

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 11 September 2009	No.: R/R 13 of 2009
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AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD ('RULES OF BURSA SECURITIES') IN RELATION TO CAPITAL ADEQUACY REQUIREMENTS ("CAR") AND THE IMPLEMENTATION OF CENTRALISED ARMADA**1. INTRODUCTION**

Kindly be advised that amendments have been made to the Rules of Bursa Securities on CAR in particular to the computation of counterparty risk as explained in item 2 below. In gist the computation of counterparty risk is no longer based on 'mark to market value' i.e. the value of the securities at its closing price on a market day but is based on the 'mark to market difference' i.e. the value of the contract for sale or purchase less the mark to market value.

Pursuant to the above, an enhanced version of ARMADA (Automated Risk Management And Decision Making System) referred to as the "Centralised ARMADA" system will be implemented.

2. AMENDMENTS TO THE RULES OF BURSA SECURITIES

Amendments to the Rules of Bursa Securities are set out in Annexure 1 (the "said Amendments").

The salient aspects of the said Amendments are as follows:

- (a) Rule 1105.7(5)(a) and Schedule 8G are amended to reflect that the calculation of counterparty risk for unsettled agency trades is based on mark to market difference;
- (b) Rule 1105.8(5)(c) is amended to reflect that the calculation of non payment for net purchase contract value is from T date and not from T+3 date; and
- (c) A new Rule 1105.8(5)(d) has been inserted to provide that the calculation of Large Exposure Risk Requirement for net purchase contract value of single equity underlying clients' which are not paid for starts from T+3 date.

3. EFFECTIVE DATE

Please be informed that the said Amendments are effective from 5 October 2009.

However the Participating Organisations ("POs") must compute the CAR based on the said Amendments from the date the Centralised ARMADA system is implemented at the respective POs as stipulated in the implementation schedule in Annexure 2.

The checklist for the Centralised ARMADA system implementation is enclosed herewith as Annexure 3.

All rules, directives or circulars in force which make references to or contain provisions relating to the above matters shall have effect as if such references or provisions relate to the amended provision/s aforesaid.

4. EXISTING ARMADA SYSTEM

With the implementation of the new Centralised ARMADA based on the implementation schedule in Annexure 2 the existing ARMADA will be discontinued.

5. CONTACT DETAILS

Please direct any queries you may have in relation to the said Amendments to the following persons:

Name	Contact Number
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Please be informed that this circular is available on Bursa Malaysia's website at:
http://www.bursamalaysia.com/website/bm/regulation/rules/bursa_rules/bm_securities.html

**RULE AMENDMENTS
in relation to Capital Adequacy Requirements**



**RULES OF BURSA MALAYSIA SECURITIES BERHAD
RULE AMENDMENTS IN RELATION TO CAPITAL ADEQUACY REQUIREMENTS**

The following sets out the rule amendments in relation to Capital Adequacy Requirements of the Participating Organisation.

1.0 Rule 1104.1

Schedule 7

1.1 Item 20 of Schedule 7 be amended as follows

GENERAL PROVISION

~~20. A Participating Organisation shall establish and maintain a general provision account amounting to not less than one per cent (1%) of its total trade receivables, after deducting the amount of interest-in-suspense and specific provisions made for bad and doubtful debts. For the purposes herein, "total trade receivables" –~~

~~(a) means assets which are generated from trades conducted by the Participating Organisation as agent and which includes losses, commission charges and accrued interest; but~~

~~(b) excludes any contract for the purchase of securities entered into on the stock market of the Exchange which is, according to FDSS, not due for payment or contracts made under a DF Account, which is not due for payment.~~

2.0 Rule 1105.7(5)(a)

2.1 Rule 1105.7(5)(a) be amended as follows.

(a) Unsettled Agency (including those under DF Accounts) and Principal Trades:

(i) **Counterparty exposures:** Subject to Rule 1105.7(5)(a)(iii), Aa Participating Organisation's counterparty exposures on –

(aa) an agency purchase or a principal sale shall be equal to the mark to market ~~value of the contract difference~~; and

(bb) an agency sale or a principal purchase shall be equal to the mark to market ~~value of the contract difference~~.

(ii) CRR for unsettled "delivery vs. payment" trades: Participating Organisation shall determine or calculate its Counterparty Risk Requirement on its unsettled agency and principal "delivery versus payment" trades in accordance with Schedule 8G.

(iii) In the event that the mark to market value is not available for whatsoever reason for the purpose of computing the mark to market difference as stipulated under Rule 1105.7(5)(a)(i)(aa) and Rule 1105.7(5)(a)(i)(bb), the counterparty exposures shall be equal to the purchase contract value or sale contract value respectively.

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**Schedule 8G**

2.2 Schedule 8G be amended as follows.

SCHEDULE 8G [CHAPTER 11]

**SCHEDULE 8G (Chapter 11) COUNTERPARTY RISK REQUIREMENT
[Rule 1105.7(5)(a)] FOR UNSETTLED AGENCY TRADES**

Agency Transaction	Time period for application of Percentage	*Counterparty Risk Requirement
1. Sales contract (scrip delivery)	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 <u>difference</u> of the contract multiplied by the weighting, if the <u>current mark to market value</u> less the <u>transactionsales contract</u> value of the stock is positive ▪ 0%, if the <u>current mark to market value</u> less the <u>transactionsales contract</u> value of the stock is zero or negative
	Beyond T + 30 of clients	<ul style="list-style-type: none"> ▪ The mark to market <u>valuedifference</u> multiplied by the weighting, if the <u>current mark to market value</u> less the <u>transactionsales contract</u> value of the stock is positive • 0%, if the <u>current mark to market value</u> less the <u>transactionsales contract</u> value of the stock is zero or negative
2. Purchase contracts (cash payments)	T to T + 3 of clients	0.5%

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	T + 4 to T + 30 of clients	<ul style="list-style-type: none"> ▪ 8% of the mark to market <u>difference</u> of the contract multiplied by the weighting, if the <u>transaction value purchase contract</u> value less <u>current mark to</u> market value of the stock is positive • 0%, if the <u>transaction purchase contract</u> value less <u>current mark to</u> market value of the stock is zero or negative
	Beyond T + 30 of clients	<ul style="list-style-type: none"> ▪ The mark to market <u>difference</u> multiplied by the weighting, if the <u>transaction purchase contract</u> value less <u>current mark to</u> market value of the stock is positive • 0%, if the <u>transaction purchase contract</u> value less <u>current mark to</u> market value of the stock is zero or negative

SCHEDULE 8G (Chapter 11) COUNTERPARTY RISK REQUIREMENT
[Rule 1105.7(5)(a)] FOR PRINCIPAL TRADES

Principal Transaction	Time period for application of Percentage	Counterparty Risk Requirement
1. Sales contract (cash receipt)	T to T+3 of counterparties, i.e. <u>Exchange Clearing House</u> or other Participating Organisations	0.5%
	From T+4 to T+ 30 of counterparties	<ul style="list-style-type: none"> ▪ 8% of the mark to market <u>value difference</u> of the contract multiplied by the weighting, if the <u>transaction sales contract</u> value less <u>current mark to</u> market value of the stock is positive • 0%, if the <u>transaction sale contract</u> value less <u>current mark to</u> market value of the stock is zero or

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		negative
	Beyond T + 30 of counterparties	<ul style="list-style-type: none"> ▪ The mark to market <u>value difference</u> multiplied by the weighting, if the <u>transaction sales contract</u> value less <u>current mark to</u> market value of the stock is positive • 0%, if the <u>transaction sales contract</u> value less <u>current mark to</u> market value of the stock is zero or negative
2. Purchase contracts (scrip delivery)	T to T + 3 of counterparties, i.e. Exchange or other Participating Organisations	0.5%
	From T+ 4 to T+ 30 of counterparties	<ul style="list-style-type: none"> ▪ 8% of the mark to market <u>difference</u> of the contract multiplied by the weighting, if the <u>current mark to</u> market value less the <u>transaction purchase contract</u> value of the stock is positive • 0%, if the <u>current mark to</u> market value less <u>transaction</u> the <u>purchase contract</u> value is zero or negative
	Beyond T + 30 of counterparties	<ul style="list-style-type: none"> ▪ The mark to market <u>value difference</u> multiplied by the weighting, if the <u>current mark to</u> market value less the <u>transaction purchase contract</u> value of the stock is positive • 0%, if the <u>current mark to</u> market value less <u>transaction</u> the <u>purchase contract</u> value of the stock is zero or negative

3.0 RULE 1105.8(5)(c)

Rule 1105.8(5)(c)

3.1 Rule 1105.8(5)(c) be amended as follows.

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in relation to Capital Adequacy Requirements**



- (c) **Meaning of “single equity”:** For the purposes of this Rule 1105.8, the expression “single equity” includes –
- (i) 30% of the value of the collateral underlying debtors or margin accounts (including interest) to the extent that it is used to secure the exposure;
 - (ii) 30% of the value of the collateral underlying loans and advances to the extent that it is used to secure the exposure;
 - (iii) investment in the stock accounts;
 - (iv) the net purchase contract value of single equity underlying clients’ accounts arising from transactions either under a Ready or Immediate Basis Contract, to the extent that it has not been paid for ~~on and subsequent to the FDSS due settlement date~~; and
 - (v) the net purchase contract value of single equity underlying clients’ accounts arising from transactions under a DF Account to the extent that it has not been paid for ~~subsequent to the FDSS due settlement date~~.

Rule 1105.8(5)(d)

3.2 Rule 1105.8(5)(d),(e),(f),(g),(h),(i) be amended as follows:

(d) LERR for net purchase contract value of single equity underlying clients’ accounts:

- (i) The LERR of a Participating Organisation in relation to the net purchase contract value of single equity underlying clients’ accounts arising from transactions either under a Ready or Immediate Basis Contract, shall start from the date that it has not been paid for on and subsequent to the FDSS due settlement date; and
- (ii) The LERR of a Participating Organisation in relation to the net purchase contract value of single equity underlying clients’ accounts arising from transactions under a DF Account, shall start from the date that it has not been paid for on and subsequent to the FDSS due settlement date.

(de) LERR for Exposure to Equity Relative to Instrument on Issue:

- (i) Where a Participating Organisation has a Large Exposure to a single equity relative to its total issue as specified in Rule 1105.8(5)(a)(i), the Participating Organisation shall calculate its Large Exposure Risk Requirement by multiplying the value of the exposure which is in excess of ten percent (10%) of the total issue by the Position Risk Factor used in the Standard Approach in the manner prescribed in Schedule 8K.
- (ii) Where a Participating Organisation has an exposure in excess of twenty percent (20%) of the issuer’s capital arising from its investment in the stock account as stipulated in Rule 1105.8(5)(c)(iii), the Participating Organisation shall be deemed to be an associate of the issuer.

(ef) LERR for Exposure to an Equity Relative to Effective Shareholders’ Funds:

(fg) Large Exposure relative to an instrument and Effective Shareholders’ Funds:

(gh) Maximum LER:

(hi) Reporting:

Annexure 2 – POs Implementation Schedule - Go Live Date

Batch 1 - Go Live on 5 October 2009

No.	PO Code	PO Name
1	024	BIMB SECURITIES SDN BHD
2	031	UBS SECURITIES MALAYSIA SDN BHD
3	037	NOMURA SECURITIES (M) SDN BHD
4	053	KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD
5	058	TA SECURITIES HOLDINGS BERHAD

Batch 2 - Go Live on 12 October 2009

No.	PO Code	PO Name
1	012	MALACCA SECURITIES SDN BHD
2	020	INNOSABAH SECURITIES BHD
3	021	FA SECURITIES SDN BHD
4	032	MACQUARIE (MALAYSIA) SDN BHD
5	033	CLSA SECURITIES MALAYSIA SDN BHD
6	035	JPMORGAN SECURITIES (M) SDN BHD
7	036	CREDIT SUISSE SECURITIES (M) SDN BHD
8	054	INTER-PACIFIC SECURITIES SDN BHD
9	055	JUPITER SECURITIES SDN BHD
10	056	OSK INVESTMENT BANK BERHAD
11	057	M&A SECURITIES SDN BHD
12	064	PM SECURITIES SDN BHD
13	066	HL INVESTMENT BANK
14	078	A.A.ANTHONY SECURITIES SDN BHD
15	079	JF APEX SECURITIES BERHAD
16	093	MERCURY SECURITIES SDN BHD
17	096	SJ SECURITIES SDN BHD

Annexure 3 – POs Checklist

Please note that Annexure 3 consists of 2 parts, Checklist for POs going live on 5 October 2009 (Batch 1), and Checklist for POs going live on 12 October 2009 (Batch 2). On designated date, POs in Batch 1 are required to send completed checklist labeled B1P1 and B1P2 to Bursa Malaysia while POs in Batch 2 are required to send completed checklist labeled B2P1 and B2P2 to Bursa Malaysia.

Checklist for Batch 1 - (Go Live on 5 October 2009)

System: Centralised ARMADA Checklist Part 1 – Infrastructure Readiness and Connectivity				B1P1
Date	No.	Description	Remarks	Status (Yes/No)
D-28 to D-24 (7 Sept 2009 to 11 Sept 2009)	I	Receive Implementation Circulars on Centralised ARMADA from Bursa Malaysia on "Go Live" date.		
	II	Receive Rules amendment and Circulars on Bursa Website and eRapid.		
D-21 to D-10 (14 Sept 2009 to 25 Sept 2009)	III	Receive email notification from Bursa Malaysia - Centralised ARMADA is opened for POs access.		
	IV	Test connectivity from ARMADA Workstation to Centralised ARMADA at Bursa Malaysia: 1. From IE browser , able to connect /access to https://armada.webaccess-bursamalaysia.com/ 2. Admin user should be able to logon to Centralised ARMADA from ARMADA Workstation at PO site.		
	V	Test sending interface files from PO back office to ARMADA Workstation residing at respective PO site.		
Name:			PO Code/Name:	
Designation:			Company Stamp:	
Signature:			Date:	

Fax or email completed form to 03-2026 4122 or itenquiry@bursamalaysia.com by 25 September 2009.

System: Centralised ARMADA Checklist Part 2 – Master Data Readiness				B1P2
Date	No.	Description	Remarks	Status (Yes/No)
D-7 to D-4 (28 Sept 2009 to 1 Oct 2009)	I	Admin user to create user groups and user IDs to be used by PO (may use grouping and IDs in the existing ARMADA as a guide).		
	II	Check readiness of Client Application on ARMADA Workstation at PO site: 1. CSVSendClient application installed and configured. Please use the following Web Service User ID and password to configure the CSV Send Client application: User ID : <i>armada</i> Password: <i>carma_2009</i> 2. Able to send master interface data files. 3. Able to send transaction interface data files. <i>(Please DO NOT perform any transaction load or computation at any stage before live date.)</i>		
	III	Update master information into Centralised ARMADA: 1. Send updated master files (clientmst.csv, clientcds.csv, dlmst.csv, brnmst.csv) using CSVSendClient. 2. Load updated master files (if any) using ARMADA Application.		
D-3 (2 Oct 2009) Friday	IV	Should any more changes to master information were made from last update in (III) above to 2 Oct 2009, perform final update of master information into Centralised ARMADA: 1. Send updated master files (clientmst.csv, clientcds.csv, dlmst.csv, brnmst.csv) (if any) using CSVSendClient 2. Load updated master files (if any) using ARMADA application.		
	V	Manual update transaction data for reporting date <i>2/10/2009</i> into Centralised ARMADA: 1. Add AER 2. Add Balance Sheet (if no bsheet.csv file)		
Name:		PO Code/Name:		
Designation:		Company Stamp:		
Signature:		Date:		

Fax or email completed form to 03-2026 4122 or itenquiry@bursamalaysia.com by 5:00PM on 2 October 2009.

Batch 2 - (Go Live on 12 October 2009)

System: Centralised ARMADA Checklist Part 1 – Infrastructure Readiness and Connectivity				B2P1
Date	No.	Description	Remarks	Status (Yes/No)
D-28 to D-24 (7 Sept 2009 to 11 Sept 2009)	I	Receive Implementation Circulars on Centralised ARMADA from Bursa Malaysia on "Go Live" date.		
	II	Receive Rules amendment and Circulars on Bursa Website and eRapid.		
D-14 to D-10 (28 Sept 2009 to 2 Oct 2009)	III	Receive email notification from Bursa Malaysia - Centralised ARMADA is opened for POs access.		
	IV	Test connectivity from ARMADA Workstation to Centralised ARMADA at Bursa Malaysia: 1. From IE browser , able to connect /access to https://armada.webaccess-bursamalaysia.com/ 2. Admin user should be able to logon to Centralised ARMADA from ARMADA Workstation at PO site.		
	V	Test sending interface files from PO back office to ARMADA Workstation residing at respective PO site.		
Name:			PO Code/Name:	
Designation:			Company Stamp:	
Signature:			Date:	

Fax or email completed form to 03-2026 4122 or itenquiry@bursamalaysia.com by 2 October 2009.

PO Master Checklist 2 for Batch 2:

System: Centralised ARMADA Checklist Part 2 – Master Data Readiness				B2P2
Date	No.	Description	Remarks	Status (Yes/No)
D-7 to D-4 (5 Oct 2009 to 8 Oct 2009)	I	Admin user to create user groups and user IDs to be used by PO (may use grouping and IDs in the existing ARMADA as a guide).		
	II	Check readiness of Client Application on ARMADA Workstation at PO site: <ol style="list-style-type: none"> 1. CSVSendClient application installed and configured. Please use the following Web Service User ID and password to configure the CSV Send Client application: User ID : <i>armada</i> Password: <i>carma_2009</i> 2. Able to send master interface data files. 3. Able to send transaction interface data files. <i>(Please DO NOT perform any transaction load or computation at any stage before live date.)</i> 		
	III	Update master information into Centralised ARMADA: <ol style="list-style-type: none"> 1. Send updated master files (clientmst.csv, clientcds.csv, dlrnst.csv, brnmst.csv) using CSVSendClient. 2. Load updated master files (if any) using ARMADA Application. 		
D-3 (9 Oct 2009) Friday	IV	Should any more changes to master information were made from last update in (III) above to 9 Oct 2009, perform final update of master information into Centralised ARMADA: <ol style="list-style-type: none"> 1. Send updated master files (clientmst.csv, clientcds.csv, dlrnst.csv, brnmst.csv) (if any) using CSVSendClient 2. Load updated master files (if any) using ARMADA Application. 		
	V	Manual update transaction data for reporting date <i>9/10/2009</i> into Centralised ARMADA: <ol style="list-style-type: none"> 1. Add AER 2. Add Balance Sheet (if no bsheet.csv file) 		
Name:			PO Code/Name:	
Designation:			Company Stamp:	
Signature:			Date:	

Fax or email completed form to 03-2026 4122 or itenquiry@bursamalaysia.com by 5:00PM on 9 October 2009.

CONTACTS

Kindly forward your inquiry to the following:

Rules and Business issues:

No.	Name	Phone	e-Mail
1	Lum Chee Wah	03-2034-7734	CheeWah_L@bursamalaysia.com
2	Nurul Hanim Salleh	03-2034-7261	Nurul_Hanim@bursamalaysia.com

IT Technical issues:

No.	Name	Phone	e-Mail
1	Bursa Malaysia Helpdesk	Tel: 03-2026-5099 Fax: 03-2026 4122	itenquiry@bursamalaysia.com
2	Zulkifli Deraman	03-2034-7650	Zulkifli_D@bursamalaysia.com
3	Abdul Rahhim Abu Bakar	03-2034-7643	Rahhim@bursamalaysia.com
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