

PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 26 February 2007

No : R/R 4 OF 2007

CORRIGENDUM TO PARTICIPATING ORGANISATIONS' CIRCULAR R/R 1 OF 2007 PERTAINING TO AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BHD ("RULES OF BURSA SECURITIES") AND DIRECTIVES PERTAINING TO THE PERFORMANCE OF SUPERVISORY FUNCTIONS AT GROUP LEVEL

Please be advised that there are a few typographical errors contained in the amendments to the rules appended to the above captioned circular which took effect on 12 February 2007 ("the amended Rules").

The errors are contained in Rule 509.1(4) and Rule 510.1(3) of the amended Rules and have been corrected as contained in the attachment appended herewith as "**ANNEXURE 1**". The corrections are underlined in the above attachment.

Please be advised that Rule 1202.4 which has been renumbered as Rule 510.4 (with the relevant amendments) was inadvertently omitted in the amended Rules and have been inserted as appearing in the annexure mentioned above.

The effective date of the above amendments remains as 12 February 2007.

The circular is available at

http://www.bursamalaysia.com/website/bm/rules_and_regulations/bursa_rules/bm_securities.html

In the event of any queries in relation to the amendments contained in Annexure 1, kindly contact the following persons:

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LEGAL ADVISORY AND CORPORATE LEGAL AFFAIRS

AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD PERTAINING TO PERFORMANCE OF SUPERVISORY FUNCTIONS AT GROUP LEVEL

Existing Rule		Amended Rules	
509.1	<p>SPECIFIC REQUIREMENTS</p> <p>(1) Establishment: Every Participating Organisation, upon commencement of any of the activities stipulated under Rule 503.1 and Rule 503.2 other than dealing in securities and margin financing, shall ensure the following –</p> <p>(a) the proper carrying out of risk management functions by the relevant department and the reporting of the same to the Risk Management Committee; and</p> <p>(b) the establishment and maintenance of a Risk Management Committee which shall report to its board of directors periodically as the board of directors may determine.</p> <p>(2) Implementation: The Participating Organisation shall develop and implement relevant terms of reference, policies and procedures to govern the conduct and activities of the Risk Management Committee.</p>	509.1	<p>SPECIFIC REQUIREMENTS</p> <p>(1) Establishment: Every Participating Organisation, upon commencement of any of the activities stipulated under Rule 503.1 and Rule 503.2 other than dealing in securities and margin financing, shall ensure the following –</p> <p>(a) the proper carrying out of risk management functions by the relevant department and the reporting of the same to the Risk Management Committee; and</p> <p>(b) the establishment and maintenance of a Risk Management Committee which shall report to its board of directors periodically as the board of directors may determine or where the Rule 509.1(4) applies, which shall submit a report to board of directors of the Participating Organisation in relation to any matters relating to risk management of the Participating Organisation .</p> <p>(2) Implementation: The Participating Organisation shall develop and implement relevant terms of reference, policies and procedures to govern the conduct and activities of the Risk Management Committee.</p> <p>(3) Reporting: The Risk Management Committee shall report directly to the Participating Organisation’s board of directors.</p> <p>(4) Group Level: In the event the functions of risk management and the Risk Management Committee are undertaken or established at Group level in accordance with Rule 511, all provisions in these Rules relating to risk management functions and Risk Management Committee <u>except Rule 509.3(1)(b) and Rule 509.3(3)</u> shall equally apply unless expressly provided to the contrary.</p>

Existing Rule		Amended Rules	
	(3) Reporting: The Risk Management Committee shall report directly to the Participating Organisation's board of directors.		
1202.1	<p>INTERNAL AUDIT FUNCTIONS AND AUDIT COMMITTEE</p> <p>(1) Internal Audit Functions: A Participating Organisation shall ensure that it carries out internal audit functions. The department carrying out internal audit functions for the Participating Organisation shall have adequate audit policies and resources for the purposes of examining, evaluating and reporting on the adequacy and efficiency of the Participating Organisation's management, operations and internal controls. The discharge of the internal audit functions shall be reported to the audit committee ("Audit Committee") for the Participating Organisation, established in accordance with Rule 1202.1(2).</p> <p>(2) Audit Committee: A Participating Organisation shall ensure that it establishes an Audit Committee, whose functions shall include the following -</p> <p>(a) to ensure that the financial and accounting system of the Participating Organisation</p>	510.1	<p>INTERNAL AUDIT FUNCTIONS AND AUDIT COMMITTEE</p> <p>(1) Internal Audit Functions: A Participating Organisation shall ensure that it carries out internal audit functions whether on its own or in accordance with Rule 511. The department carrying out internal audit functions for the Participating Organisation shall have adequate audit policies and resources for the purposes of examining, evaluating and reporting on the adequacy and efficiency of the Participating Organisation's management, operations and internal controls. The discharge of the internal audit functions shall be reported to the audit committee ("Audit Committee") for the Participating Organisation, established in accordance with Rule 510.1(2).</p> <p>(2) Audit Committee: A Participating Organisation shall ensure that it establishes an Audit Committee whether on its own or at Group level in accordance with Rule 511, whose functions shall include the following -</p> <p>(a) to ensure that the financial and accounting system of the Participating Organisation represents a true and fair view of its current financial position;</p> <p>(b) to oversee the Participating Organisation's internal control structure and its financial reporting process;</p> <p>(c) to review the findings of the internal and annual statutory audit and to recommend as well as implement appropriate remedial and corrective measures relating to the same;</p> <p>(d) to discuss any matters arising from the previous year's audit, to</p>

Existing Rule		Amended Rules	
	<p>represents a true and fair view of its current financial position;</p> <p>(b) to oversee the Participating Organisation’s internal control structure and its financial reporting process;</p> <p>(c) to review the findings of the internal and annual statutory audit and to recommend as well as implement appropriate remedial and corrective measures relating to the same;</p> <p>(d) to discuss any matters arising from the previous year’s audit, to review the scope of the current year’s audit, the plans for carrying out the audit, the extent of planned reliance on the work of the statutory auditor and the Participating Organisation’s internal auditors;</p> <p>(e) to ensure proper implementation and recommend appropriate remedial and corrective measures in respect of such findings arising from inspections conducted by the Exchange;</p>		<p>review the scope of the current year’s audit, the plans for carrying out the audit, the extent of planned reliance on the work of the statutory auditor and the Participating Organisation’s internal auditors;</p> <p>(e) to ensure proper implementation and recommend appropriate remedial and corrective measures in respect of such findings arising from inspections conducted by the Exchange;</p> <p>(f) to review the changes in statutory requirements and any rules issued thereunder, and any significant audit problems that can be foreseen either as a result of the previous year’s experience or because of new developments;</p> <p>(g) to ensure the independence and objectivity of both the internal as well as the statutory auditor and that the audits are conducted in a thorough and effective manner; and</p> <p>(h) to monitor the Participating Organisation’s compliance with applicable laws and regulations.</p> <p>(3) (a) Composition of Audit Committee at Participating Organisation: The Audit Committee established whether at the Participating Organisation or Group level shall comprise of at least three (3) members, two (2) of whom shall be non-executive directors of the Participating Organisation or of the Entity where the Audit Committee is established at Group level. The chairman of the audit committee shall be appointed from amongst the non-executive directors of the Participating Organisation or the Entity where the Audit Committee is established at Group level.</p> <p>In the event that the composition of the Audit Committee exceeds the prescribed minimum stipulated herein, Non-Executive Directors shall form the majority of such Audit Committee.</p>

Existing Rule		Amended Rules	
	<p>(f) to review the changes in statutory requirements and any rules issued thereunder, and any significant audit problems that can be foreseen either as a result of the previous year's experience or because of new developments;</p> <p>(g) to ensure the independence and objectivity of both the internal as well as the statutory auditor and that the audits are conducted in a thorough and effective manner; and</p> <p>(h) to monitor the Participating Organisation's compliance with applicable laws and regulations.</p>		<p>(b) Meeting: A Participating Organisation shall ensure that Non-Executive Directors shall form the majority of the Audit Committee members present at any meetings of the Audit Committee referred to in Rule 510.1(1).</p> <p>(4) [Deleted]</p> <p>(5) [Deleted]</p> <p>(6) Minutes of Audit Committee: A copy of the minutes of each meeting of the audit committee referred to in Rule 510.1(2) shall be submitted to the Exchange within thirty (30) days from the date the minutes were adopted by board of directors of the Participating Organisation or such period specified by the Exchange.</p> <p>(7) Audit Committee Meeting: The audit committee referred to in Rule 510.1(1) shall meet at least every quarter in a calendar year.</p> <p>(8) Reporting of Audit Committee: The Audit Committee for the Participating Organisation shall report to the board of directors of the Participating Organisation or in the case where the audit committee is established at the Group level, such audit committee shall report to the board of directors of the Participating Organisation on any matters set out under Rule 510.1(2) relating to the Participating Organisation (if any).</p>
(3)	<p>(a) Composition of Audit Committee at Participating Organisation: The Audit Committee established at the Participating Organisation shall comprise of at least three (3) members, two (2) of whom shall be non-executive directors of the Participating Organisation. The chairman of the audit committee shall be appointed from amongst</p>		

Existing Rule		Amended Rules	
	<p>the non-executive directors of the Participating Organisation.</p> <p>In the event that the composition of the audit committee exceeds the prescribed minimum stipulated herein, Non-Executive Directors shall form the majority of such audit committee.</p> <p>(b) Meeting: A Participating Organisation shall ensure that Non-Executive Directors shall form the majority of the Audit Committee members present at any meetings of the Audit Committee.</p> <p>(4) [Deleted]</p> <p>(5) [Deleted]</p> <p>(6) Minutes of Audit Committee: A copy of the minutes of each meeting of the audit committee referred to in Rule 1202.1(2) shall be submitted to the Exchange within thirty (30) days from the date the minutes were adopted by board of directors of the Participating Organisation, or such period</p>		

Existing Rule		Amended Rules	
	<p>specified by the Exchange.</p> <p>(7) Audit Committee Meeting: The audit committee shall meet at least every quarter in a calendar year.</p> <p>(8) Reporting of Audit Committee: The Audit Committee for the Participating Organisation shall report to the board of directors of the Participating Organisation.</p>		
1202.4	INVESTMENT BANKS	510.4	INVESTMENT BANKS
	<p>(1) All provisions in this Rule 1202 relating to audit committee shall not be applicable to an Investment Bank and shall be substituted with the relevant provisions in the Guidelines on Investment Banks and/or requirements of the Central Bank pertaining to the same (“the Relevant Guidelines and Requirements”). The Relevant Guidelines and Requirements shall be deemed to be part of these Rules.</p>		<p>(1) All provisions in this Rule 510 relating to Audit Committee shall not be applicable to an Investment Bank and shall be substituted with the relevant provisions in the Guidelines on Investment Banks and/or requirements of the Central Bank pertaining to the same (“the Relevant Guidelines and Requirements”). The Relevant Guidelines and Requirements shall be deemed to be part of these Rules.</p>