating Organisation.
- (3) Computer generated contract note
 - (a) Participating Organisations are advised that no signature is required on the Participating Organisation's computer generated contract notes if the contract notes carry the following statement:

**“THIS IS A COMPUTER GENERATED CONTRACT NOTE AND IS DEEMED TO
HAVE BEEN SIGNED”**

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- (b) A copy of the relevant letter dated 1 April 1993 from the Department of Inland Revenue to the Exchange is attached to this Directive as **Appendix 4** of this Directive.

13. Rule 5.16(4)

Rule 5.16(4) requires a Participating Organisation to promptly and properly account for and adequately safeguard Client's assets. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

13.1 Client's assets

- (1) A Participating Organisation must open or maintain at least 1 trust account with a licensed institution as defined in the BAFIA.
- (2) A Participating Organisation must pay into the 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;
- (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.
- (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.
- (4) A Participating Organisation must:
- (a) not co-mingle the monies in the trust account with monies for other purposes;
- (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
- (c) at all times have funds available in the trust account to make the relevant payments out of the trust account.
- (5) The withdrawal of monies out of the trust account must fall within the circumstances permitted under the Capital Markets and Services Act.
- (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.
- (7) The trust account maintained with licensed institutions must be formally designated as "Clients' Trust Account" and duly approved by way of a Board of Director's resolution.

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- (8) A Participating Organisation may place Client's monies in fixed deposits or other interest bearing accounts provided that:
- (a) such placement is made in the name of the Clients' trust account;
 - (b) withdrawal of such placement, including interest, is directly credited back into the Clients' trust account; and
 - (c) such placement will not affect the obligation to duly pay the Clients.

14. Rule 5.16(5)

Rule 5.16(5) 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
- (b) take steps to investigate and respond promptly to the complaint.

In discharging the obligations under the above Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

14.1 Handling complaints

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.

15. Rules 5.19(1) and 5.19(2)

- (1) Rule 5.19(1) requires a Participating Organisation to take up 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.
- (2) Rule 5.19(2) further provides that a Participating Organisation may maintain the above insurance policy at Group level.
- (3) In discharging the obligations under the above Rules, a Participating Organisation must, amongst others, comply with the requirements set out below.

15.1 Scope of insurance policy

The insurance policy referred to in Rule 5.19(1) must:

- (a) have a minimum limit of indemnity of RM5 million; and

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(b) include the areas of coverage set out in **Appendix 5** of this Directive.

16. Rule 5.19(3)

Rule 5.19(3) 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, amongst others, comply with the requirements set out below.

16.1 Notification of insurance policy

The Participating Organisation must notify the Exchange in writing of the insurance policy being in place on an annual basis, no later than 31 January of each calendar year.

[End of Directive]

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**APPENDIX 1
[Paragraph 4.1(2)(d)]**

**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 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 Appendix 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 1.01(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).

[End of Appendix 1]

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APPENDIX 2(a)
[Paragraph 4.1(2)(j) and Rule 7.19(2)(b)]

**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 or lending of Eligible Securities which includes the written agreement in Rule 7.18(4)(a) 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 and Lending and compliance with these Rules and the Clearing House Requirements pertaining to Securities Borrowing and Lending activities.

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APPENDIX 2(b)
[Paragraph 4.1(2)(j) and Rule 7.36(2)(b)]

ISSBNT:
Minimum requirements for written policies and procedures and internal controls

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

[End of Appendix 2]

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**APPENDIX 3
[Paragraph 4.1(2)(k) and Rule 8.23(a)]**

**Regulated 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 8.25(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 8.25;
- (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.

[End of Appendix 3]

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APPENDIX 4
(Paragraph 12.2(3)(b))



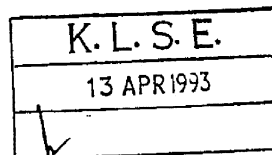
KETUA PENGARAH HASIL DALAM NEGERI,
(DIRECTOR-GENERAL OF INLAND REVENUE)
JABATAN HASIL DALAM NEGERI,
(DEPARTMENT OF INLAND REVENUE)
UNIT 34, BAHAGIAN DUTI SETEM,
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Ruj. Tuan: KLSE/INST/13.(286)
Ruj. Kami: JHDN.01/34/42/68-031(G)

Tarikh: 1 April 1993
8 Syawal 1413

Fenolong Pengurus Besar Kanan,
Hal-Ehwal Korporat dan Undang-Undang,
Bursa Saham Kuala Lumpur,
Tingkat 3, 4 dan 5, Exchange Square,
Off Jalan Semantan,
Damansara Heights,
50490 KUALA LUMPUR.



Tuan,

Nota kontrak yang dikeluarkan oleh komputer

Saya merujuk kepada surat tuan bertarikh 11 Mac 1993 mengenai perkara di atas dan ingin memaklumkan bahawa cadangan tuan adalah dipersetujui.

Sekian, terima kasih.

" BERKHIDMAT UNTUK NEGARA "

" CINTAILAH BAHASA KITA "

Saya yang menurut perintah,

(PUAN MARIDAH BT LUDIN)
Unit 34,
Bahagian Duti Setem,
b.p. Ketua Pengarah Hasil Dalam Negeri,
Malaysia.

(Sila rujuk fail kami apabila meninjau)

[End of Appendix 4]

DIRECTIVES ON CONDUCT OF BUSINESS	No. 5-001
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APPENDIX 5
[Paragraph 15.1(b)]

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.

[End of Appendix 5]

DIRECTIVES ON SECURITIES BORROWING AND LENDING <u>AND</u> <u>ISSBNT</u>	No. 7.18-0017-001
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Relevant to : Rules 7.18(4)(a), 7.18(4)(b) ~~and~~ 7.18(4)(c) 7.18(4)(d), 7.20,
7.35(4)(a), 7.35(4)(b) and 7.37
Introduced with effect from : 2 May 2013
Amended : N/A 12 December 2017 vide R/R 11 of 2017
POs' Circular No(s). : N/A
Refer also to Directive No(s). : 7.30-001, 13.04-001

Securities Borrowing and Lending

1. Rules 7.18(4)(a), 7.18(4)(b) ~~and~~ 7.18(4)(c) and 7.18(4)(d)

- (1) These rules require a Participating Organisation to ensure that where the Securities Borrowing and Lending involves a Client, the following are complied with:
- (a) that the Participating Organisation executes a written agreement with its Client in respect of the Securities Borrowing and Lending and the terms of the written agreement comply with the requirements as stipulated by the Exchange. This provision is not applicable where the Securities Borrowing and Lending is a SBL Negotiated Transaction;
 - (b) that collateral is lodged in accordance with the requirements as stipulated by the Exchange. This provision is not applicable where the Securities Borrowing and Lending is a SBL Negotiated Transaction;
 - (c) that the lending of Margin Securities of a Margin Account Client complies with the requirements as stipulated by the Exchange; ~~and~~
 - (d) that the lending of Eligible Securities held in its custody for its Client complies with the requirements as stipulated by the Exchange; ~~and~~
 - (e) that a copy of the risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for borrowing by the Client of Eligible Securities.

These Directives set out the Exchange's requirements in relation to the written agreement, the collateral, the lending of Margin Securities of a Margin Account Client ~~and~~ the lending of Eligible Securities held in a Participating Organisation's custody for its Client and the risk disclosure statement.

- (2) In discharging the obligations under the said Rules, a Participating Organisation must, amongst others, comply with the following Directives.

1.1 Written Agreement

- (1) A Participating Organisation must execute a written agreement referred to in Rule 7.18(4)(a)(i) for the Securities Borrowing and Lending of Eligible Securities with its Client prior to the borrowing or lending of the Eligible Securities.
- (2) The Participating Organisation must ensure that the terms and conditions stipulated in the written agreement between the Participating Organisation and its Client, with the exception of the fees chargeable or payable in relation to the Securities Borrowing and Lending are at least on equal terms and conditions as the written agreement executed between the Participating

**DIRECTIVES ON SECURITIES BORROWING AND LENDING AND
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Organisation and the Clearing House in relation to the Securities Borrowing and Lending and include matters specified below:

- (a) the party that lends is absolutely entitled to pass full legal and beneficial ownership of the securities lent free from all liens, charges and encumbrances;
 - (b) subject to paragraph 1.2, the requirement for deposit of collateral, if any including the management and utilisation of the collateral deposited by the Client;
 - (c) treatment of corporate actions and income in relation to any of the Eligible Securities borrowed or lent and the securities held as collateral;
 - (d) rights and obligations of the Participating Organisation and its Client in relation to the Eligible Securities borrowed or lent;
 - (e) the fees, to be paid for the borrowing or lending or both of the Eligible Securities;
 - (f) the circumstances where the Participating Organisation or its Client are entitled to terminate the agreement entered into for the borrowing or lending of the Eligible Securities; and
 - (g) the rights and remedies of the parties to the agreement in the event of a default by the other party of its obligations under the agreement.
- (3) This paragraph 1.1 is not applicable where the Securities Borrowing and Lending is a SBL Negotiated Transaction.

1.2 Collateral

- (1) A Participating Organisation must, in relation to any borrowing of Eligible Securities by a Client ("the Borrowed Securities"), obtain collateral from the Client.
- (2) The Participating Organisation must comply with the following requirements in relation to the collateral required to be deposited by a Client pursuant to paragraph 1.2(1):
 - (a) the collateral must only be the types of collateral provided in Directive ~~13.04-0013-001~~ issued by the Exchange and is subject to a Haircut. The rate of the Haircut for a particular type of collateral must at least be the same as the rate prescribed by the Clearing House for that collateral in relation to its Securities Borrowing and Lending activities. In the absence of any Haircut prescribed by the Clearing House, the Haircut for that collateral must at least be the same as the 'discounting' rate provided in Directive 13.04-001 issued by the Exchange for discounting on collateral pursuant to Capital Adequacy Requirements. For the purposes of this paragraph 1.2, any reference made to the value of collateral is taken to mean the value of the collateral based on the valuation prescribed in paragraph 1.2(2)(d) after applying the prescribed Haircut under this rule;
 - (b) the Client must deposit the collateral prior to the borrowing envisaged in paragraph 1.2(1);
 - (c) the value of collateral obtained from the Client, must be at least 105% or such other percentum as may be determined by the Exchange, of the market value of the

**DIRECTIVES ON SECURITIES BORROWING AND LENDING AND
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Borrowed Securities throughout the period the Borrowed Securities are borrowed by the Client; and

- (d) the value of the Borrowed Securities and the collateral deposited by the Client for the Borrowed Securities must be marked to market on a daily basis based on the manner of valuation stipulated in Rule 7.30(7). However the above valuation may be made on an intra day basis in the following circumstances:
- (i) unusually rapid or volatile changes in the value of the securities;
 - (ii) non-existence of an active market for the securities; or
 - (iii) no possibility of immediate liquidation for the securities.
- (3) If the value of the collateral falls below 105% of the market value of the Borrowed Securities, a Participating Organisation must comply with the following:
- (a) if the collateral falls below 105%, the Participating Organisation must issue a notice to the Client to lodge additional collateral in order to top up the short fall. Pending such topping up, the Client must not be permitted to borrow any additional securities; and
 - (b) if the value of the collateral falls below 102%, the Participating Organisation must issue a notice to the Client for the return of the Borrowed Securities within 3 Market Days from the date of the notice. If the Client fails to return the Borrowed Securities, the Participating Organisation must liquidate the collateral. The proceeds from the liquidation must be utilised to purchase the relevant securities for the purpose of returning the Borrowed Securities to the Clearing House.
- (4) A Participating Organisation may allow a Client to withdraw any collateral deposited in relation to the Borrowed Securities provided that the value of any collateral remaining after the withdrawal is at least 105% of the market value of the Borrowed Securities on the withdrawal date.
- (5) Subject to paragraph 1.2(6), a Participating Organisation must keep all collateral deposited by a Client with it in the following manner:
- (a) for collateral other than cash, the collateral is segregated, not co-mingled with the assets of the Participating Organisation and other collateral deposited by other Clients and can be clearly identified as that of the Client;
 - (b) in respect of cash collateral, the cash deposited can be clearly identified from its records as that of the Client; and
 - (c) if the collateral is in respect of securities deposited with the Depository, the collateral is held in a separate Securities Account specifically for the Client.
- (6) A Participating Organisation may only utilise the collateral deposited by its Client for the purpose of providing the collateral required by the Clearing House for the borrowing made or to be made for the Client.
- (7) A Participating Organisation must incorporate the provisions of paragraph 1.2 except for paragraph 1.2(8) into the written agreement referred to in paragraph 1.1.

- (8) A Participating Organisation must submit a report to the Exchange on a weekly basis, in respect of all of its Clients whose collateral has fallen below 102% of the market value of the Borrowed Securities for the week, in the format as may be prescribed by the Exchange, on the 1st Market Day of the following week.
- (9) A Participating Organisation must not onward pledge to any party or utilise any of the collateral lodged by its Clients pursuant to this paragraph 1.2 for any reason except as permitted in paragraph 1.2(6).
- (10) This paragraph 1.2 is not applicable where the Securities Borrowing and Lending is a SBL Negotiated Transaction.

1.3 Securities in Margin Account

- (1) A Participating Organisation may borrow any Eligible Securities in the Margin Account of a Client, for the purpose of carrying out lending activities permitted under the Clearing House Requirements if it complies with the following requirements:
 - (a) A written agreement referred to in paragraph 1.1 is executed between the Participating Organisation and the Client ("Margin Account Client") to borrow the Margin Securities from the Margin Account Client.
 - (b) A Margin Account Client must at all times be entitled to deal with his Margin Account in the ordinary manner as provided for under the terms of the margin agreement entered into between the Client and the Participating Organisation even though:
 - (i) the Margin Securities in the Margin Account are used for purposes of Securities Borrowing and Lending; and
 - (ii) there is a shortfall or gain arising from a Securities Borrowing and Lending transaction involving the Margin Securities of the Margin Account Client.
 - (c) A Margin Account Client must be entitled to a portion of the fees earned by the Participating Organisation on that Client's Margin Securities from the above Securities Borrowing and Lending on such terms as may be mutually agreed between the Participating Organisation and that Client even though the Securities Borrowing and Lending for which the Client's Margin Securities have been utilised has resulted in any shortfall or gain.
 - (d) A Participating Organisation must allow a Margin Account Client to withdraw or sell the Margin Securities borrowed if reasonable notice is given to the Participating Organisation for such withdrawal or sale and such notice to be given within a specified time as mutually agreed between the Participating Organisation and the Margin Account Client.
 - (e) Notwithstanding that the Margin Securities are borrowed by the Participating Organisation, the Participating Organisation must comply with all the requirements of Part H of Chapter 7.
 - (f) The Participating Organisation must not utilise more than 50% of the value, at the time of lending, of the Margin Securities in any Client's Margin Account.

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- (g) The Participating Organisation must issue a monthly statement to the Margin Account Client containing all necessary details in relation to the borrowing including the quantity of Margin Securities utilised and the fees earned.
- (2) A Participating Organisation must incorporate the requirements stipulated in paragraph 1.3(1)(b) into the written agreement referred to in paragraph 1.1.

1.4 Securities In Custody

- (1) A Participating Organisation may borrow Eligible Securities which are held in its custody ("Custodial Securities") for its Clients ("Custodial Clients" and singly, "Custodial Client") for the purposes of carrying out lending activities as permitted under the Clearing House Requirements provided that the Participating Organisation executes a written agreement ~~as referred to in Rule 7.18(4)(a)(i)~~ between the Participating Organisation and the Custodial Client to borrow the Custodial Securities from the Custodial Client.
- (2) A Participating Organisation must be, at all times, fair, equitable and transparent in the process of selecting the custodial accounts to be utilised for the purposes of Securities Borrowing and Lending.

1.5 Risk disclosure statement

- ~~(1) A Participating Organisation must ensure that where the Securities Borrowing and Lending involves a Client, a copy of the risk disclosure statement as prescribed in **Appendix 1** is given to and acknowledged by its Client prior to the execution of any written agreement for borrowing by the Client of Eligible Securities.~~

2. Rule 7.20

- ~~(1) Rule 7.20 provides that a Participating Organisation may only commence its Securities Borrowing and Lending activities if it has:~~
- ~~(a) Effective Shareholders' Funds of not less than RM50,000,000 as at the date of the declaration in Rule 7.20(b) and continues to maintain the same for as long as it is carrying out Securities Borrowing and Lending activities; and~~
- ~~(b) submitted a written declaration in the form as prescribed by the Exchange of its compliance with Rules 7.19 and 7.20(a) at least 2 Market Days before commencing its Securities Borrowing and Lending activities.~~
- ~~(2) The declaration must be made in the form set out in **Appendix 2**.~~

ISSBNT

3. Rules 7.35(4)(a) and 7.35(4)(b)

- ~~(1) These rules require a Participating Organisation to ensure that where the ISSBNT involves a Client, the following are complied with:~~

DIRECTIVES ON SECURITIES BORROWING AND LENDING <u>AND</u> <u>ISSBNT</u>	No. 7.18-0017-001
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(a) that the sale of ISSBNT Eligible Securities held in its custody for its Clients, pursuant to a ISSBNT, complies with the requirements as stipulated by the Exchange; and

(b) a copy of the risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for a purchase under ISSBNT.

(2) In discharging the obligations under the said Rules, a Participating Organisation must, amongst others, comply with the following Directives.

3.1 Securities In Custody

(1) A Participating Organisation may enter into an arrangement to utilise the ISSBNT Eligible Securities (“Custodial Securities”) which are held in its custody for its Clients (“Custodial Clients”) for the purposes of carrying out ISSBNT activities as permitted under the Clearing House Requirements provided that the Participating Organisation executes a written agreement between the Participating Organisation and the Custodial Client to utilise the Custodial Securities.

(2) A Participating Organisation must be, at all times, fair, equitable and transparent in the process of selecting the custodial accounts to be utilised for the purposes of ISSBNT.

3.2 Risk disclosure statement

(1) A Participating Organisation must ensure that where the ISSBNT involves a Client, a copy of the risk disclosure statement as prescribed in **Appendix 1** is given to and acknowledged by its Client prior to the execution of any written agreement for a purchase under ISSBNT by the Client of ISSBNT Eligible Securities.

4. Rule 7.37

(1) Rule 7.37 provides that a Participating Organisation may only commence its ISSBNT activities if it has:

(a) Effective Shareholders’ Funds of not less than RM50,000,000 as at the date of the declaration in Rule 7.37(b) and continues to maintain the same for as long as it is carrying out ISSBNT activities; and

(b) submitted a written declaration in the form as prescribed by the Exchange of its compliance with Rules 7.36 and 7.37(a) at least 2 Market Days before commencing its ISSBNT activities.

(2) The declaration must be made in the form set out in **Appendix 2**.

[End of Directives]

DIRECTIVES ON SECURITIES BORROWING AND LENDING AND
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APPENDIX 1

**RISK DISCLOSURE STATEMENT ON [SECURITIES BORROWING / PURCHASING SECURITIES
PURSUANT TO ISSBNT]***

** This is a template document where the relevant parts marked with an asterisk are to be deleted accordingly if the same is not applicable. In the event this risk disclosure statement is to be executed by a Client for both securities borrowing and securities purchase pursuant to ISSBNT, no deletion is required and a single document may be submitted.*

1. This statement is provided to you in accordance with Rule [7.18(4)(d) / 7.35(4)(b)]* of these Rules.
2. The purpose of this statement is to inform you that the risk of loss in [borrowing securities / purchasing securities under ISSBNT]* for the purposes permitted under these Rules can be substantial. You should ~~therefore~~ assess if [borrowing / purchasing under ISSBNT]* securities is suitable for you in light of your financial circumstances. In deciding whether to [borrow securities / purchase securities under ISSBNT]* you should be aware of the following:
 - (a) where the ~~return~~redelivery of securities to the [lender / supplier]*, which securities is equivalent to the [securities borrowed / securities purchased under ISSBNT]*, is by way of purchase on the market, the buy price of the securities may be substantially higher than the price of the securities at the time of [borrowing / purchase under ISSBNT]*;
 - (b) under certain conditions, it may be difficult to buy back securities equivalent to the [securities borrowed / securities purchased under ISSBNT]*;
 - (c) the [lender may recall the securities borrowed / supplier may exercise its rights to recall the securities from the user or, upon occurrence of certain trigger events]* at any time which necessitates the buying back of securities equivalent to the [securities borrowed / securities purchased under ISSBNT]*; and
 - (d) the [securities borrowed may no longer be eligible for borrowing / securities purchased under ISSBNT may no longer be eligible for purchase]* in the future and as such the [lender / supplier]* may recall on all of that [securities borrowed by all borrowers / securities purchased under ISSBNT by all users]* which may necessitate the buying back of the securities equivalent to that [securities borrowed, by all borrowers / securities purchased under ISSBNT, by all users]*. This 'buying back' may result in the buy price of those securities going up significantly.
3. This brief statement cannot disclose all the risks and other aspects of [borrowing of securities / purchase of securities under ISSBNT]*. You should therefore carefully study the terms, conditions, the rules and regulations pertaining to [borrowing of securities / purchase of securities under ISSBNT]* before engaging in this activity. If you are in doubt in relation to any aspect of this statement, you should consult your Participating Organisation.

**ACKNOWLEDGEMENT OF RECEIPT OF THIS
RISK DISCLOSURE STATEMENT**

**ANNEXURE 2
AMENDED DIRECTIVE
In relation to ISSBNT**

**DIRECTIVES ON SECURITIES BORROWING AND LENDING AND
ISSBNT**

No. ~~7.18-0017-001~~

I acknowledge that I have received a copy of the RISK DISCLOSURE STATEMENT ON [SECURITIES BORROWING / PURCHASING SECURITIES UNDER ISSBNT]* and understand its contents which have been explained to me by the Participating Organisation.

Signature : _____
Full name : _____
Date : _____

DIRECTIVES ON SECURITIES BORROWING AND LENDING AND
ISSBNT

No. ~~7.18-0017-001~~

APPENDIX 42

~~–DECLARATION ON COMPLIANCE FOR REGULATED SHORT SELLING AND SECURITIES~~
~~BORROWING AND LENDING/ ISLAMIC SECURITIES SELLING AND BUYING-NEGOTIATED~~
~~TRANSACTION (“ISSBNT”)~~

[Rules ~~8.23(c) and 7.20(eb) and 7.37(b)~~]

** This is a template document where the relevant parts marked with an asterisk are to be deleted accordingly if the same is not applicable. In the event this risk disclosure statement is to be executed by a Client for both securities borrowing and securities purchase pursuant to ISSBNT, no deletion is required and a single document may be submitted.*

To: Bursa Malaysia Securities Berhad

DECLARATION ON COMPLIANCE

Pursuant to the requirements of [Rule ~~8.23(c)/ 7.20(eb)/ 7.37(b)~~]*, we [name of Participating Organisation] declare as follows:

1. that we have formulated a set of the internal guidelines for [~~Regulated Short Selling /~~ Securities Borrowing and Lending / ISSBNT]-* which have been approved by the board of Directors;
2. the internal guidelines for [~~Regulated Short Selling /~~ Securities Borrowing and Lending / ISSBNT]* have been brought to the notice of the relevant employees and registered persons who have read and understood the contents;
3. that the internal guidelines for [~~Regulated Short Selling /~~ Securities Borrowing and Lending / ISSBNT]-* comply with the requirements set out in [Rule ~~8.23/7.19/ 7.36~~]*; and
4. that all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out [~~Regulated Short Selling activities/~~ Securities Borrowing and Lending/ISSBNT-activities]-* activities in accordance with these Rules.; ~~and~~
- [5. that in accordance with the requirement in [Rule 7.20(a)/ 7.37(a)], we have Effective Shareholders' Funds of not less than RM50,000,000 as at the date of this declaration and will continue to maintain the same for as long as we are carrying out [Securities Borrowing and Lending/ ISSBNT activities]**.

Signed : _____
[Authorised signatory]

Date : _____

** Delete whichever is not applicable.*

*** Delete if Rule 7.20(a)/ 7.37(a) is not applicable.*

DIRECTIVES ON REGULATED SHORT SELLING	No. 8-002
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Relevant to : Rules 8.23(c), 8.25(5) and 8.30
 Introduced with effect from : 2 May 2013
 Amended : N/A 12 December 2017 vide R/R 11 of 2017
 POs' Circular No(s). : R/R 16 of 2006
 Refer also to Directive No(s). : N/A

1. Introduction

Part C of Chapter 8 requires a Participating Organisation to comply with the requirements in relation to Regulated Short Selling. This Directive clarifies the obligations to be complied with in relation to those requirements.

2. Rule 8.23(c)

(1) Rule 8.23(c) provides that a Participating Organisation may only commence its Regulated Short Selling activities if it submits a written declaration in the form as prescribed by the Exchange of its compliance with Rules 8.23(a) and 8.23(b) at least 2 Market Days before commencing its Regulated Short Selling activities.

(2) The declaration must be made in the form set out in **Appendix 1**.

23. Rule 8.25(5)

(1) Rule 8.25(5) provides that a Participating Organisation may execute purchases or make use of ~~the~~ purchases of securities in the RSS Account ~~but~~ only for the following purposes:

- (a) to contra in full or in part any Regulated Short Sale of an Approved Securities executed in the RSS Account;
- (b) for redelivery ~~of securities arising from any borrowing of Approved Securities~~ under a SBL Agreement or an ISSBNT Agreement ("Approved Securities for Redelivery"); and ~~or~~
- (c) ~~after a Regulated Short Sale of an Approved Securities, to~~ use the Approved Securities for Redelivery:
 - (i) to execute another Regulated Short Sale ~~of that Approved Securities~~; or
 - (ii) for lending the Approved Securities under a SBL Agreement or sale under an ISSBNT Agreement.

(2) The application of Rule 8.25(5) in relation to the purchase of securities permitted to be executed in the RSS Account is illustrated in Examples 1 and 2 in **Appendix 12**.

3. Rule 8.30

(1) Rule 8.30 requires a Participating Organisation to report to the Exchange daily or in such other frequency as may be determined by the Exchange, in the format prescribed by the Exchange, the Net Short Position and any other information in relation to the Net Short Position as may be required by the Exchange from time to time.

(2) The application of Rule 8.30 in relation to the reporting requirement on the Net Short Position is illustrated in Example 3 in **Appendix 12**.

[End of Directive]

DIRECTIVES ON REGULATED SHORT SELLING

No. 8-002

APPENDIX ~~4~~1

DECLARATION ON COMPLIANCE FOR REGULATED SHORT SELLING ~~AND SECURITIES
BORROWING AND LENDING~~

[Rules 8.23(c) ~~and 7.20(c)~~]

To: Bursa Malaysia Securities Berhad

DECLARATION ON COMPLIANCE

Pursuant to the requirements of [Rule 8.23(c) ~~7.20(c)~~]*, we [name of Participating Organisation] declare as follows:

1. that we have formulated a set of the internal guidelines for [Regulated Short Selling ~~/Securities Borrowing and Lending~~]* which have been approved by the board of Directors;
2. the internal guidelines for [Regulated Short Selling ~~/Securities Borrowing and Lending~~]* have been brought to the notice of the relevant employees and registered persons who have read and understood the contents;
3. that the internal guidelines for [Regulated Short Selling ~~/Securities Borrowing and Lending~~]* comply with the requirements set out in [Rule 8.23 ~~7.19~~]*; and
4. that all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out [Regulated Short Selling activities ~~/Securities Borrowing and Lending activities~~]* in accordance with these Rules; and

~~[5. that in accordance with the requirement in Rule 7.20(a), we have Effective Shareholders' Funds of not less than RM50,000,000 as at the date of this declaration and will continue to maintain the same for as long as we are carrying out Securities Borrowing and Lending activities]**.~~

Signed : _____
[Authorised signatory]

Date : _____

~~* Delete whichever is not applicable.~~

~~** Delete if Rule 7.20(a) is not applicable.~~

[End of Appendix 1]

APPENDIX 12

Example 1

Clarification in relation to application and operation of condition set out in Rule 8.25(5)

						Remarks
			100			
Transaction Date	Transaction Sequence	SBL/ ISSBNT	Quantity (unit) (2)	Transaction Positions		
				Net Short (units) (S-B) (3)	Long (units) (4)	
Type of Trade (1)						
T	1	S	100	100	0	
	2	B	100	0	0	PO is permitted to execute a purchase of securities in the RSS account at any time after the execution of any RSS of an approved securities on the same market day
	3	S	100	100	0	Subsequent RSS of 100 is permitted because the net short position prior to the RSS transaction is 0 and there is a borrowing / <u>purchase pursuant to ISSBNT</u> of 100.
	4	B	80	20	0	This purchase is permitted because it is within the net short position of 100.
	5	S	80	100	0	PO must ensure that the total RSS executed at any one time shall not exceed the amount of borrowings / <u>amount of purchase pursuant to ISSBNT</u> , i.e. PO cannot do an RSS of 100 notwithstanding a borrowing / <u>purchase pursuant to ISSBNT</u> of 100 at this point because the net short position plus the subsequent RSS cannot be greater than the borrowing / <u>purchase pursuant to ISSBNT</u> of 100.
	6	B	140	0	40	The purchase of 40 is an over-purchase. PO must limit purchases to not more than the total quantity of net short position.
T+1	7	S	100	100	40	1. T+1 short is permitted provided the SBL / <u>ISSBNT</u> of 100 on T is still valid

						2. The RSS of 100 must be reported as a net short of 100 and not a net short of 60 because the 40 is an over-purchase which should be reported under the long position.
--	--	--	--	--	--	---

S = Sell B = Buy

Example 2

Options for Squaring-Off Over-Purchase Positions

						Remarks
			100			
Transaction Date	Transaction Sequence	SBL/ ISSBNT	Quantity (unit) (2)	Transaction Positions		
				Net Short (units) (S-B) (3)	Long (units) (4)	
T	1	S	100	100	0	
	2	B	100	0	0	
	3	S	100	100	0	
	4	B	80	20	0	
	5	S	80	100	0	
	6	B	140	0	40	
	7	S	60	60	40	The purchase of 40 is an over-purchase and PO must limit purchases to not more than the total quantity of net short position. Option 1 Amend to normal a/c; or if PO forgot to amend, go to Option 2;
T+3	7(a)	S	40	40	40	Option 2 The total securities balance on T+3 will be 80 (i.e. 40 long + balance of 40 from borrowing / <u>purchase pursuant to ISSBNT</u>)

					Remarks	
		SBL/ ISSBNT		100		
<i>Transaction Date</i>	<i>Transaction Sequence</i>	<i>Type of Trade (1)</i>	<i>Quantity (unit) (2)</i>	Transaction Positions		
				<i>Net Short (units) (S-B) (3)</i>	<i>Long (units) (4)</i>	
		Or				Client can do an RSS trade for 40, leaving a long position of 40 for partial return of the borrowing / <u>purchase pursuant to ISSBNT</u> (i.e. 80-40); or
	7(b)	S	40	40	40	Option 3 Sell the over-purchase of 40 which is reportable by the PO as part of the sell is to square-off the over-purchase of 40.

S = Sell B = Buy

Example 3

Computation of Net Short (by Broker) of stock 1818 for reporting purposes

Trades:

Record No.	Stock No.	Matched Qty	Trx_type	Buyer CDS	Seller CDS
1	1818	1000	06	1111	2222
2	2323	2000	06	3333	4444
3	1818	3000	06	5555	6666
4	1818	4000	00	2222	7777
5	1818	5000	06	6666	9999
6	1818	6000	06	8888	0000

Net Short for RSS stock 1818:

Seller CDS	Short Sell	Buy Back	Net Short	Value
2222	1000	4000	0	xxx
6666	3000	5000	0	xxx
9999	5000	0	5000	xxx
0000	6000	0	6000	xxx
		Total	11,000	xxx

[End of Appendix 2]

**DIRECTIVES TO PRESCRIBE THE SCHEDULED DELIVERY TIME AND
SCHEDULED SETTLEMENT TIME FOR RECALLED SECURITIES**

No. 9-001

Relevant to : Rules 9.03 and 9.09(1)
Introduced with effect from : 2 May 2013
Amended : N/A 12 December 2017 vide R/R 11 of 2017
POs' Circular No(s). : R/R 2 of 2012
Refer also to Directive No(s). : N/A

1. Introduction

- (1) Chapter 9 of the Rules sets out the general requirements relating to a Participating Organisation's settlement and delivery obligations. This Directive sets out the minimum requirements in relation to those principles.
- (2) In general, a person must not sell securities unless he has reasonable grounds to believe he has a right to vest the securities in a purchaser. An exception was made under the Capital Markets and Services (Securities Borrowing and Lending) Regulations 2012, which came into effect on 9 January 2012 ("CMSA Regulations").
- (3) The Regulations provide that for the purposes of subsection 98(1) of the Capital Markets and Services Act 2007, a lender who sells loaned securities under a Securities Borrowing and Lending transaction before recalling the loaned securities shall be deemed as having a right to vest the securities in a purchaser of the securities if certain conditions are met.
- (4) One of the conditions is that the sale of the loaned securities is settled on the settlement date as may be prescribed by the stock exchange or the clearing house. A copy of the Regulations is enclosed as **Appendix 1**.

1.1 Conditions

- (1) For the purposes of this Directive, "Recalled Securities" means such portion of the Ready Basis Contract arising from a sale that satisfies the following conditions:
 - (a) the seller intends to use securities returned from a Securities Borrowing and Lending transaction to settle, in part or in full, the sale;
 - (b) the seller has made the recall on the same market day as the day the sale was entered into;
 - (c) the seller has notified the Clearing House of the relevant details in connection with the sale and the recalled securities in the manner and within the time prescribed by the Clearing House;
 - (d) the delivery of the portion of the sale that fulfills the conditions in items (a) to (c) is still outstanding after the Scheduled Delivery Time; and
 - (e) the seller fulfills such other conditions as may be prescribed by the Clearing House.
- (2) The term "seller" means the selling Participating Organisation or selling client or both, whichever is applicable.
- (3) For the avoidance of doubt, the Scheduled Delivery Time and Scheduled Settlement Time for Recalled Securities also apply if a lender sells the securities after recalling the same from the borrower.

**DIRECTIVES TO PRESCRIBE THE SCHEDULED DELIVERY TIME AND
SCHEDULED SETTLEMENT TIME FOR RECALLED SECURITIES**

No. 9-001

2. Rule 9.03

(1) Rule 9.03 provides that:

- (a) if a Participating Organisation is a seller in a Contract, the Participating Organisation must have the quantity of securities sold in the Contract as Tradeable Balance in the Securities Account used for the sale not later than the day and time stipulated in Schedule 2 of the Rules of Bursa Securities.
- (b) if a Participating Organisation is a buyer in a Contract, the securities in the Contract will be delivered by the Clearing House on the day and at time stipulated in Schedule 2 of the Rules of Bursa Securities but only if the Participating Organisation who is the seller in the Contract complies with the requirements of the Clearing House Rules in relation to delivery and settlement of the Contract.

(2) In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below:

2. ~~21~~ Scheduled Delivery Time

A Participating Organisation must comply with the Scheduled Delivery Time for Recalled Securities set out in **Appendix 2**.

3. Rule 9.09(1)

- (1) Rule 9.09(1) provides that if a Participating Organisation is a seller in a Contract, the Participating Organisation must pay the selling Client for the securities sold by the day and time stipulated in Schedule 2 of the Rules of Bursa Securities.
- (2) In discharging the obligations in the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below:

3.1 Scheduled Settlement Time

A Participating Organisation must comply with the Scheduled Settlement Time for Recalled Securities set out in **Appendix 2** to this Directive.

4. ISSBNT

(1) The directives in paragraphs 1.1(1), 1.1(2), 2.1 and 3.1 also apply to ISSBNT with the following modifications:

- (a) the words "Securities Borrowing and Lending" are to be read as "ISSBNT";
- (b) the word "lender" is to be read as "supplier";
- (c) the word "borrower" is to be read as "user"; and
- (d) the supplier must have recalled the securities sold pursuant to ISSBNT before going on to sell the securities.

(2) The directives in paragraphs 2.1 and 3.1 will not apply under the circumstances set out in Regulation 3(2) of the CMSA Regulations.

[End of Directives]

APPENDIX 1

CAPITAL MARKETS AND SERVICES ACT 2007

CAPITAL MARKETS AND SERVICES (SECURITIES BORROWING AND LENDING)
REGULATIONS 2012

IN exercise of the powers conferred by subsection 378(1) and paragraph 98(4)(e) of the Capital Markets and Services Act 2007 [Act 671], the Commission, with the approval of the Minister, makes the following regulations:

Citation and commencement

1. (1) These regulations may be cited as the **Capital Markets and Services (Securities Borrowing and Lending) Regulations 2012**.
- (2) These Regulations come into operation on 9 January 2012.

Interpretation

2. In these Regulations, unless the context otherwise requires—
 - “Act” means the Capital Markets and Services Act 2007;
 - “borrower” means a person who borrows securities from a lender under a securities borrowing and lending transaction;
 - “lender” means a person who lends securities to a borrower under a securities borrowing and lending transaction;
 - “loaned securities” means any eligible securities which has been delivered by a lender to a borrower under a securities borrowing and lending transaction;
 - “eligible securities” has the same meaning assigned to it in the rules of the clearing house;
 - “securities borrowing and lending transaction” means any securities borrowing and lending transaction entered into under the rules of the stock exchange and the clearing house.

Sale before recall of loaned securities

3. (1) For the purposes of subsection 98(1) of the Act, a lender who sells loaned securities under a securities borrowing and lending transaction before recalling the loaned securities shall be deemed to have a presently exercisable and unconditional right to vest the securities in a purchaser of the securities, subject to the following conditions:
 - (a) the sale is a bona fide sale transaction;

**DIRECTIVES TO PRESCRIBE THE SCHEDULED DELIVERY TIME AND
SCHEDULED SETTLEMENT TIME FOR RECALLED SECURITIES**

No. 9-001

- (b) at the time of sale, the lender is entitled to recall from the borrower, at least the number of loaned securities which are the subject of the sale;
 - (c) the lender recalls the loaned securities as soon as practicable within the same market day the loaned securities were sold; and
 - (d) the sale of the loaned securities is settled on the settlement date as may be prescribed by the stock exchange or the clearing house.
- (2) Notwithstanding anything contained in this regulation, paragraph 3(1)(d) shall not apply to a lender if the borrower fails to deliver the loaned securities to the lender in circumstances where:
- (a) the securities has been suspended;
 - (b) the borrower is only able to make partial delivery of the recalled loaned securities;
or
 - (c) the borrower is unable to make delivery of the recalled loaned securities.

Made 21 December 2011
[RS(A&R)/SBL-Crpdn.13/11(060)-1D; PN(PU2)662/VI]

TAN SRI ZARINAH ANWAR
Chairman Securities Commission

Approved 4 January 2012
[KK/BPKA/K1/(S)/483/128/1/1 Jld.4; PN(PU2) 662/V]

DATO' SERI AHMAD HUSNI MOHAMAD HANADZLAH
Second Minister of Finance

[End of Appendix 1]

DIRECTIVES TO PRESCRIBE THE SCHEDULED DELIVERY TIME AND SCHEDULED SETTLEMENT TIME FOR RECALLED SECURITIES

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APPENDIX 2

DELIVERY AND SETTLEMENT TIME FOR RECALLED SECURITIES

Type of Contract	Tradeable Balance in seller's account	Payment to selling Client	Delivery to buyer	Payment by buying Client	Selling-out
Ready Basis	T+3 by 4.00 p.m	T+4, not later than 12.30 p.m	By T+3	T+3, not later than 12.30 p.m	T+3 from 12.30 p.m until T+4

[End of Appendix 2]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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Relevant to : Rules 13.04(4), 13.04(5), 13.07, 13.09(1), 13.11, 13.12, 13.13, 13.14, 13.15, 13.16, 13.17, 13.18, 13.20, 13.23, 13.25(3), 13.26, 13.27 and 13.28

Introduced with effect from : 2 May 2013

Amended : ~~N/A~~ 12 December 2017 vide R/R 11 of 2017

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

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

Refer also to Best Practice No : 12.04-001

Introduction

- (1) These Directives set out the requirements on the calculation of the various components making up the Capital Adequacy Ratio.
- (2) The following terms have the following meanings in these Directives unless the context requires otherwise.

Term	Meaning
Basic Method	The method for calculating Position Risk Requirement as set out in paragraph 5.10(2).
Building Block Approach	The approach for calculating Position Risk Requirement set out in paragraph 5.7(1) and 5.7(2).
Call Option(s)	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.
Call Warrant	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.
Exercise Price	The price at which the holder of an Option(s) or Warrant can buy or as the case may be, sell the underlying securities of the Option or Warrant.
Hedging Method	The method for calculating the Position Risk Requirement set out in paragraph 5.9(3).
In the Money	<p>(a) In relation to a Call Option or a Call Warrant:</p> <p style="margin-left: 40px;">(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;</p> <p style="margin-left: 40px;">(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;</p> <p>(b) In relation to a Put Option or a Put Warrant:</p>

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- (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;
- (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.

ISSBNT Collateral

In relation to ISSBNT referred to in paragraph 6.3(d), the 'collateral' obtained by a Participating Organisations for ISSBNT. If the collateral consists 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, ISSBNT Collateral means:

- (a) in the case of subdivision or consolidation, the securities into which the ISSBNT Collateral have been subdivided or consolidated;
- (b) in the case of a bonus issue, the ISSBNT Collateral together with the securities allotted by way of the bonus issue; and
- (c) in the case of any event similar to any of the above events, the ISSBNT Collateral, together with or replaced by a sum of money or securities or both equivalent to that received for the ISSBNT Collateral resulting from that event.

Margin Financing
Onward Lent Risk

The risks a Participating Organisation is exposed to from Onward Lent Margin Securities.

Margin Method

The method for calculating Position Risk Requirement set out in paragraph 5.8.

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.

Marketable Securities

All securities a Participating Organisation holds as principal.

Option(s)

the Put Option(s) and the Call Option(s), and where the context permits, any of them.

Out of the Money

Those Options and Warrants that are not In the Money.

Position Risk

The risks that a Participating Organisation is exposed to from securities held by the Participating Organisation as principal and includes Margin Financing On-Pledged Risk.

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Position Risk Requirement or PRR	The amount necessary to accommodate a given level of the Participating Organisation's Position Risk, calculated in the manner the Exchange determines.
Put Option	An instrument (s) which give(s) its holder the right, but not the obligation, to sell a specified quantity of the underlying securities to the writer of the option at a specified Exercise Price within a set period.
Put Warrant	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.
Recall	<p><u>(a) In relation to Securities Borrowing and Lending</u> 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 <u>7.171.01</u>.</p> <p><u>(b) In relation to ISSBNT means the redelivery of ISSBNT Securities Purchased to the supplier and/or redelivery of the ISSBNT Collateral to the user, whether partial or in full pursuant to the terms of the ISSBNT Agreement defined in Rule 1.01.</u></p>
Recognised Market Indices	means the market indices of the Recognised Stock Exchanges that are acceptable to the Exchange, as set out in Schedule 4 of this Directive.
SBL Collateral	<p>In relation to Securities Borrowing and Lending referred to in paragraph 6.3(d), the 'collateral' <u>obtained by a Participating Organisation for Securities Borrowing and Lending in Rule 7.18(4)</u>. If the collateral consists 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, SBL Collateral means:</p> <ul style="list-style-type: none"> (a) in the case of subdivision or consolidation, the securities into which the SBL Collateral have been subdivided or consolidated; (b) in the case of a bonus issue, the SBL Collateral together with the securities allotted by way of the bonus issue; and (c) in the case of any event similar to any of the above events, the SBL Collateral, together with or replaced by a sum of money or securities or both equivalent to that received for the SBL Collateral resulting from that event.
Standard Approach	The approach for calculating Position Risk Requirement set out in paragraph 5.6.
Warrant	The Put Warrant(s) and the Call Warrant(s), and where the context permits, any of them.

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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1. Rule 13.04(4)

(1) Rule 13.04(4) provides that the Participating Organisation must:

- (a) calculate and monitor the Participating Organisation's Capital Adequacy Ratio on a daily basis; and
- (b) submit to the Exchange the relevant information and records relating to the Participating Organisation's Capital Adequacy Ratio in accordance with the requirements of the Exchange.

(2) In discharging the obligations under the above Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

1.1 Information to be submitted and manner of submission

(1) 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)	4.0 or more	Monthly	Last Market Day of the month	4:00 p.m. on following Market Day
(ii)	2.0 or more but less than 4.0	Fortnightly	(a) 15 th calendar day of the month if that day is a Market Day. If not, the Market Day immediately before the 15 th calendar day; and (b) last Market Day of the month	4:00 p.m. on following Market Day
(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 1.1(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) 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.

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2. Rule 13.04(5)

- (1) Rule 13.04(5) provides that a Participating Organisation must submit to the Exchange a return on the Participating Organisation's Liquid Capital, Total Risk Requirement, Liquid Margin and Capital Adequacy Ratio in the form the Exchange requires.
- (2) Pursuant to the above Rule, the Participating Organisation must submit the return in the form stipulated in **Schedule 1** of this Directive and in the manner and at the times set out in paragraph 1.1(1).
- (3) If there are any subsequent changes to the month end reporting made under paragraph 2(2), the Participating Organisation must submit the amended return, not later than 4 p.m. on the 10th calendar day of the following month.

3. Part D of Chapter 13

- (1) Part D of Chapter 13 provides the requirements on Liquid Capital.
- (2) Rule 13.07 states that a Participating Organisation must calculate the Participating Organisation's Liquid Capital in the manner the Exchange determines.
- (3) In discharging the obligations under the above Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

3.1 Computation of Liquid Capital

- (1) A Participating Organisation must calculate the Participating Organisation's Liquid Capital in accordance with the computation in **Schedule 1** of this Directive.
- (2) For the avoidance of doubt:
 - (a) unaudited profits must be included in the computation of Liquid Capital;
 - (b) unaudited losses (including all unrealised losses except unrealised losses from principal positions that are mentioned in paragraph 3.1(2)(d)) must be deducted from Liquid Capital;
 - (c) unrealised gains from principal positions must be included in the computation of Liquid Capital; and
 - (d) unrealised losses from principal positions must be deducted from Liquid Capital.
- (3) A Participating Organisation must Mark to Market all the Participating Organisation's Marketable Securities reported in **Schedule 1** of this Directive on a daily basis.

3.2 Sources of capital

Preference shares

- (1) In the computation of the Participating Organisation's Core Capital, a Participating Organisation:
 - (a) must include non-cumulative and non-redeemable preference share capital; and

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- (b) 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.

Approved subordinate debts

- (2) An approved subordinated debt is a debt that is:
 - (a) 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
 - (b) only repayable with the Exchange's prior written approval.
- (3) A Participating Organisation may include an approved subordinated debt in the computation of the Participating Organisation's Liquid Capital if:
 - (a) 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;
 - (b) the creditor of the subordinated debt has irrevocably agreed that:
 - (i) the creditor's right to receive principal and interest for the debts is subordinated to all other creditors of the Participating Organisation; and
 - (ii) 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 3.2(3)(e) below.
 - (c) the debts are not subject to any cross default and negative pledge;
 - (d) the Exchange in its discretion, requires the Participating Organisation's debts to be converted into equity pursuant to the Participating Organisation's failure to:
 - (i) comply with the Capital Adequacy Requirements; and
 - (ii) effect an appropriate capital reconstruction of the Participating Organisation approved by the Exchange.
 - (e) the repayment of the whole or part of the debts has been made with the Exchange's prior written approval;
 - (f) 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
 - (g) despite this paragraph 3.2(2) and (3), 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

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made rateably against the other creditors' debts until the other creditors' debts are paid in full.

Revaluation reserve

- (4) 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:
- (a) includes the lower of the following figure of:
 - (i) the excess between the force sale value and the net book value of the fixed asset; or
 - (ii) 50% of the excess between the fair market value and the net book value of the fixed asset; and
 - (b) conducts the revaluation exercise from which the revaluation reserve is calculated:
 - (i) 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
 - (ii) through a professional valuer acceptable to the Exchange and licensed under the Valuers, Appraisers and Estate Agents Act 1981.

3.3 Specific excluded assets and excluded asset types

- (1) A Participating Organisation must exclude fully the following assets from the computation of Liquid Capital:
- (a) **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.
 - (b) **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.
 - (c) **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 is regarded as an investment in an associated company.
 - (d) **Charged asset**

Liquid assets charged to third parties unless:

 - (i) 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

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- (ii) the Participating Organisation has duly notified the Exchange of the details of the charged assets.

(e) 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.

(f) Related or Associated Person balances

Balances with a Related or Associated Person regardless whether these balances are secured.

(g) Other debtors

Balances with other debtors that are outstanding for more than 30 days. These balances exclude balances with Related or Associated Persons.

(h) Prepayments

Prepayments incapable of being cancelled and realised into cash within 30 days.

(i) 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.

- (2) A Participating Organisation may use collateral or security to reduce the exclusion of the assets set out in paragraphs 3.3(1)(c) to (i) if the collateral satisfies the principles in paragraph 6.4(1). A Participating Organisation must take into account the applicable discounts in **Schedule 18** of this Directive when determining the value of the collateral.

3.4 Contingent liabilities

General

- (1) 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:
 - (a) a Liquid Margin that is adequate to enable the Participating Organisation to fully perform the Participating Organisation's obligations under the contingent liability; and
 - (b) a Capital Adequacy Ratio of more than 1.2.

Guarantees

- (2) A Participating Organisation must exclude guarantees issued by the Participating Organisation from the computation of Liquid Capital.

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- (3) 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.
- (4) 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.
- (5) A Participating Organisation must immediately inform the Exchange in writing of any intra-group and related party guarantees.

Option(s)

- (6) A Participating Organisation's liability arising from a Put Option written by it must be:
 - (a) 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
 - (b) deducted or excluded from the computation of Liquid Capital.
- (7) 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** of this Directive.
- (8) 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 6.4(1).
- (9) A Participating Organisation must take into account the applicable discounts stipulated in **Schedule 18** of this Directive when determining the value of the collateral.

4. Part E of Chapter 13

- (1) Part E of Chapter 13 provides the requirements on Operational Risk.
- (2) Rule 13.09(1) states that a Participating Organisation's Operational Risk Requirement must be the greater of:
 - (a) the applicable Minimum Operational Risk Requirement; or
 - (b) 25% of the Participating Organisation's annual expenditure requirement based on the last auditor's report lodged with the Exchange for the preceding 12 months.
- (3) Rule 13.11 states that a Participating Organisation must calculate the Participating Organisation's annual expenditure requirement in the manner the Exchange determines. Rule 13.12 further states that the Exchange may require a Participating Organisation to adjust its annual expenditure requirement if:

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- (a) there has been a significant change in the circumstances or activities of the Participating Organisation; or
 - (b) a material proportion of an expenditure was incurred or accrued by third parties where such expenditure is known by the Participating Organisation but was not fully charged to the Participating Organisation.
- (4) In discharging the obligations under the above Rules, a Participating Organisation must comply with the requirements set out below.

4.1 Calculation of Annual Expenditure Requirement

- (1) 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:
- (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;

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.

4.2 Exemption

- (1) A Participating Organisation 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 if the Participating Organisation does not have an auditor's report due to:

- (a) the Participating Organisation having just commenced business; or
 - (b) the Participating Organisation having not carried on business long enough to have submitted the Participating Organisation's auditor's report to the Exchange.
- (2) A Participating Organisation must calculate the Participating Organisation's annual expenditure requirement on a proportionate basis that is approved by the Exchange if the Participating Organisation does not have an auditor's report because the Participating Organisation's accounts represent a period in excess of 12 months.

5. Part F of Chapter 13

- (1) Part F of Chapter 13 provides the requirements on Position Risk.
- (2) Rule 13.13 states that a Participating Organisation must calculate its Position Risk Requirement for the securities listed below:
- (a) securities held by the Participating Organisation as principal, including those held pursuant to its intra-day activities;
 - (b) Securities Borrowed or Securities Lent and ISSBNT Securities Sold or ISSBNT Securities Purchased for the Participating Organisation as principal;
 - (c) securities other than Margin Securities held by the Participating Organisation that have been onward lent by it as principal for the purpose of Securities Borrowing or Lending or onward sold by it as principal for the purpose of ISSBNT;
 - (d) Onward Pledged MFF Collateral; and
 - (e) Onward Lent Margin Securities.
- (3) Rule 13.14 states that a Participating Organisation must calculate the Position Risk Requirement for its equity and Exchange Traded Derivative positions in the manner the Exchange determines.
- (4) Rule 13.15 provides that a Participating Organisation must calculate the Position Risk Requirement for Debt Securities for Debt Securities in the manner the Exchange determines.
- (5) Rule 13.16 states that a Participating Organisation intending to take a position in an instrument for which no treatment is specified under this Chapter must, seek the Exchange's direction on the calculation applicable to the instrument at least 15 Market Days before the implementation or effective date of the instrument. A Participating Organisation must, for that instrument, apply a Position Risk Requirement of 100% of the Mark to Market value of the instrument until the Exchange determines the appropriate calculation.
- (6) In discharging the obligations under the above Rules, a Participating Organisation must, amongst others, comply with the requirements set out below.

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5.1 Principles applicable to equity Position Risk Requirement:

- (1) A Participating Organisation, in calculating the Position Risk Requirement for the Participating Organisation's equity and equity equivalent positions must:
 - (a) Mark to Market all the Participating Organisation's principal positions on a daily basis;
 - (b) calculate the Participating Organisation's Position Risk Requirement on a country by country basis (if applicable);
 - (d) in the case of depository receipts, allocate a share represented by that depository receipt to the same country as the underlying share; and
 - (e) add any Income accrued on any Securities Borrowed, Securities Lent, ~~or~~ SBL Collateral, ISSBNT Collateral, ISSBNT Securities Sold, or ISSBNT Securities Purchased and deduct any fees and charges imposed on the borrowing, lending, sale, purchase, ISSBNT Collateral or the SBL Collateral.
- (2) A Participating Organisation 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** of this Directive.

5.2 Methods of computation of Position Risk Requirement for equity and equity equivalent positions

- (1) A Participating Organisation must apply either the Standard Approach or the Building Block Approach in calculating the equity Position Risk Requirement for equity shares.
- (2) 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 5.3(2).
 - (a) Equity swaps;
 - (b) Exchange Traded Options and stock Options;
 - (c) Individual share futures;
 - (d) Over-the-counter share Options;
 - (e) Warrants over single share;
 - (f) Index and basket Exchange Traded Derivatives;
 - (g) Depository receipts; and
 - (h) Convertible notes.

If a Participating Organisation is unable to comply with the rules in paragraph 5.3(2), the Participating Organisation must calculate the Position Risk Requirement by applying either the Margin Method, the Hedging Method or the Basic Method, as appropriate.

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- (3) 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.

5.3 Qualifying criteria for application of the Standard Approach or Building Block Approach to Exchange Traded Derivatives:

- (1) A Participating Organisation must treat convertible notes as equity instruments if:
- (a) less than 1 year remains to the conversion date of the convertible note; and
 - (b) the convertible notes are traded at a "premium" of less than 10%.

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 5.12. 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.

- (2) A Participating Organisation intending to convert the equity instruments referred to in paragraph 5.2(2) into equity equivalent positions must comply with the rules set out below.
- (a) Equity swaps must be treated as 2 notional positions.
 - (b) 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** in this Directive. If the Option position or Warrant position does not satisfy this requirement, a Participating Organisation must:
 - (i) calculate the Position Risk Requirement of that Option position or Warrant position by applying either the Basic, Hedging or Margin Methods, as appropriate; and
 - (ii) not treat the Option position or Warrant position as an equity equivalent position.
 - (c) Purchased Call Options and written Put Options must be treated as long positions.
 - (d) Purchased Put Options and written Call Options must be treated as short positions.
 - (e) Individual share futures may be included as single equity equivalent positions at the individual share futures' current Mark to Market value.
 - (f) 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.
 - (g) The Exchange will decide on the requirements for the conversion of any other instrument on a case by case basis.

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5.4 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 5.1, 5.2 and 5.3 based on requirements the Exchange specifies.

5.5 Position netting

(1) A Participating Organisation may net a long position against a short position if:

- (a) in respect of an equity, the positions are in the same type of equity; or
- (b) in respect of an equity equivalent position identified in paragraph 5.2(2), the positions are in the same type of instrument.

However, in the case of paragraph 5.5(1)(b), the instrument must have been converted into an equity equivalent position in accordance with paragraph 5.3(2).

(2) A Participating Organisation may:

(a) in respect of Securities Borrowing and Lending, net a position of Securities Lent against Securities Borrowed if the positions are of the same type; ~~or~~

(b) in respect of ISSBNT, net a position of ISSBNT Securities Purchased against ISSBNT Securities Sold if the positions are of the same type.

5.6 Standard Approach

Net position

(1) A Participating Organisation must convert a position that applies the Standard Approach into a net position.

Methodology

(2) 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

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.

$$PRR_{\text{equity position}} = \frac{\text{Mark To Market value of net position}}{\text{position}} \times PRF$$

Where,

PRF = Applicable Position Risk factor, as stipulated in **Schedule 3** of this Directive

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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:

$$\text{Total PRR}_{\text{Standard Approach}} = \text{Aggregate of the PRRs of all country portfolios}$$

5.7 Building Block Approach

Additional qualifying criteria

- (1) A Participating Organisation may use the Building Block Approach on equity and equity equivalent positions if:
 - (a) 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** of this Directive sets out the Recognised Market Indices; and
 - (b) 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.

Methodology

- (2) 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.

$$PRR_{\text{country portfolio}} = \text{General Market Risk} + \text{Specific Market Risk}$$

The specific risk and general market risk must be calculated as follows:

Specific Risk

The specific risk must be calculated on a country by country basis.

Step 1

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.

$$SR_{\text{each equity position}} = \text{Mark to market value of the} \times PRF$$

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individual net
position

Where,
 SR = Specific risk
 PRF = Applicable Position Risk factor, as stipulated in **Schedule 5** of this Directive

Step 2

Calculate the specific risk for each country portfolio as specified below. Netting of long and short specific risk is prohibited.

$SR_{\text{each country portfolio}} = \text{Aggregate of the Position Risk Requirements applicable to the net long and net short positions within the country portfolio}$

General market risk

The general market risk must be calculated on a country by country basis.

Step 1

Calculate the general market risk for an individual equity position using the formula below:

$GMR_{\text{individual equity position}} = \frac{\text{Mark to market value of the individual net position}}{\text{position}} \times PRF$

Where,
 GMR = General market risk
 PRF = Position Risk factor, as stipulated in **Schedule 5** of this Directive

Step 2

Calculate the general market risk for a country portfolio using the formula below. Netting of long and short general market risk is allowed.

$GMR_{\text{specific country portfolio}} = \text{Net value of PRRs applicable to the net long and short positions within the country portfolio}$

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.

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Total PRR Building Block = Aggregate of the PRRs of all country portfolios
Approach

5.8 Margin Method

Criteria

- (1) 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.
- (2) 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.

Methodology

- (3) 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.
- (4) 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.

5.9 Hedging Method

- (1) 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.
- (2) 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.
- (3) A Participating Organisation must determine the Position Risk Requirement for positions using the Hedging Method in accordance with **Schedule 6** of this Directive.

5.10 Basic Method

- (1) A Participating Organisation may apply the Basic Method for calculating the Position Risk Requirement for Exchange Traded Derivatives.
- (2) A Participating Organisation must determine the Position Risk Requirement positions using the Basic Method in accordance with **Schedule 6** of this Directive.

5.11 Foreign exchange

A Participating Organisation must calculate the Position Risk Requirement for foreign exchange exposure by applying the applicable discount stipulated in **Schedule 18** of this Directive to the sum of the net long positions in foreign currencies.

5.12 Debt Securities

- (1) The Position Risk Requirement for convertible notes other than Debt Securities must be calculated as follows:

PRR = Market Value multiply by 8%

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- (2) If for any reason, a Participating Organisation is unable to calculate the Position Risk Requirement for FI Securities through electronic system, the Participating Organisation must manually calculate the Position Risk Requirement for FI Securities in accordance with the formula set out below.

$$\text{FI PRR} = \text{Market value of positions in FI Securities} \times \text{PRFs}$$

Where,

FI PRR = Position Risk Requirement for FI Securities

Market value of positions = The netted value of long and short positions in the FI Security of the same type, tenure and rating; and

PRFs = 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** of this Directive

- (3) A Participating Organisation must calculate the Position Risk Requirement for FI Securities on a weekly basis in the manner stipulated in **Schedule 8** of this Directive.

5.13 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** of this Directive 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%.

5.14 Exchange Traded Funds

- (1) 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.
- (2) 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 resale value of the underlying instrument, as agreed between the Participating Organisation and the repo seller.

5.15 Unit trusts

If for any reason, a Participating Organisation is unable to calculate the Position Risk Requirement for the Participating Organisation's investments in unit trusts through electronic system, the Participating Organisation must manually calculate it by applying the applicable Position Risk factor stipulated in **Schedule 9** of this Directive to the market value of the unit trust.

5.16 Margin Financing On-Pledged Risk

- (1) 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.

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- (a) The Participating Organisation must calculate the Position Risk Requirement for all the Participating Organisation's Onward Pledged MFF Collateral positions;
 - (b) 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;
 - (c) 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 6.4(2) and **Schedule 18** of this Directive.
- (2) 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** of this Directive.

5.17 Position Risk Requirement for Margin Financing Onward Lent Risk:

A Participating Organisation must observe the principles stipulated in Part F of Chapter 13 and paragraph 5 in calculating the Position Risk Requirement for Margin Financing Onward Lent Risk as to Onward Lent Margin Securities.

6. Part G of Chapter 13

- (1) Part G of Chapter 13 provides the requirements on Counterparty Risk.
- (2) Rule 13.17 states that a Participating Organisation must calculate its Counterparty Risk Requirement for all Counterparty exposures arising from:
- (a) unsettled agency (including those under DF Accounts);
 - (b) debt, contra losses and other amounts due;
 - (c) free deliveries;
 - (d) Securities Borrowing and Lending or ISSBNT transactions;
 - (e) derivatives transactions;
 - (f) sub-underwriting arrangements;
 - (g) Margin Financing Facilities; and
 - (h) other exposures the Exchange determines.
- (3) Rule 13.18 states that a Participating Organisation must calculate its Counterparty Risk Requirement in the manner the Exchange determines.

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- (4) Rule 13.20 states that a Participating Organisation may use collateral or security including collateral placed by the Participating Organisation's Commissioned Dealer's Representative to reduce the Participating Organisation's Counterparty exposure in the manner the Exchange determines.
- (5) In discharging the obligations under the above Rules, a Participating Organisation must comply with the requirements set out below.

6.1 General Requirements on Counter Party Risk

- (1) A Participating Organisation, in calculating the Participating Organisation's Counterparty Risk Requirement must:
 - (a) calculate a Counterparty Risk Requirement only if the Participating Organisation has a positive exposure to a Counterparty;
 - (b) on a daily basis, Mark to Market all Counterparty exposures; and
 - (c) calculate a Counterparty Risk Requirement for all Counterparty exposures irrespective of any connection with the Counterparty.
- (2) A Participating Organisation, in calculating the Participating Organisation's Counterparty Risk Requirement may:
 - (a) reduce the Participating Organisation's Counterparty exposures to the extent the Participating Organisation holds collateral in accordance with the conditions set out in paragraph 6.4(1);
 - (b) 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 13.17; and
 - (c) reduce the Counterparty exposure on which the Participating Organisation's Counterparty Risk Requirement is calculated to the extent of any provisions made.
- (3) A Participating Organisation, in calculating the Participating Organisation's Counterparty Risk Requirement must not include any Counterparty Risk Requirement if there is no Counterparty exposure. It is also 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.

6.2 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 6.3.
- CW = Counterparty weighting, as specified in **Schedule 11** of this Directive.

6.3 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 6.3(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** of this Directive.

(iii) If 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 6.3(a)(i)(aa) and paragraph 6.3(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**

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.

(ii) **Calculation of CRR:**

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** of this Directive.

(c) **Free 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.

(ii) Despite the above paragraph 6.3(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.

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- (iii) In this paragraph, the due date is:
 - (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/ISSBNT**

(i) **Counterparty exposures**

A Participating Organisation must calculate the Participating Organisation's Counterparty exposures for Securities Borrowing and Lending and/or ISSBNT in the following manner:

Securities Borrowing and Lending

- (aa) for borrowing transactions entered into on behalf of the Participating Organisation's Client:
 - (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
 - (B) 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
- (bb) for lending transactions entered into on behalf of the Participating Organisation's Client:
 - (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
 - (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.

ISSBNT

(cc) for purchase under ISSBNT transactions entered into on behalf of the Participating Organisation's Client:

(A) the Participating Organisation's Counterparty exposures must be computed based on the difference between the Mark to

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Market value of the ISSBNT Securities Purchased and the Mark to Market value of the ISSBNT Collateral deposited; and

(B) in computing the Mark to Market value of the ISSBNT Securities Purchased or the ISSBNT Collateral, the Participating Organisation must add any Income accrued on the ISSBNT Securities Purchased or the ISSBNT Collateral and deduct any fees and charges imposed on the purchase pursuant to ISSBNT or the ISSBNT Collateral; and

(dd) for sale transactions under ISSBNT entered into on behalf of the Participating Organisation's Client:

(A) the Participating Organisation's Counterparty exposures must be computed based on the difference between the Mark to Market value of the ISSBNT Securities Sold and the Mark to Market value of the ISSBNT Collateral deposited; and

(B) in computing the Mark to Market value of the ISSBNT Securities Sold or the ISSBNT Collateral, the Participating Organisation must add any Income accrued on the ISSBNT Securities Sold or the ISSBNT Collateral and deduct any fees and charges imposed on the sale pursuant to ISSBNT or the ISSBNT Collateral.

(ii) **Calculation of CRR**

A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement for Securities Borrowing and Lending and/or ISSBNT in accordance with **Schedule 14** of this Directive.

(e) **Derivatives Transactions:**

(i) **Exchange Traded Derivatives**

(aa) **Counterparty exposure**

(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.

(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.

(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.

(bb) Calculation of CRR

A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement on Exchange Traded Derivatives as follows:

$$\text{CRR} = \text{CE} \times \text{CW} \times \text{CRR charge (\%)}$$

Where,

- CE = Counterparty exposure, as determined in accordance with paragraph 6.3(e)
- CW = Counterparty weighting, as stipulated in **Schedule 11** of this Directive
- CRR charge = CRR charge as stipulated in **Schedule 12** of this Directive

(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** of this Directive.

(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

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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 6.1(1), (2) and (3).

- (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 have been made in accordance with the provisions of Part C of Chapter 12;
- (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 6.4(2) and **Schedule 18** of this Directive, is below 150% of the Outstanding Balance.

(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** of this Directive.
- (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 6.3(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:

$$\text{CRR} = \text{CE} \times \text{CW} \times 8\%$$

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** of this Directive

(ii) 16 Market Days to 30 Market Days from the Settlement Date:

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CRR = 50% of CE

(iii) More than 30 Market Days from the Settlement Date:

CRR = 100% 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 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%).
- (v) If for any reason, a Participating Organisation is unable to calculate the Counterparty Risk Requirement for Counterparty exposures arising from FI Securities through electronic system, the Participating Organisation must manually calculate it in the manner stipulated in **Schedule 17** of this Directive.
- (vi) In this Rule, "Settlement Date" means:
- (aa) 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;
- (bb) 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.

6.4 Collateral

Conditions

- (1) 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:
- (a) the Participating Organisation has an unconditional right to realise the collateral or security in the event of default by the Counterparty;
- (b) the collateral or security is liquid in nature and this includes:
- (i) cash deposit in RM;

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- (ii) cash deposit in foreign currency acceptable to the Exchange, as stipulated in **Schedule 18** of this Directive;
- (iii) securities listed on the Exchange or other Recognised Stock Exchanges; and
- (iv) government bonds or other Debt Securities that have a ready market.

Discounting

- (2) A Participating Organisation must discount the value of collateral held:
 - (a) in a form other than a RM cash deposit by applying the applicable discounts stipulated in **Schedule 18** of this Directive; and
 - (b) 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** of this Directive.

Deposits and commission

- (3) 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.

Hedging

- (4) A Participating Organisation must calculate the Counterparty Risk Requirement for hedging positions in the manner stipulated in **Schedule 6** of this Directive.

7. Part H of Chapter 13

- (1) Part H of Chapter 13 provides the requirements on Large Exposure Risk.
- (2) Rule 13.23 provides that a Participating Organisation must calculate its Large Exposure Risk Requirement for the Participating Organisation's:
 - (a) exposure to a single Client or Counterparty;
 - (b) direct exposure to Debt Securities; and
 - (c) direct exposure to a single equity,

for all amounts arising in the normal course of trading in Equity Securities, Debt Securities or Exchange Traded Derivatives in accordance with the provisions set out under this Rule 13.23.

- (3) In discharging the obligations under the above Rule, a Participating Organisation must comply with the requirements set out below.

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7.1 Exposure to single client or counterparty – Debt Securities

If for any reason, a Participating Organisation is unable to calculate the Participating Organisation's Large Exposure Risk Requirement to a single Client in relation to the Participating Organisation's activities in Debt Securities through electronic system, the Participating Organisation must manually calculate it in the manner stipulated in **Schedule 19** of this Directive. This requirement does not apply if the Counterparty exposure has already incurred 100% charge under the Counterparty Risk Requirement.

7.2 Direct exposure to debt – FI Securities

If for any reason, a Participating Organisation is unable to calculate the Participating Organisation's Large Exposure Risk Requirement for its exposure position to debt for FI Securities through electronic system, the Participating Organisation must manually calculate it in the manner stipulated in **Schedule 20** of this Directive.

7.3 Maximum Large Exposure Risk to FI Security issued by the central government or government related agencies that are fully guaranteed by the central government

- (1) A Participating Organisation is not subject to Rule 13.25(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.
- (2) 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.
- (3) In this paragraph, the central government and government related agencies may include (not exhaustive):
 - (a) the Government of Malaysia;
 - (b) Khazanah Nasional Berhad;
 - (c) the Central Bank;
 - (d) Pengurusan Danaharta Nasional Berhad, such as Danaharta Bonds;
 - (e) Danamodal Nasional Berhad, such as Danamodal Bonds;
 - (f) Cagamas Berhad;
 - (g) Syarikat Prasarana Negara Berhad; and
 - (h) KL International Airport Berhad,

where the issuance of the FI Securities are fully guaranteed by the central government.

- (4) 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.

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7.4 Exposure to a single equity – net position or exposure

- (1) A Participating Organisation, in calculating the Participating Organisation's net position or exposure to a single equity must include an equity over-the-counter Options or an equity Warrant that is In the Money at its full underlying value.
- (2) A Participating Organisation, in calculating the Participating Organisation's net position or exposure to a single equity need not include the Participating Organisation's underwriting or sub-underwriting commitment, unless that commitment has become a principal position.
- (3) A Participating Organisation, in calculating the Participating Organisation's net position or exposure to a single equity must not:
 - (a) treat an Out of the Money equity over-the-counter Options or an equity Warrant as an exposure; and
 - (b) treat an Exchange Traded Fund, where the underlying instruments are government or government-related agency bonds, as an exposure.

7.5 Exposure in relation to a net purchase contract value of single equity underlying clients' accounts:

- (1) 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
- (2) 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.

7.6 Exposure to a single equity relative to instrument on issue

- (1) If a Participating Organisation has a Large Exposure to a single equity relative to the Participating Organisation's total issue as specified in Rule 13.26(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 21** of this Directive.
- (2) 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 13.26(5)(c), the Participating Organisation is considered an associate of the issuer.

7.7 Exposure to a single equity relative to Effective Shareholders' Funds

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 13.26(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 21** of this Directive.

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7.8 Exposure to a single equity relative to both an instrument on issue and Effective Shareholders' Funds

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.

8. Part I of Chapter 13

- (1) Part I of Chapter 13 provides the requirements on Underwriting Risk.
- (2) Rule 13.27 states that a Participating Organisation has an Underwriting Risk if the Participating Organisation enters into a binding commitment to take up securities at a predetermined price and time.
- (3) Rule 13.28 states that a Participating Organisation must calculate its Underwriting Risk Requirement in the manner the Exchange determines.
- (4) In discharging the obligations under the above Rules, a Participating Organisation must comply with the requirements set out below.

8.1 Computation

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** of this Directive.

$$URR = UE \times PRF \times 30\%$$

Where,

- UE = Underwriting exposure as defined in paragraph 8.2(a)
- PRF = Applicable Position Risk factor, as stipulated in **Schedule 3** of this Directive

8.2 Methodology

A Participating Organisation in assessing the Participating Organisation's underwriting and sub-underwriting commitment must comply with the principles set out below.

- (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.
- (b) An Underwriting Risk exists from:
 - (i) the date of the Participating Organisation's unequivocal acceptance of the underwriting commitment; or
 - (ii) the date on which the underwriting agreement or document is signed,

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whichever occurs earlier.

- (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.

8.3 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.

$$\text{FI URR} = \text{UE} \times \text{PRFs} \times 30\%$$

Where,

- FI URR = Underwriting Risk Requirement for FI Securities
- UE = Underwriting exposure calculated in the manner stipulated in paragraph 8.2(a).
- PRFs = 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** of this Directive

[End of Directive]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 1
[Paragraphs 2(2), 3.1(1) and 3.1(3)]

	<i>RM</i> Total	<i>RM</i> Ranki ng For Liquid Capita	<i>RM</i> Not Ranki ng For Liquid Capita
RETURN PRESCRIBED IN PARAGRAPH 2.1(1) OF THE EXCHANGE'S DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS			
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			
	Total	Not Ranki ng For Liquid Capita 	Ranki ng For Liquid Capita

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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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	_____	_____

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

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	RM Total	RM Not Ranki ng For Liquid Capita	RM Ranki ng For Liquid Capita
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 &	_____		_____

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

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 _____

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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RETURN PRESCRIBED IN PARAGRAPH 2(2) OF THE EXCHANGE'S DIRECTIVES ON CAPITAL ADEQUACY RATIO

Risk Components that form the Total Risk Requirement:

Ref	Position Risk Requirement (PRR)	
	<i>Total PRR – Standard Approach</i>	
	<i>Total PRR – Foreign Exchange Method</i>	
	<i>Total PRR – MFOPRR</i>	
	<i>Total PRR – Building Block Approach</i>	
	<i>Total PRR – Equity Index Arbitrage Difference</i>	
	<i>Total PRR – Debt Instrument quoted on the KLSE</i>	
	<i>Total PRR – FI Securities-not quoted on the KLSE</i>	
	<i>Total PRR – Loss on conversion</i>	
	<i>Total PRR – Basic Method</i>	
	<i>Total PRR – Margin Method</i>	
	<i>Total PRR – Hedging Method</i>	
	<i>Total PRR – Equity Index Arbitrage</i>	
	Position Risk Requirement	
	Counterparty Risk Requirement (CRR)	
	<i>Total CRR – Debt, Contra Losses and Other Amounts Due</i>	
	<i>Total CRR – Unsettled Agency and Principal Trades</i>	
	<i>Total CRR – Free Deliveries</i>	
	<i>Total CRR – Securities Borrowing and Lending/ISSBNT</i>	
	<i>Total CRR – Exchange Traded Derivatives</i>	
	<i>Total CRR – OTC Derivative Contracts</i>	
	<i>Total CRR – Sub-Underwriting</i>	
	<i>Total CRR – Margin Financing</i>	
	<i>Total CRR – Fixed Income Securities</i>	
	<i>Total CRR – Potential Material Loss</i>	
	<i>Total CRR – Exceptional Instruments</i>	
	<i>Total CRR – Manual SBL/ISSBNT</i>	
	<i>Total CRR – Manual Derivatives</i>	
	Counterparty Risk Requirement	
	Large Exposure Risk Requirement (LERR)	
	<i>Total LERR to Single Client</i>	
	<i>Total LERR to Issuer of Debt</i>	
	<i>Total LERR to Single Equity</i>	
	Large Exposure Risk Requirement	
	Underwriting Risk Requirement (URR)	

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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	<i>Total Underwriting Risk Requirement</i>	
	<i>Underwriting Risk Requirement</i>	
	Operational Risk Requirement	
	Operational Risk Requirement	
	<i>Operational Risk Requirement</i>	
	Total Risk Requirement	
	Effective Shareholders' Funds	

[End of Schedule 1]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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Schedule 2
[Paragraph 3.4(7)]

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	<u>European Option(s):</u> [Q x (EP - Price _{MTM}) x ISDM Fraction] -Collateral	Nil
To support security arrangements for credit facilities	<u>European Option(s):</u> [Q x (EP - Price _{MTM}) x ISDM Fraction] -Collateral <u>American Option(s):</u> [Q x (EP - Price _{MTM})] - Collateral	Nil
<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	

[End of Schedule 2]

Schedule 3
[Paragraph 5.3(2), 5.6(2), 5.13 and 8.1]

POSITION RISK FACTOR FOR STANDARD APPROACH

INSTRUMENT	POSITION RISK FACTOR
<i>Bursa Malaysia Equities</i>	
<ul style="list-style-type: none"> ▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks 	15%
<ul style="list-style-type: none"> ▪ Other stocks, including ACE Market 	21%
<ul style="list-style-type: none"> ▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX futures 	5%
<ul style="list-style-type: none"> ▪ Suspended securities (more than 3 Market Days) 	100%
<i>Bursa Malaysia Derivatives</i>	
<ul style="list-style-type: none"> ▪ FKL I Options 	5%
<ul style="list-style-type: none"> ▪ KLIBOR futures 	5%
<ul style="list-style-type: none"> ▪ Crude Palm Oil futures 	5%
<ul style="list-style-type: none"> ▪ Kernel Palm Oil futures 	5%
<ul style="list-style-type: none"> ▪ Any other futures contract 	5%
<ul style="list-style-type: none"> ▪ Any other option contract 	5%
Unit trust or Exchange Traded Fund	
<ul style="list-style-type: none"> ▪ Equity fund 	15%
<ul style="list-style-type: none"> ▪ Debt securities fund 	5%
<ul style="list-style-type: none"> ▪ Commodities/Metals 	20%
<ul style="list-style-type: none"> ▪ Any other underlying fund 	25%

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS**No. 13-001**

<i>International Equities</i>	
▪ Single stocks in Recognised Market Indices	12%
▪ Other single international stocks of Recognised Stock Exchanges	16%
<i>Other Securities/Instruments</i>	
Not being those categorised above	100%

[End of Schedule 3]

Schedule 4
[Paragraph 5.7(1) and Schedules 3, 5 and 21]

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

[End of Schedule 4]

Schedule 5
[Paragraph 5.7(2)]

**POSITION RISK FACTOR FOR BUILDING
BLOCK APPROACH**

INSTRUMENT	POSITION RISK FACTOR
<i>Bursa Malaysia Equities</i>	
Specific Risk	
▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks	10%
▪ Other stocks, including ACE Market	16%
▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX futures	2%
General Risk	
▪ All single stocks and market indices	5%
<i>Bursa Malaysia Derivatives</i>	
Specific Risk	
▪ FKLIOptions	2%
▪ KLIBOR futures	2%
▪ Crude Palm Oil futures	2%
▪ Kernel Palm Oil futures	2%
▪ Any other futures contract	2%
▪ Any other options contract	2%
General Risk	
▪ FKLIOptions	5%
▪ KLIBOR futures	5%
▪ Crude Palm Oil futures	5%
▪ Kernel Palm Oil futures	5%
▪ Any other futures contract	5%
▪ Any other options contract	5%
<i>Unit trust or Exchange Traded Fund</i>	
Specific Risk	
▪ Equity fund	2%
▪ Debt securities fund	2%
▪ Commodities/Metals	2%
▪ Any other underlying fund	2%

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS**No. 13-001**

General Risk <ul style="list-style-type: none">▪ Equity fund▪ Debt securities fund▪ Commodities/Metals▪ Any other underlying fund	15% 5% 20% 25%
<i>International Equities</i> <i>Specific Risk</i> <ul style="list-style-type: none">▪ Single stocks in Recognised Market Indices▪ Other single international stocks of Recognised Stock Exchanges <i>General Risk</i> <ul style="list-style-type: none">▪ All single stocks and market indices	4% 8% 8%
<i>Other Securities/Instruments</i> <ul style="list-style-type: none">▪ Not being those categorised above	100%

[End of Schedule 5]

Schedule 6
[Paragraphs 5.9(3) and 5.10(2)]

**POSITION RISK REQUIREMENT USING HEDGING
METHOD OR BASIC METHOD**

	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
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				

[End of Schedule 6]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

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**Schedule 7
[Paragraphs 5.12(2), 6.4(2)(b) and 8.3]**

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%																																						
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<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</td> </tr> <tr> <td style="text-align: center;">years</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">P1</td> <td style="text-align: center;">1.0%</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">P2</td> <td style="text-align: center;">1.0%</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">P3</td> <td style="text-align: center;">2.0%</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">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 style="text-align: center;">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 style="text-align: center;">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 style="text-align: center;">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 style="text-align: center;">Unrated Instruments/ Below investment grade</td> <td></td> <td style="text-align: center;">8.0%</td> <td style="text-align: center;">8.0%</td> </tr> <tr> <td></td> <td style="text-align: center;">8.0%</td> <td></td> <td></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>																																																		
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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 	<p>0.00%</p> <p>0.20%</p> <p>0.50%</p> <p>0.80%</p> <p>1.40%</p> <p>2.00%</p> <p>2.70%</p> <p>3.40%</p> <p>4.30%</p> <p>4.90%</p> <p>6.50%</p> <p>7.70%</p> <p>9.10%</p>
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[End of Schedule 7]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 8
 [Paragraph 5.12(3)]

TEMPLATES FOR MANUAL COMPUTATION OF POSITION RISK REQUIREMENT (PRR) FOR FIXED INCOME SECURITIES

Name of Participating Organisation :
 Position as at :

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)
						PRFsp (b)	PRFg (c)	Total PRFs (d) [d=b+c]	(e) [e=axd]
Total PRR									

We hereby declare that the information contained herein are true and correct in all aspects.

 Date:

 Date:

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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Schedule 9
[Paragraph 5.15]

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:

[End of Schedule 9]

**Schedule 10
[Paragraph 5.16(2)]**

**POSITION RISK REQUIREMENT FOR
ONWARD PLEDGED MFF COLLATERAL**

Position Risk Requirement	Calculation								
PRR <small>onward pledged collateral</small>	$BO \times (OPMM - OPM)$ Where, $OPM = \frac{\text{Discounted MTM of Onward Pledged MFF Collateral}}{\text{Balance owing to third party}} \times 100\%$								
Key: <table border="0"> <tr> <td data-bbox="199 864 240 891">BO</td> <td data-bbox="523 864 1358 925">The balance owing to the third party secured by Onward Pledged MFF Collateral</td> </tr> <tr> <td data-bbox="199 956 284 983">OPMM</td> <td data-bbox="523 956 1458 1016">The Onward Pledge Minimum Margin of Onward Pledged MFF Collateral, after applying the applicable discounts stipulated in Schedule 18, being 150% of BO</td> </tr> <tr> <td data-bbox="199 1048 261 1075">OPM</td> <td data-bbox="523 1048 852 1075">The Onward Pledge Margin</td> </tr> <tr> <td data-bbox="199 1106 405 1133">Discounted MTM</td> <td data-bbox="523 1106 1458 1167">The Mark to Market value of the Onward Pledged MFF Collateral after applying the applicable discounts stipulated in Schedule 18</td> </tr> </table>		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
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								

[End of Schedule 10]

Schedule 11
[Paragraphs 6.2, 6.3(e)(i)(bb) and 6.3(i)(i)]

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 HousesRecognised 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%
Other counterparties (not being those categorised above)	50%
	100%

[End of Schedule 11]

SCHEDULE 12
[Paragraphs 6.3(a)(ii) and 6.3(e)(i)(bb)]

COUNTERPARTY RISK REQUIREMENT
FOR UNSETTLED AGENCY TRADES

Agency Transaction	Time period for application of Percentage	Counterparty Risk Requirement
1. Sales 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 Mark to Market Difference of the Contract multiplied by the weighting, if the Mark to Market value less the sales contract value of the stock is positive ▪ 0%, if the Mark to Market 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 Mark to Market Difference multiplied by the weighting, if the Mark to Market value less the sales contract value of the stock is positive ▪ 0%, if the Mark to Market value less the sales contract value of the stock is zero or negative
2. Purchase contracts (cash payments)	T to T+3 of clients	0.5%
	From T+4 to T+30 of clients	<ul style="list-style-type: none"> ▪ 8% of the Mark to Market Difference of the Contract multiplied by the weighting, if the purchase contract value less Mark to Market value of the stock is positive ▪ 0%, if the purchase contract value less Mark to Market value of the stock is zero or negative
	Beyond T+30 of clients	<ul style="list-style-type: none"> ▪ The Mark to Market Difference multiplied by the weighting, if the purchase contract value less Mark to Market value of the stock is positive ▪ 0%, if the purchase contract value less the Mark to Market value of the stock is zero or negative

[End of Schedule 12]

SCHEDULE 13
[Paragraph 6.3(b)(ii)]**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

[End of Schedule 13]

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Schedule 14
[Paragraph 6.3(d)(ii)]

COUNTERPARTY RISK REQUIREMENT
FOR SECURITIES BORROWING AND LENDING / ISSBNT TRANSACTIONS

Securities Borrowing and Lending / <u>ISSBNT</u> Transaction		Time period for application of Percentage	Counterparty Risk Requirement
1. Borrowing / <u>Purchase pursuant to ISSBNT</u>	On borrowing / <u>purchase pursuant to ISSBNT</u>	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 / <u>Sale pursuant to ISSBNT</u>	On Lending / <u>Sale pursuant to ISSBNT</u>	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 6.3(d).

CW = Counterparty weighing, as specified in Schedule 11.

'On Borrowing' - means upon crediting of the securities borrowed-into the borrower's CDS Account.

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'On Purchase pursuant to ISSBNT' means upon crediting of the securities purchased pursuant to ISSBNT into the user's CDS Account.

'On Lending' means upon debiting of the securities lent from the lender's CDS Account.

'On Sale pursuant to ISSBNT' means upon debiting of the securities sold pursuant to ISSBNT from the supplier's CDS Account.

[End of Schedule 14]

Schedule 15
[Paragraph 6.3(e)(ii)]

**METHODOLOGY FOR CALCULATING COUNTERPARTY EXPOSURES
(CREDIT EQUIVALENT AMOUNTS) FOR
OVER-THE-COUNTER DERIVATIVE TRANSACTIONS**

Type of Over-the-Counter Derivative Transaction	Credit Equivalent Amount	
	If A is positive	If A is negative
Written Options	0 (no risk)	0 (no risk)
Individual share futures, over-the-counter Options, Warrants and equity swaps:		
▪ less than 1 year to maturity	A + 1% of N	1% of N
▪ over 1 year to maturity	A + 5% of N	5% of N
Notes: A = the Mark to Market value of the over-the-counter derivative N = the notional or actual principal amount or value underlying the Contract		

[End of Schedule 15]

**Schedule 16
[Paragraph 6.3(h)(iii)(aa)]**

**METHODOLOGY FOR CALCULATING
COUNTERPARTY RISK REQUIREMENT FOR MARGIN FINANCING TRANSACTIONS**

Category of Margin Accounts	Counterparty Risk Requirement
Margin Accounts where Equity is above 130% of the Outstanding Balance	$CRR_{\text{margin financing}} = CE \times CW \times CS \times 8\%$ <p>Where, $CS = MEM - EM$ $EM = \frac{\text{Discounted MTM}}{CE} \times 100\%$</p>
Margin Accounts where Equity is below 130% of Outstanding Balance	$CRR_{\text{margin financing}} = (CE - \text{Discounted MTM}) \times SP\%$
Key	
CE	Counterparty exposure, being the Outstanding Balance in the Margin Account
CW	Counterparty weighting, as stipulated in Schedule 11
CS	Collateral Shortfall
MEM	The minimum equity of 150% of the Outstanding Balance, as determined in the manner stipulated in Rule 101.1(1)
EM	Equity Margin
Discounted MTM	The Mark to Market value of the collateral after applying the applicable discounts stipulated in Schedule 18
SP%	The applicable percentage (%) of specific provision required to be made for amounts outstanding in Margin Accounts as may from time to time be classified as doubtful and bad following Rule 1203 and directives issued pursuant to that Rule.

[End of Schedule 16]

**Schedule 17
[Paragraph 6.3(i)(v)]**

TEMPLATES FOR MANUAL COMPUTATION OF COUNTERPARTY RISK REQUIREMENT (CRR) FOR FIXED INCOME SECURITIES

Name of Participating Organisation :
Position as at :

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:

SCHEDULE 18

[Paragraphs 3.3(2), 3.4(9), 5.1(2), 5.11, 5.16, 6.3(h)(ii)(bb), 6.4(1)(b) and 6.4(2)]

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 ▪ <i>Other foreign currency not acceptable to the Exchange</i> 	<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 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>Position Risk Factor used in the Standard Approach, as stipulated in Schedule 3.</p>
<p>Malaysian Government Securities, Khazanah Bonds, Malaysian Treasury Bills, Malaysian Government Investment Certificates</p> <ul style="list-style-type: none"> ▪ Up to 1 year maturity ▪ More than 1 year maturity 	<p>2.5%</p> <p>5.0%</p>

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Type of Collateral	Applicable Discount
<p>Cagamas Bonds</p> <ul style="list-style-type: none"> ▪ Up to 1 year maturity ▪ More than 1 year maturity 	<p style="text-align: right;">12.5%</p> <p style="text-align: right;">15.0%</p>
<p>Letters of Credit/Bank Guarantee Letters of credit or bank guarantees guaranteed by financial institutions licensed under BAFIA or the Islamic Banking Act 1983</p>	<p style="text-align: right;">20%</p>
<p>Negotiable Instruments of Deposit Negotiable instruments of deposit guaranteed by financial institutions licensed under BAFIA or the Islamic Banking Act 1983</p>	<p style="text-align: right;">20%</p>
<p>Other collateral or security Any other collateral or security (not being those categorised above)</p>	<p style="text-align: right;">100%</p>

[End of Schedule 18]

**Schedule 19
[Paragraph 7.1]**

TEMPLATES FOR MANUAL COMPUTATION OF LARGE EXPOSURE RISK REQUIREMENT (LERR) TO SINGLE CLIENT

Name of Participating Organisation :
Position as at :

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:

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

**Schedule 20
[Paragraph 7.2]**

TEMPLATES FOR MANUAL COMPUTATION OF POSITION RISK REQUIREMENT (PRR) FOR FIXED INCOME SECURITIES

Name of Participating Organisation : _____

Position as at : _____

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)	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]	(e) [e=axd]		
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											

We hereby declare that the information contained herein are true and correct in all aspect

Date:

Date:

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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[End of Schedule 20]

Schedule 21
[Paragraph 7.6(1) and 7.7]

LARGE EXPOSURE RISK REQUIREMENT
FOR SINGLE EQUITY

LERR for exposure to Equity Relative to Instrument on Issue	
Types of Equity	LERR
FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks	15% of the amount in excess of the net exposure or position
Other stocks, including ACE Market	21% of the amount in excess of the net exposure or position
<i>Bursa Malaysia Derivatives</i>	
<ul style="list-style-type: none"> ▪ KLCI futures 	5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ KLIBOR futures 	4.5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ Crude Palm Oil futures 	5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ Kernel Palm Oil futures 	5% of the amount in excess of the net exposure or position
Unit trust or Exchange Traded Fund:	
<ul style="list-style-type: none"> ▪ Equity fund 	15% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ Debt securities fund 	5% of the amount in excess of the net exposure or position
Single stocks in Recognised Market Indices	12% of the amount in excess of the net exposure or position
Other single stocks of Recognised Stock Exchanges	16% of the amount in excess of the net exposure or position

LERR for exposure to Equity Relative to Effective Shareholders' Funds	
Types of Equity	LERR
FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks	15% of the amount in excess
Other stocks, including ACE Market	21% of the amount in excess
<i>Bursa Malaysia Derivatives</i>	
<ul style="list-style-type: none"> ▪ KLCI futures 	5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ KLIBOR futures 	4.5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ Crude Palm Oil futures 	5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ <i>Kernel Palm Oil futures</i> 	5% of the amount in excess of the net exposure or position
Unit trust or Exchange Traded Fund:	
<ul style="list-style-type: none"> ▪ Equity fund 	15% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ Debt securities fund 	5% of the amount in excess of the net exposure or position
Single stocks in Recognised Market Indices	12% of the amount in excess
Other single stocks of Recognised Stock Exchanges	16% of the amount in excess

[End of Schedule 21]