

Salient amendments to the Rules of Bursa Securities

Chapter 1

- 1) Definitions in Rule 1.01 have been streamlined and made consistent with the definitions specific to the other chapters.
- 2) Rule 1.07 addresses the transition from the Rules of Bursa Securities before revamp to the Revamped Rules.

Chapter 2

- 1) New Rule 2.01(2)(g)(ii) provides that the Exchange has the power to disclose to the Participating Organisations (POs) or any other persons action taken against the POs or Registered Persons by the Exchange under the Rules.
- 2) Rule 2.02 provides that normal disciplinary processes will not apply for administrative actions against the POs and Registered Persons.
- 3) Rule 2.03 clarifies that any amendments made to the Rules will not vitiate any action taken or proposed to be taken under the old Rules.

Chapter 3

- 1) Rule 3.02(5) sets out the different categories under which a PO can be registered (as opposed to the previous provision that did not identify the various categories).
- 2) New Rule 3.15 clarifies that a Registered Person can be held liable for a breach committed by the PO, if the Registered Person caused or aided the breach.
- 3) Rule 3.18 provides that where there are vacancies in the position of Head of Dealing, Head of Compliance or Head of Operations, an interim person must be appointed and registered with the Exchange pending filling in of the vacancy. This Rule is an expansion of the previous Rule 307.3 in relation to vacancy of a Head of Compliance.
- 4) Registered Persons who are unfit to perform their duties due to the reasons specified in Rule 3.19 can be summarily deregistered.
- 5) Rule 3.16 requires a Registered Person to identify and manage any potential or actual conflict of interest.
- 6) Rule 3.28 and Rule 3.32 clarifies that the Head of Dealing and Head of Operations are also accountable for compliance with the Rules on matters under their purview.
- 7) The requirement for POs to appoint a Head of Branch Office has been removed.
- 8) The requirement to register a trading clerk has been removed.

- 9) Rule 3.34(1) states that all POs (and not just POs which are Universal Brokers and Investment Banks) must appoint a Head of Compliance.
- 10) The requirement to register a compliance officer has been removed.
- 11) Registered Persons can hold directorships and have interest in other businesses provided:
 - a) there is no conflict of interest;
 - b) they are not in breach of the conditions of Capital Markets Services Representative's Licence;
 - c) the PO's approval has been obtained; and
 - d) the appointment or directorship is non-executive in nature (Directors are not subject to this requirement).
 [Rule 3.23, Rule 3.25, Rule 3.42 and Rule 3.47]
- 12) The obligation to enter into a Standard Remisiers' Agreement ("SRA") has been removed. However salient provisions in the SRA that are fundamental to asset protection and protection of interest of clients have been incorporated into the revamped Rules as obligations imposed on the POs or the Commissioned Dealer's Representatives. For example, obligation on the POs to segregate and safeguard the security deposit lodged by the Commissioned Dealer's Representative has been incorporated into Rule 3.50.
- 13) A PO must give a letter of release to a Dealer's Representative who requests for such letter within a reasonable timeframe unless the Dealer's Representative is in material breach of any of these Rules or has debt(s) owing of RM50,000 or more to the PO [Rule 3.53(3)].
- 14) A PO must now have a minimum of 3 heads namely, Head of Dealing, Head of Operations and Head of Compliance at the Principal Office. The requirement to appoint 3 heads at branch level has been removed.
- 15) The requirements that all back office functions and proprietary trading be centralised at the Principal Office have been removed.

Chapter 4

- 1) A Related Corporation of a PO or licensed bank or licensed merchant bank intending to apply to be a Market Maker must have a minimum shareholders' fund of RM 2,000,000.00 (instead of minimum RM2,000,000.00 paid up capital) [Rule 4.01(1)(c)(i)].

Chapter 5

- 1) Rule 5.09(2) provides that a PO and the relevant Registered Person will be held responsible for the breach if a statement, information or document breaches the requirement in Rule 5.09(1), notwithstanding that the statement, information or document was signed or submitted by a person other than the relevant Registered Person.

- 2) Provisions on the defaulters' list have been removed.

Chapter 6

- 1) A Registered Person is required to self report where the Registered Person fails to perform his obligations under the Rules, his ability to perform his duty is adversely affected or he is subject to enforcement actions by another regulatory authority [Rule 6.09(2)(b)-(d)].
- 2) Rule 6.08 makes clear that the Board of Directors of a PO is also responsible and accountable for compliance with these Rules, the Directives and Securities Laws by the PO, the PO's Registered Persons, employees and agents.
- 3) Rule 6.03 provides that a PO is required to appoint at least one responsible person at the Branch Office to ensure proper segregation of duties and oversee the administrative duties at the Branch Office.
- 4) All provisions in Chapter 5 of the previous Rules of Bursa Securities in relation to other capital market activities such as corporate finance, private debt securities, fund management and unit trust have been deleted.
- 5) All POs to have a risk management committee to monitor and manage the risks of the PO. Previously, this requirement applied only to POs that conducted capital market activities in addition to the activities of trading in securities and margin financing [Rule 6.10(2)].
- 6) A PO may determine the scope of its internal audit based on a risk assessment undertaken by the PO in the areas covered under Rule 6.14(1) based on the clear written risk assessment methodology formulated by it and must clearly identify and document the risk assessment results [Rule 6.14(2) – (3)].

Chapter 7

- 1) New Rule 7.04(2) clarifies that a Dealer's Representative who does proprietary trades is also allowed to do trades for related corporations of the POs.
- 2) The requirement to obtain prior approval of the Exchange to provide other types of financing has been removed [Rule 7.32].
- 3) Rule 7.06 requires the PO to inform the Exchange when the PO becomes aware of any system failure or malfunction affecting the PO.
- 4) The provisions for Off Balanced Sheet Transactions have been made more principles-based and the operational requirements for reporting of Off Balanced Sheet Transactions have been moved to the POs' Directives and Guidance [Part B of Chapter 7].

- 5) The requirement to ensure that the client has equity of not less than 150% of the outstanding balance in the margin account within 3 market days following the contract date of the purchase of securities has been removed. The obligation on POs not to allow the equity in client's margin account to fall below 130% of the outstanding balance is retained [Rule 7.30].

Chapter 8

- 1) Rule 8.09 clarifies that a PO and its Dealer's Representative may amend a Contract only if the amendment is on the Securities Account number, is as a result of an error, is made within the time determined by the Exchange and the amendment will not result in a change of the original party who placed the order and for whom the order was supposed to be executed for, if not for the error.

Chapter 9

- 1) The obligations between Bursa Malaysia Securities Clearing Sdn Bhd (Bursa Clearing (S)) and the POs in their capacity as Clearing Participants have been removed from the Rules of Bursa Securities and moved to the Rules of Bursa Clearing (S).

Chapter 10

- 1) Rule 10.03 has been inserted to clarify the delivery and settlement obligations of a PO in a Direct Business Transaction. Rule 10.04 sets out the obligations in relation to selling-out.

Chapter 11

- 1) Rule 11.04(1) has been inserted to clarify that the SC Levy is based on the purchase price of securities recorded on the Exchange or securities notified to the Exchange in accordance with these Rules.

Chapter 12

- 1) The requirement in the previous Rule 1101.2 for POs to annually set aside a certain minimum percentage of the POs' audited profit after tax to a reserve fund has been removed.
- 2) The details on the information required for the accounts and financial requirements have been moved to the POs' Directives and Guidance. Chapter 12 contains the broad principles on accounting and financial requirements only.

Chapter 13

- 1) The details on the calculation of the Capital Requirement Ratio have been moved to the POs' Directives and Guidance. Under Chapter 13 only broad principles on the calculation of the ratio are reflected.

Chapter 14

- 1) All requirements pertaining to audit have been moved to Chapter 12.
- 2) Rule 14.05 provides that the Exchange can require the PO to provide a report from an independent auditor or other expert approved by the Exchange to express opinions on the matters stipulated in (a) to (c) of the rule.

Chapter 15

- 1) A new provision on agreed settlement has been inserted at Rule 15.04.
- 2) Part D on expedited proceedings has been inserted, setting out the relevant criteria and procedure.