

## PARTICIPATING ORGANISATIONS' CIRCULAR

|                          |                    |
|--------------------------|--------------------|
| Date : 18 September 2012 | No : R/R 9 of 2012 |
|--------------------------|--------------------|

### AMENDMENTS TO THE DIRECT MARKET ACCESS HANDBOOK (“DMA HANDBOOK”) IN RELATION TO ASEAN LINK

#### 1. INTRODUCTION

- 1.1 The ASEAN Link has been launched with effect from 18 September 2012. In line with the launch, the DMA Handbook has been updated.

#### 2. AMENDMENTS

- 2.1 The DMA Handbook has been updated to refer to the ASEAN Link. The key changes are at the sections on Definition and DMA Client - Criteria and Requirements (pages 5 and 7).
- 2.2 The updated version is attached here as **Annexure 1**.

#### 3. EFFECTIVE DATE

- 3.1 The amendments to the DMA Handbook take effect on **18 September 2012** (“**Effective Date**”).

#### 4. REMINDER

- 4.1 For the purpose of trading on Bursa Malaysia Securities Berhad (“Bursa Securities”) using the ASEAN Link, Participating Organisations should be mindful of all requirements in relation to Direct Market Access, including Rule 701A (Direct Market Access) of the Rules of Bursa Securities, the directives in relation to Direct Market Access issued vide Participating Organisations’ Circular R/R No. 8 of 2011 dated 5 September 2011 and the DMA Handbook.

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This Circular is available at <http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/securities/rules-of-bursa-malaysia-securities>

### Regulation

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**BURSA MALAYSIA SECURITIES BERHAD**

**DIRECT MARKET ACCESS HANDBOOK**

**VERSION 23.0**

**DATED ~~5 SEPTEMBER 2011~~ 18 SEPTEMBER 2012**

**Document Revision**

| <b>Version</b> | <b>Author</b>  | <b>Description of Change</b>  | <b>Effective Date</b>                 |
|----------------|--|---|---------------------------------------|
| 1.00           | Infrastructure Planning  | <ul style="list-style-type: none"> <li>Published to the Industry on 6<sup>th</sup> Nov. 2009</li> </ul>                                       | 9 <sup>th</sup> November 2009         |
| 1.01           | Infrastructure Planning  | <ul style="list-style-type: none"> <li>Explanation on Section C – 4.7, 4.8 and 4.9</li> <li>Incorporate Section B – 3, 3.1 and 3.2</li> </ul> | 17 <sup>th</sup> December 2009        |
| 2.0            | Exchanges Operations   | <ul style="list-style-type: none"> <li>Deleted Section A, B, D and E.</li> <li>Revised Section C.</li> </ul>                                  | 5 <sup>th</sup> September 2011        |
| <u>3.0</u>     | <u>Regulatory Policy &amp; Advisory, Participants' Supervision, Technology &amp; Systems</u> | <ul style="list-style-type: none"> <li><u>Updated sections on Definitions and on DMA Client – Criteria and Requirements</u></li> </ul>        | <u>18<sup>th</sup> September 2012</u> |

## TABLE OF CONTENTS

|  |    |
|--|----|
| BACKGROUND .....   | 5  |
| KEY OBJECTIVES .....   | 5  |
| DEFINITIONS .....  | 5  |
| GUIDELINE ON RISK MANAGEMENT REQUIREMENTS .....                        | 7  |
| 1. CONDITIONS FOR CONNECTIVITY OF DMA CLIENTS .....                    | 7  |
| 2. DMA PARTICIPANT INTERNAL CONTROL REQUIREMENTS.....                  | 12 |
| 3. EXAMPLES OF PRE-TRADE RISK FILTERS THAT MAY BE<br>IMPLEMENTED ..... | 17 |

## DIRECT MARKET ACCESS HANDBOOK

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### BACKGROUND

The introduction of Direct Market Access (“DMA”) by Bursa Malaysia Securities Bhd (“Bursa Securities”) will enable direct electronic access by clients to Bursa Trade, which is the Bursa Securities’ Automated Trading System. Connectivity to Bursa Trade via Open Application Programming Interface (“API”) will provide users with flexibility and choice of front-end systems and interface solutions.

The DMA regulatory framework encompasses the Rules of Bursa Securities, directives on pre-trade risk filters and the Bursa Malaysia Information Technology Security Code version 2.0 1998.

### KEY OBJECTIVES

Bursa Securities is issuing herein the “Direct Market Access Handbook” (“DMA Handbook”) with the following objectives:

1. To highlight key obligations of Participating Organisations (“POs”) under the Rules and the directives on pre-trade risk filters in relation to DMA.
2. To provide guidance to POs in respect of practices recommended to be observed in relation to the discharge of their obligations under some of the Rules and the directives on pre-trade risk filters. Whilst not mandatory, these recommended practices are instructive of the minimum standards required to be observed by POs, which may adopt additional controls as deemed fit in relation to their DMA business.

### DEFINITIONS

Unless otherwise stated, words or expressions defined in the Rules of Bursa Securities shall when used in the DMA Handbook, carry the same definition.

|                                 |   |
|---------------------------------|---|
| “Direct Market Access” or “DMA” | Rule 101.1(1) defines DMA as the process by which orders to buy or sell contracts including any modifications and cancellations thereof are submitted for execution in the ATS by persons referred to in Rule 701A without any intervention by a Dealer Representative or being entered or re-entered by a Dealer Representative. |
|---------------------------------|---|

|                   |                   |
|-------------------|-------------------|
| “DMA Participant” | POs offering DMA. |
|-------------------|-------------------|

DIRECT MARKET ACCESS HANDBOOK

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“DMA Client”

Clients accessing Bursa Trade via DMA.

“ASEAN Link”

An electronic trading link among Bursa Securities and other participating ASEAN exchanges.

DIRECT MARKET ACCESS HANDBOOK

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## GUIDELINE ON RISK MANAGEMENT REQUIREMENTS

## 1. Conditions for Connectivity of DMA Clients

## 1.1. Clients' knowledge of the process for the submission of DMA orders into the Exchange's order book including Laws and Rules in relation to Trading on the Malaysian Securities Market

1.1.1 Rule 701A.4(1) provides that DMA Participants shall take reasonable steps to ensure that a DMA Client and persons authorised by the DMA Client have :

- knowledge of the process of entering DMA orders into the Exchange's order book;
- knowledge of the requirements in the Rules in relation to trading on the market; and
- knowledge of the relevant laws pertaining to trading on the Market

1.1.2 For the purpose of discharging its obligations under Rule 701A.4(1), we recommend DMA Participants to have procedures in place to ensure that the DMA Client demonstrates that it has knowledge of the matters set out in Rule 701A.4(1) (refer to paragraph 1.1.1 above). For example, the level of knowledge of DMA Clients can be assessed by asking relevant questions on the matters set out in Rule 701A.4(1). The DMA Participant should also implement review procedures, such as discussions with DMA Clients and updates, to ensure that the DMA Client's required level of knowledge remains satisfactory.

In this respect, we recommend that the DMA Participant should provide its DMA Clients with information, guidance and training<sup>1</sup> on the following areas:

- Bursa Trade features and functionalities i.e. trading phases, market timing, matching mechanism, order types, execution conditions and instrument state<sup>2</sup>;

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<sup>1</sup> The requirements for the DMA Participant to train the DMA Client in the requirements of the Exchange Rules in relation to the entry of orders and trading and other applicable requirements, and to ensure that revisions and updates to the Laws, Exchange Rules are promptly communicated to the DMA Client should be incorporated in the Agreement between DMA Participant and DMA Client. Refer paragraph 1.3.1 on Recommended Terms of Agreement.

<sup>2</sup> Refer to the "Participating Organisation's Trading Manual" in Bursa Malaysia's website at [http://www.bursamalaysia.com/website/bm/regulation/rules/bursa\\_rules/downloads/bm\\_cir\\_rr2\\_110411.pdf](http://www.bursamalaysia.com/website/bm/regulation/rules/bursa_rules/downloads/bm_cir_rr2_110411.pdf) under R/R 2 of 2011.

## DIRECT MARKET ACCESS HANDBOOK

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- Contract specifications of products listed on Bursa Securities; and
- Prohibited trading practices and trading offences.

1.1.3 In relation to DMA Clients accessing Bursa Trade via Internet (refer to paragraph 1.2.2 below), a DMA Participant may rely on a confirmation from the DMA Client that the Client and the persons authorised by the Client have knowledge of the matters set out in Rule 701A.4 (1).

### 1.2. DMA Client – Criteria and Requirements

The DMA regulatory framework encompasses the Rules of Bursa Securities and the ~~directives~~ on pre-trade risk filters, and regulates all forms of access to Bursa Trade where there is no manual intervention by a PO. This includes direct connectivity to the DMA Participant's Order Management System ("OMS") server or access to Bursa Trade through the ASEAN Link to facilitate order routing and algorithmic trading by buy-side institutions (sometimes referred to as "direct access"), and internet trading to facilitate retail participation in the equities market of Bursa Securities.

1.2.1 DMA Clients Accessing Bursa Trade via an Access Device connected to a DMA Participant's OMS server or through the ASEAN Link

The DMA Participant should limit such access to Bursa Trade ~~via an Access Device connected to a DMA Participant's OMS server~~, to DMA Clients which are subjected to Client Due Diligence ("CDD").

There are two (2) types of CDD – simplified and enhanced. Clients of regulated nature of business may be subjected to simplified CDD whilst Clients of unregulated nature of business may be allowed to connect "directly" to the DMA Participant's OMS server or to access to Bursa Trade through the ASEAN Link only if enhanced CDD measures (refer paragraph 1.2.3 below) and careful consideration of the client risk profile have been carried out.

1.2.2 DMA Clients Accessing Bursa Trade via Internet

Bursa Securities envisages that Clients that access the market via internet ("Internet Clients") will comprise primarily retail clients and should be subject to enhanced CDD measures (refer paragraph 1.2.3 below), unless there are special mitigating circumstances e.g. where reliable information on the Client can be obtained publicly, or where the Client has a good track record.

Internet Clients must be connected via an additional Web server, which is connected to an OMS server. The Web server may contain



## DIRECT MARKET ACCESS HANDBOOK

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enhanced security features and added risk management controls/filters.

### 1.2.3 DMA Client Due Diligence – Know Your Client (“KYC”) Requirements

Rule 404.4 (1) requires a PO to exercise due diligence in learning the essential facts as to the Client and its or his investment objectives and financial situation prior to the commencement of trading. The requirements to monitor and report suspicious transactions are also set out under the Anti-Money Laundering Act 2001<sup>3</sup> and the Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries<sup>4</sup> issued by the Securities Commission. In this respect, the DMA Participant must ensure that all reasonable steps are taken to ensure adherence to these KYC requirements.

We recommend that all reasonable steps should be taken to accurately establish the DMA Client’s business and financial background, and its’ investment objectives. The DMA Participant should be assured of the financial probity of the DMA Client and that it has sufficient financial resources to meet its obligations.

Enhanced CDD should be undertaken for clients with higher risk profiles, whilst simplified CDD may be conducted for clients with lower risk profiles e.g. regulated entities. The KYC measures undertaken in relation to eligibility requirements for DMA Clients should be reviewed regularly, at least on an annual basis. Suggested and recommended data to be obtained for simplified or enhanced CDD are as follows:

| Client Type | Simplified CDD  | Enhanced CDD   |
|-------------|---|--|
| Individual  | <ul style="list-style-type: none"> <li>• IC or passport</li> <li>• Address – residential and permanent address, if different</li> </ul> | <ul style="list-style-type: none"> <li>• IC or passport</li> <li>• Address – residential and permanent address, if different</li> <li>• Occupation</li> <li>• Latest 3 months’ payslip or latest income tax statement or bank statement</li> </ul> |

<sup>3</sup> <http://www.agc.gov.my/Akta/Vol.%2013/Act%20613.pdf>

<sup>4</sup> Revised edition issued in January 2007 [http://www.sc.com.my/eng/html/resources/guidelines/2007%20AMLA-GL%20Final\\_1.pdf](http://www.sc.com.my/eng/html/resources/guidelines/2007%20AMLA-GL%20Final_1.pdf)

## DIRECT MARKET ACCESS HANDBOOK

| Client Type | Simplified CDD   | Enhanced CDD   |
|-------------|--|--|
| Corporation | <ul style="list-style-type: none"> <li>• Certification of Incorporation</li> <li>• Memorandum &amp; Articles of Association</li> <li>• Board Resolution on opening of account</li> <li>• Specimen signature of authorised signatories</li> </ul> | <ul style="list-style-type: none"> <li>• Certification of Incorporation</li> <li>• Memorandum &amp; Articles of Association</li> <li>• Board Resolution on opening of account</li> <li>• Specimen signature of authorised signatories</li> <li>• Information on the nature of business and its corporate structure</li> <li>• Latest audited financial statement and/or management financial statements</li> <li>• Latest 3 month bank statement</li> <li>• Power of Attorney (if applicable)</li> </ul> |

In carrying out the above, the PO should exercise due diligence and be aware of any suspicious client behaviour(s) that warrant further enquiry or probe (herein referred to as “Red Flag”). Some of the situations of Red Flag are as follows:-

- a series of transactions or activities which are senseless or irrational in nature (e.g. constantly buying and selling securities at a loss)
- the client requests to pay third parties or receives funding from third parties
- the client is reluctant to co-operate in verifying his/her identity
- the client frequently makes last minute changes to payment instructions
- orders are received from persons other than the account holder.

POs should properly monitor other doubtful circumstances where clients’ accounts may be subjected to abuse, including but not limited to cases where a few clients’ accounts carry identical correspondence addresses.

Any unexplained information should always be investigated.

Assessments of the expected pattern of the activity of the client on a continuous basis throughout the business relationship with the client should also be considered.

**DIRECT MARKET ACCESS HANDBOOK**

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**1.2.4 Record of DMA Clients**

Rule 404.4(2) requires Participating Organisations to maintain the following records in respect of each client's account:–

- (a) date of opening of the account;
- (b) client's financial position;
- (c) name of the officer which approved the opening of the account and the date of approval;
- (d) the types of transactions for which the account is approved;
- (e) 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 transactions;
  - ii) current position of the account including compliance with any margin set by the Participating Organisation;
- (f) the Dealer's Representative handling the account; and
- (g) where credit facilities have been granted to the client, the information as to whether the client is a spouse, parent or child of any of the Commissioned Dealer's Representatives of the Participating Organisation.

**1.3. Agreement between DMA Participant and DMA Client**

Rule 701A.5 (1) stipulates that DMA Participants is deemed to be the principal in relation to all trades effected through DMA and the Exchange will not recognise the interest of any third party and that all DMA Orders are deemed as orders submitted for execution in the ATS by a Dealer's Representative on behalf of a client.

Rule 701A.4 (2) requires the DMA Participant to execute a written agreement with DMA Clients to address the following areas:

- The duties, obligations and rights of the DMA Participant and its Clients in relation to DMA; and
- The Clients' compliance with the Rules.

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**DIRECT MARKET ACCESS HANDBOOK**

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**1.3.1 Recommended Terms of Agreement**

The following terms are recommended to be incorporated in the written agreement between the DMA Participant and the DMA Client to ensure that crucial provisions are agreed to prior to trading, to mitigate disputes, and to empower DMA Participants to take immediate preventive and corrective measures with respect to fair and orderly trading.

- The DMA Client shall enter orders and trade in compliance with the Rules of the Exchange and other applicable regulatory requirements;
- Specific parameters defining the orders that may be entered by the DMA Client are stated, including restriction to specific instruments or size of orders, and the DMA Participant shall have the right to reject orders that do not fall within the designated parameters of authorised orders;
- The DMA Participant has the right to reject an order for any reason;
- The DMA Participant has the right to change or remove an order in the Order Book and has the right to cancel any trade by the DMA Client for any reason;
- The DMA Participant has the right to discontinue accepting orders from the DMA Client at any time without notice;
- The DMA Participant agrees to train the DMA Client in the requirements of the Exchange Rules in relation to the entry and trading of orders and other applicable requirements;
- The DMA Participant agrees to ensure that revisions and updates to Laws and Rules are promptly communicated to the DMA Client.

**2. DMA Participant Internal Control Requirements**

The DMA Participant shall have written policies and procedures and comply with the following internal control requirements in relation to the provision of connectivity of its OMS server to DMA Clients.

**2.1 Internal Controls: Areas of Focus for DMA Participants**

## DIRECT MARKET ACCESS HANDBOOK

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Whilst the fundamental requirements of effective internal control as set out in the Bursa Malaysia Guidelines for Compliance Officers (“Compliance Guidelines”) remain relevant for all POs regardless of the medium of communication or delivery, there are a few critical internal control areas in relation to DMA trading that the DMA Participant should focus on:

### 2.1.1 Segregation of Duties

It is stated in the Compliance Guidelines that there must be strict separation between the credit control function, and the trading, dealing and marketing functions to ensure independence, and mitigate the risk and consequences of conflicts of interests.

It is recommended for DMA Participants to segregate the DMA direct execution desk from other Agency desks to ensure confidentiality of DMA Client Orders. Anonymity, along with increased control and speed of execution are the key benefits of trading via DMA, and the DMA Participant should endeavour to maximise these features.

### 2.1.2 Credit Controls

It is stated in the Compliance Guidelines that POs must ensure that suitable credit limits are set for their clients. It is recommended that the CDD assessment of DMA Client’s financial probity must be decided independently of the trading, dealing or marketing functions.

We recommend for DMA Participants to consider enforcing stricter credit control for clients requiring enhanced CDD requirements, especially in relation to overseas accounts. These may include the collection of deposits and/or collateral as guarantee of performance, restriction on total open positions.

It is recommended that credit limits and any subsequent variation of credit limits are authorised by a senior management officer of the DMA Participant who is independent of trading, dealing and marketing functions, and is not associated with the DMA Client in question.

It is stated in the Compliance Guidelines that POs must ensure that proper systems and control procedures are implemented to ensure that their clients do not trade beyond the credit limits imposed. Further, the directives on pre-trade risk filters states that risk filters (automated pre-execution checks) must be undertaken for all DMA Clients’ orders. The risk filters are covered in greater detail under paragraph 2.2 below.

### 2.1.3 Post-Trade Review

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**DIRECT MARKET ACCESS HANDBOOK**

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DMA Participants should also ensure that proper and adequate post trade risk management monitoring systems and procedures are set in place to monitor risk exposure of DMA Clients' trades with respect to daily net cash position, daily maximum total capital engaged, etc. DMA Participants should ensure that account activity is monitored at least on a daily basis.

In addition, we also recommend that regular analysis of trading behaviours ought to be carried out to complement CDD measures and also to detect any possibilities of market offences that may potentially arise.

## 2.2 Risk Filters

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DMA Participants, in providing DMA services, must ensure the following principles are adhered to at all times:-

- a) Fair and orderly trading;
- b) Prevention of trade error; and
- c) Manage trade exposures / credit / counterparty risks.

DMA Participants need to install appropriate automated risk filters to help them comply with the above principles.

Each DMA Participants must determine what constitutes "appropriate filters" for their business. The nature and scope of the filters adopted is a matter for the DMA Participants to determine based upon its regulatory risk profile and what the DMA Participants are comfortable with. They have the discretion to decide and impose the pre-trade risk filters subject to the 3 mandatory types of pre-trade risk filters prescribed in the directives and set out below in paragraph 2.2.1.

These risk filters, with pre-defined criteria and values, will check and screen all DMA orders before these DMA orders are executed in the ATS, for the purpose of ensuring that these DMA orders do not pose any risk to the DMA Participants and to the market.

Risk filters are intended to establish points at which DMA orders are tested and passed to the market only when pre-set conditions are met.

The DMA Participants must regularly review the risk filters set for each DMA client as the DMA Participants will be the responsible parties bearing their clients' risk exposure.

## DIRECT MARKET ACCESS HANDBOOK

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### 2.2.1 Mandatory Minimum Types of Pre-Trade Risk Filters

Subject to paragraph 2.2, DMA Participants must, at the very least, establish the following types of pre-trade risk filters to screen through every DMA order prior to entry into the Exchange's order book as set out in the directives on pre-trade risk filters:

- i) Trade exposure risk filter  
This type of filter manages the maximum exposure in which a client may trade. It may be set on the basis of gross or net or both.
- ii) Order size risk filter  
This type of filter manages the maximum DMA order size which a client may enter into the Exchange order book at any single time. It may be set on the basis of value in RM or in quantity (units) or both.
- iii) Price limit risk filter  
This type of filter manages the maximum price of DMA order which a client may enter into the Exchange order book at any single time. It may be set on the basis of percentage or tick/bids away from the 1st traded price or in combination.

The above are the minimum pre-trade risk filters that the DMA Participants must establish.

DMA Participants must ensure regular review is carried out to refine and adjust the pre-trade risk filters and the screening process. Examples of various risk filters and how they may be implemented are set out in paragraph 3 below.

### 2.2.2 Filter Parameters

Filter parameters are variables set at the respective pre-trade risk filters in terms of pre-defined criteria and values responsible for the checking and screening of DMA orders. The directives on pre-trade risk filters require DMA Participants to establish policies and procedures on which to provide internal guidance on the setting of the filter parameters for the risk filters. These parameters can be changed to modify the effectiveness of the filters without changing the nature of the rule to which the filter applies. Any changes, including intra-day changes to filter parameters must be controlled, monitored, authorized and recorded properly.

DMA Participants should not give its DMA clients the same rights or capacity as granted to Dealer's Representative ("DR") in setting the filters parameters because they are not licensed as a DR.

**DIRECT MARKET ACCESS HANDBOOK**

**2.2.3** It is recommended ——— that the tracking and utilisation of the filters established for the ——— purpose of checking and screening the DMA orders to be updated on real-time on-line basis.

In the event that an order is rejected by a risk filter, it is recommended that both the DMA Client and the DR should each receive a rejection notice. The DR will normally contact the DMA Client to assess how to handle the rejection. Any actions taken to manage an exception must be in accordance with the DMA Participant's internal control policies and procedures, and logged and appropriately documented.

**2.3 Maintenance of DMA Infrastructure Activity Log**

DMA Participants must establish and maintain a DMA activity log ("Log") to record all the events/activities/processes of all Users and Administrators, encompassing the full order flow.

Access to the Log shall be restricted to Administrators and any other authorised person/(s) as may be designated by the DMA Participant. Any work carried out on this Log shall be recorded with full details. The date and time references in the Log shall be that of the ATS. In relation to the above directive, the following applies:-

**2.3.1 Details to be Recorded in the Log**

- (i) References to the DMA client/Dealer's Representative responsible for the DMA Order;
- (ii) Date and time-stamp;
- (iii) Client sign-on;
- (iv) Client sign-off and the manner in which the sign-off was carried out i.e. manual or automated;
- (v) Order identification/sequence number;
- (vi) The outcome/status of the risk filter screening;
- (vii) The outcome/status of the DMA Order entering the Exchange order book;
- (viii) Modifications made by DMA client to DMA Order; and



## DIRECT MARKET ACCESS HANDBOOK

- (ix) Order match confirmation received from the ATS and the notification of the same when it was made to the DMA client.

## 2.3.2 Recommended Practices in Storage of DMA Log and Records

The DMA Participant should ensure that DMA records can be easily retrievable by authorised personnel, stored securely and that proper back-up controls are kept. The DMA Participant must be able to produce a complete audit trail of transactions, from receipt of an order to its settlement upon request by the Exchange.

The DMA Participant should also ensure that appropriate backup of DMA records are kept with reference to recommendations of PO IT Security Code – Baseline Procedures for ITSS 6: Computer Operations, Section 6.4 “Backup Storage Media Protection”.

## 2.4 Error and/or Exception Handling

Refer to Item 4 of the –directives on pre-trade risk filters for the requirements on risk filters’ error and/or exception handling. We recommend that any errors, rejections and exceptions be monitored and investigated/resolved on a daily basis, and a review of the actions taken in relation to errors and/or exceptions should be undertaken by the Compliance Officer on a regular basis.

## 3. Examples of Pre-Trade Risk Filters That May Be Implemented

## 3.1 Daily Net Cash Position

The DMA Participant ABC initializes the DNCP for the Client XYZ before the start of Trading Day [Tues, Dec 16, 2008]

## Order Entry &amp; Execution

| Order | Price     | Qt | Side | New DNCP     | Event           |
|-------|-----------|----|------|--------------|-----------------|
|       |           |    |      | RM 1,000.000 |                 |
| 1     | RM 10.000 | 10 | Buy  | RM 900.000   | Order Entry     |
| 1     | RM 10.000 | 10 | Buy  | unchanged    | Order Execution |
| 2     | RM 12.000 | 5  | Sell | unchanged    | Order Entry     |
| 3     | RM 14.000 | 5  | Sell | unchanged    | Order Entry     |

## DIRECT MARKET ACCESS HANDBOOK

|   |           |    |      |              |                 |
|---|-----------|----|------|--------------|-----------------|
| 2 | RM 12.000 | 5  | Sell | RM 960.000   | Order Execution |
| 3 | RM 14.000 | 3  | Sell | RM 1,002.000 | Order Execution |
| 4 | USD 2.00  | 10 | Buy  | RM 930.751   | Order Entry     |

**Order Modification & Matching @ book price**

|   |           |    |     |            |                    |
|---|-----------|----|-----|------------|--------------------|
| 5 | RM 10.000 | 10 | Buy | RM 830.751 | Order Entry        |
| 5 | RM 11.000 | 10 | Buy | RM 820.751 | Order Modification |
| 5 | RM 10.500 | 10 | Buy | RM 825.751 | Order Execution    |

**Partial Matching & Order Cancellation**

|   |          |    |     |            |                |
|---|----------|----|-----|------------|----------------|
| 6 | RM 5.000 | 20 | Buy | RM 725.751 | Order Entry    |
| 6 | RM 5.000 | 5  | Buy | RM 725.751 | Part Execution |
| 6 | RM 5.000 | 15 | Buy | RM 800.751 | Order Cancel   |

## DIRECT MARKET ACCESS HANDBOOK

**3.2 Daily MAX Total Capital Engaged**

The DMA Participant ABC initializes the DMTCE for the Client XYZ before the start of Trading Day [Tues, Dec 16, 2008] based on his RM 1,000 Cash + 30% of his collaterals (RM 1,500 Equities marked to market).

Equities: RM 1,500 / Warrant: RM 900

| Instrument    | Order | Price     | Qt   | Side | Client Pos/DMTCE | Event       | Instr. Type |
|---------------|-------|-----------|------|------|------------------|-------------|-------------|
|               |       |           |      |      | RM 0 / RM 1,500  |             |             |
| Bursa         | 1     | RM 10.000 | 10   | Buy  | RM 100.000       | Order Entry | Share       |
| TM            | 2     | RM 15.000 | 20   | Buy  | RM 400.000       | Order Entry | Share       |
| Bursa Warrant | 3     | RM 1.000  | 1000 | Buy  | <b>REJECTED</b>  | Order Entry | Warrant     |
| Bursa Warrant | 4     | RM 1.000  | 500  | Buy  | RM 500.000       | Order Entry | Warrant     |
| Tenaga        | 5     | RM 6.500  | 150  | Buy  | RM 1,375.000     | Order Entry | Share       |
| Bursa         | 6     | RM 14.000 | 10   | Sell | unchanged        | Order Entry | Share       |
| Bursa         | 6     | RM 14.000 | 10   | Sell | RM 1,235.000     | Order Exec  | Share       |

**3.3 Max Capital Engaged per Order**

The DMA Participant ABC initializes the MCEO for his client

| Instrument | Order | Price     | Qt   | Side | Order Value                              | Event           |
|------------|-------|-----------|------|------|--|-----------------|
| Example 1  |       |           |      |      | <b>MCEO = RM 200</b>                     |                 |
| Bursa      | 1     | RM 10.000 | 10   | Buy  | RM 100.000                               | Order Entry     |
| TM         | 2     | RM 15.000 | 20   | Buy  | RM 300.000                               | <b>REJECTED</b> |
| Bursa      | 3     | RM 20.000 | 11   | Sell | RM 220.000                               | <b>REJECTED</b> |
| Example 2  |       |           |      |      | <b>MCEO = 0.001% with RM 100,000,000</b> |                 |
| Genting    | 3     | RM 27.000 | 5000 | Buy  | RM 135,000.000                           | <b>REJECTED</b> |

## DIRECT MARKET ACCESS HANDBOOK

## 3.4 % Far from Market Spread

The DMA Participant ABC set the FMS for the Client XYZ to 15% for the groups 01, 02 and 03. All the other groups are set to 20%.

|       |            |      |
|-------|------------|------|
| Bursa | <b>Bid</b> | 5.35 |
|       | <b>Ask</b> | 5.45 |

|         |            |    |
|---------|------------|----|
| Genting | <b>Bid</b> | 20 |
|         | <b>Ask</b> | 21 |

| Instrument | Grp | Order | Price     | Qt | Side | FMS Check       | Accepted?    |
|------------|-----|-------|-----------|----|------|-----------------|--------------|
| Bursa      | 01  | 1     | RM 5.400  | 10 | Buy  | Price ?>Ask+15% | OK           |
| Bursa      | 01  | 2     | RM 5.450  | 10 | Buy  | Price ?>Ask+15% | OK           |
| Bursa      | 01  | 3     | RM 5.700  | 10 | Buy  | Price ?>Ask+15% | OK           |
| Bursa      | 01  | 4     | RM 6.300  | 5  | Buy  | Price ?>Ask+15% | 6.30 > 6.267 |
| Bursa      | 01  | 5     | RM 5.000  | 5  | Sell | Price ?<Bid-15% | OK           |
| Bursa      | 01  | 6     | RM 4.540  | 3  | Sell | Price ?<Bid-15% | 4.54 < 4.548 |
| Genting    | 05  | 7     | RM 16.500 | 8  | Sell | Price ?<Bid-20% | OK           |
| Genting    | 05  | 8     | RM 15.800 | 3  | Sell | Price ?<Bid-20% | 15.80 < 16   |

## 3.5 % Far from Last Traded Price

The DMA Participant ABC set the FLTP for the Client XYZ to 15%

|      |     |            |            |
|------|-----|------------|------------|
| LTP= | 5.5 | <b>Bid</b> | <b>Ask</b> |
|      |     | 5.35       | 5.45       |

| Order | Price    | Qt | Side | Check           | Accepted?    |
|-------|----------|----|------|-----------------|--------------|
| 1     | RM 5.400 | 10 | Buy  | Price ?>LTP+15% | OK           |
| 2     | RM 5.450 | 10 | Buy  | Price ?>LTP+15% | OK           |
| 3     | RM 5.700 | 10 | Buy  | Price ?>LTP+15% | OK           |
| 4     | RM 6.300 | 5  | Buy  | Price ?>LTP+15% | OK           |
| 5     | RM 6.350 | 5  | Buy  | Price ?<LTP+15% | 6.35 > 6.325 |
| 6     | RM 4.540 | 3  | Sell | Price ?<LTP-15% | 4.54 < 4.675 |

## DIRECT MARKET ACCESS HANDBOOK

**3.6 Small Order Quantity far from Last Traded Price**

The DMA Participant ABC set the FLTP for the Client XYZ to 20% and 80 shares.

|             |            |            |            |              |
|-------------|------------|------------|------------|--------------|
| <b>LTP=</b> | <b>5.5</b> | <b>Bid</b> | <b>Ask</b> | <b>Qt=80</b> |
|             |            | 5.35       | 5.45       | 20%          |

| Order | Price    | Qt  | Side | Qt triggered  | Accepted?          |
|-------|----------|-----|------|---------------|--------------------|
| 1     | RM 7.000 | 100 | Buy  | No (100 > 80) | Not checked        |
| 2     | RM 3.000 | 100 | Buy  | No (100 > 80) | Not checked        |
| 3     | RM 7.000 | 80  | Sell | Yes (80 = 80) | Yes                |
| 4     | RM 3.000 | 80  | Sell | Yes (80 = 80) | No (3 < 5.5 - 20%) |
| 5     | RM 5.900 | 50  | Buy  | Yes (50 < 80) | Yes                |
| 6     | RM 5.000 | 50  | Sell | Yes (50 < 80) | Yes                |
| 7     | RM 7.000 | 10  | Buy  | Yes (10 < 80) | No (7 > 5.5 + 20%) |
| 8     | RM 3.000 | 10  | Buy  | Yes (10 < 80) | Yes                |
| 9     | RM 6.100 | 10  | Sell | Yes (10 < 80) | Yes                |
| 10    | RM 9.000 | 10  | Sell | Yes (10 < 80) | Yes                |

**3.7 Market Type Authorization**

By default, all the market types are authorized for all “sponsored access” clients. If the DMA Participant wants to restrict the access for a given client, all the authorized market types have to be listed using this risk filter.

The market codes are the following:

**N** : Normal Market  
**B** : Buying-in Market  
**O** : Odd-lot Market

They should be listed separated by comma.

Examples:

DMA Participant ABC authorizes the Client XYZ trade on “N,B”. In this case the client is not authorized to trade on Odd-lot.

## DIRECT MARKET ACCESS HANDBOOK

1. The DMA Participant DEF authorizes the Client TUV trade on Normal Market only "N"

|          | ISIN Code    | Name  | Market    | Status   |
|----------|--------------|-------|-----------|----------|
| Order on | MYO1818OR--- | Bursa | Odd lot   | Rejected |
| Order on | MYI1818----- | Bursa | Buying in | Rejected |
| Order on | MYN1818----- | Bursa | Normal    | Accepted |

### 3.8 Instrument Type Authorization

By default, all the instrument types are authorized for all "sponsored access" clients. If the DMA Participant wants to restrict the access for a given client, all the authorized instrument types have to be listed using this risk filter.

The instrument codes are the following:

|   |   |                |
|---|---|----------------|
| O | : | Ordinary share |
| P | : | Preference     |
| T | : | Property Trust |
| F | : | Close End Fund |
| W | : | Warrants/TSR   |
| C | : | Call Warrants  |
| L | : | Loan Stocks    |
| N | : | Loan Notes     |
| D | : | Debentures     |
| B | : | Bonds          |
| E | : | ETF            |

They should be listed separated by comma.

#### Examples:

- The DMA Participant ABC authorizes the Client XYZ to trade on: O,P,T,F,L,N,D,B,E  
This client is not authorized to trade on Warrants and Call Warrants.
- The DMA Participant DEF authorizes the Client TUV to trade on: N, D, B, E, O, P, T, F

|          | ISIN Code    | Name      | Market  | Status   |
|----------|--------------|-----------|---------|----------|
| Order on | MYN2003WB--- | Kulim (M) | Odd lot | Rejected |

DIRECT MARKET ACCESS HANDBOOK

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**3.9 Order Technical Origin Authorization**

This risk filter is set by the DMA Participant according to the agreement it has with its client. If this risk filter is not set, all the activities are authorized for a client. This risk filter must be set correctly before authorizing a client to trade via DMA.

The activities are listed below:

- A : Other Front-end than Winscore**
- R : RSS sell order**
- P : PDT sell order**
- I : Internet Trading**
- J : Internet Trading RSS sell order**
- K : Internet Trading PDT sell order**
- T : Algorithmic Trading**
- V : Algorithmic Trading RSS sell order**
- W : Algorithmic Trading PDT sell order**
- D : Direct Market Access – Sponsored Access**
- E : Direct Market Access – Sponsored Access – RSS sell order**
- F : Direct Market Access – Sponsored Access – PDT sell order**

**Notes:**

- a) A client should not be given P.**
- b) A dealer should not be given D, E, F.**

**If you setup D for a DMA client, he won't be able to send RSS order.**

**Example:** The DMA Participant ABC has a DMA Client XYZ, who is a PDT. Therefore, the authorized values are: W, F.  
If the Client XYZ tries to send an order with the tag 9941 set to D, his order will be rejected.