

PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 5 February 2007

No : R/R 1 OF 2007

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 pursuant to the issuance of the ‘Guidelines on the Performance of Supervisory Functions At Group Level For Capital Market Intermediaries’ by the Securities Commission, the Rules of Bursa Securities have been amended to provide for the performance of Supervisory Functions at Group level. Supervisory functions cover internal audit, compliance, risk management, audit committee and risk management committee functions. In relation to internal audit functions the same can also be undertaken by an external entity that is not at the Group level.

A copy of the amendments made to the Rules of Bursa Malaysia Securities Bhd is attached herewith as ‘**Annexure 1**’ (“the said Amendments”).

Please be further advised that the Exchange pursuant to Rule 511.1(3) of the Rules of Bursa Securities as contained in the said Amendments, hereby issues a set of directives captioned as ‘Directives on the Performance of Supervisory Functions at Group Level for Capital Market Intermediaries’ and a set of checklist captioned as ‘Checklist for Performance of Supervisory Functions at Group Level’ (“the said Directives”) in relation to the operational and procedural aspects of the application to be made to the Exchange for approval to perform the Supervisory Functions at Group level and in relation to the maintenance of Supervisory Functions at Group level marked as ‘**Annexure 2**’ and ‘**Annexure 3**’ respectively.

The said Amendments and the said Directives shall take effect from 12 February 2007 (“the said Effective Date”).

The said Amendments and the said Directives and are not only applicable to all future applications made from the said Effective Date for the performance of the Supervisory Functions at Group level but also in relation to Supervisory Functions already carried out by Participating Organisations at Group level as may have been permitted under the Rules of Bursa Securities prior to the said Effective Date (“Existing Cases”).

As such in relation to the Existing Cases, the relevant Participating Organisations shall be required to comply with the requirements set out in the said Amendments and the said Directives in relation to the performance of the Supervisory Functions and in this respect are given two (2) months from the effective date of the said Amendments and the said Directives to comply with the requirements therein. Kindly refer to paragraph 5.4 of the ‘Directives on the Performance of Supervisory Functions at Group Level for Capital Market Intermediaries’ for details on this requirement.

The said Amendments and the said Directives are 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 said Amendments and the said Directives kindly contact the following persons:

1. Ng G- Ming (20347364)
2. Pasupathy (20347141)
3. Benothini Bascaran (20347317)

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	
o		101	DEFINITION AND INTERPRETATION
	New Definitions	101.1	<p>DEFINITION</p> <p>(1) In these Rules, unless the context otherwise requires or the contrary intention appears –</p> <p>Entity shall bear the same meaning as is ascribed thereto in the Guidelines on Supervisory Functions.</p> <p>External Party shall bear the same meaning as ‘external party’ as is ascribed thereto in the Guidelines on Supervisory Functions</p> <p>Head Group Compliance means ‘head of compliance’ referred to in the Guidelines on Supervisory Functions.</p> <p>Group shall bear the same meaning as is ascribed thereto in the Guidelines on Supervisory Functions.</p> <p>Guidelines on Supervisory Functions means the “Guidelines on Performance of Supervisory Functions at Group Level for Capital Market Intermediaries” issued by the Commission on 29 June 2005, including subsequent amendments, modifications, variations, supplements or substitutes thereto and any directives or guidelines as may be issued thereunder.</p>

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Existing Rule		Amended Rules	
			Supervisory Functions shall bear the same meaning as is ascribed thereto in the Guidelines on Supervisory Functions.
303	GENERAL PROVISIONS FOR REGISTERED PERSON(S)	303	GENERAL PROVISIONS FOR REGISTERED PERSON(S)
303.1	CATEGORIES	303.1	CATEGORIES
	<p>Categories: The categories of registered person(s) are as follows –</p> <ul style="list-style-type: none"> (aa) Chief Executive Officer; (a) directors; (bb) Head of Operations, Head of Dealing and Head of Compliance; (b) Compliance Officer; (c) Dealer’s Representatives; (d) key appointments of branch office(s) envisaged in Rule 506; (e) trading clerks; and (f) [Deleted] (g) such other persons as may be prescribed by the Exchange from time to time. 		<p>(1) Categories: The categories of registered person(s) are as follows –</p> <ul style="list-style-type: none"> (aa) Chief Executive Officer; (a) directors; (bb) Head of Operations, Head of Dealing and Head of Compliance; (b) Compliance Officer; (c) Dealer’s Representatives; (d) key appointments of branch office(s) envisaged in Rule 506; (e) trading clerks; and (f) [Deleted] (g) Head Group Compliance (h) such other persons as may be prescribed by the Exchange from time to time.

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Existing Rule		Amended Rules	
304	DIRECTORS	304	DIRECTORS
304.1	MINIMUM NUMBER OF EXECUTIVE DIRECTORS	304.1	MINIMUM NUMBER OF EXECUTIVE DIRECTORS
	<p>(1) A Participating Organisation shall –</p> <p>(a) in the case of a Non-Universal Broker, have at least two (2) Executive Directors, namely the Executive Director Dealing and the Executive Director Operations; and</p> <p>(b) in the case of a Universal Broker, have at least three (3) Executive Directors, namely the Executive Director Dealing, the Executive Director Operations and the Executive Director Compliance,</p> <p>albeit a Non-Universal Broker is not precluded from appointing an Executive Director Compliance solely at its option, in which case, the provisions of these Rules in relation to an Executive Director Compliance shall apply <i>mutatis mutandis</i> to a Non-Universal Broker.</p>		<p>(1) A Participating Organisation shall –</p> <p>(a) in the case of a Non-Universal Broker, have at least two (2) Executive Directors, namely the Executive Director Dealing and the Executive Director Operations; and</p> <p>(b) in the case of a Universal Broker, have at least three (3) Executive Directors, namely the Executive Director Dealing, the Executive Director Operations and the Executive Director Compliance, unless otherwise exempted under Rule 307.1(3),</p> <p>albeit a Non-Universal Broker is not precluded from appointing an Executive Director Compliance solely at its option, in which case, the provisions of these Rules in relation to an Executive Director Compliance shall apply <i>mutatis mutandis</i> to a Non-Universal Broker.</p>
307	EXECUTIVE DIRECTOR COMPLIANCE	307	EXECUTIVE DIRECTOR COMPLIANCE
307.1	REQUIREMENT	307.1	REQUIREMENT
	<p>(1) Every Universal Broker shall appoint at least one (1) Executive Director Compliance or, in the case of an Investment Bank, at least one (1) Head of Compliance, who shall be responsible</p>		<p>(1) Unless otherwise exempted under Rule 307.1(3), every Universal Broker shall appoint at least one (1) Executive Director Compliance or, in the case of an Investment Bank, at least one (1) Head of Compliance, who shall be responsible for all compliance matters as envisaged in these Rules.</p>

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Existing Rule		Amended Rules	
	<p>for all compliance matters as envisaged in these Rules.</p> <p>(2) A Participating Organisation which appoints more than one (1) Executive Director Compliance or Head of Compliance shall ensure the following is satisfied –</p> <p>(a) the area and scope of responsibility of each Executive Director Compliance or Head of Compliance, as the case may be, is clearly delineated and documented at the time of appointment of each of the Executive Directors Compliance or Heads of Compliance, and in the event of any changes to the area and scope of responsibility, such changes to be updated accordingly; and</p> <p>(b) that there is no area in these Rules related to compliance matters of the Participating Organisation which does not fall under the responsibility, supervision and purview of at least one (1) Executive Director Compliance or Head of Compliance, as the case may be.</p>		<p>(2) A Participating Organisation which appoints more than one (1) Executive Director Compliance or Head of Compliance shall ensure the following is satisfied –</p> <p>(a) the area and scope of responsibility of each Executive Director Compliance or Head of Compliance, as the case may be, is clearly delineated and documented at the time of appointment of each of the Executive Directors Compliance or Heads of Compliance, and in the event of any changes to the area and scope of responsibility, such changes to be updated accordingly; and</p> <p>(b) that there is no area in these Rules related to compliance matters of the Participating Organisation which does not fall under the responsibility, supervision and purview of at least one (1) Executive Director Compliance or Head of Compliance, as the case may be.</p> <p>(3) In the event the compliance functions of a Universal Broker are undertaken at Group level in accordance with Rule 511 the Universal Broker may elect not to appoint an Executive Director Compliance.</p>
307.5	REPORTING OF BREACHES OR	307.5	REPORTING OF BREACHES OR IRREGULARITIES

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Existing Rule		Amended Rules	
<p>IRREGULARITES</p> <p>(1) In addition to the provisions of these Rules relating to Compliance Officer which shall be applicable in all respects to the Executive Director Compliance and Head of Compliance unless expressly provided to the contrary, the Executive Director Compliance and Head of Compliance shall be required to immediately report to the Universal Broker's and Investment Bank's board of directors respectively and the Exchange upon him becoming aware of any matter, which in his opinion, may –</p> <p>(a) constitute a breach of any provision of the Securities Laws, these Rules and the relevant regulations, directives, circulars and/or guidelines;</p> <p>(b) involve the potential default of the Universal Broker or Investment Bank, as the case may be, against the Clearing House or other counterparty;</p> <p>(c) have a material effect upon the minimum financial requirements prescribed pursuant to Section 20A of the Securities Industry Act and these Rules to be complied with by the Universal Broker and Investment Bank;</p> <p>(d) jeopardise the monies, funds,</p>		<p>(1) In addition to the provisions of these Rules relating to Compliance Officer which shall be applicable in all respects to the Executive Director Compliance and Head of Compliance unless expressly provided to the contrary, the Executive Director Compliance and Head of Compliance shall be required to immediately report to the Universal Broker's and Investment Bank's board of directors respectively and the Exchange upon him becoming aware of any matter, which in his opinion, may –</p> <p>(a) constitute a breach of any provision of the Securities Laws.;</p> <p>(b) involve the potential default of the Universal Broker or Investment Bank, as the case may be, against the Clearing House or other counterparty;</p> <p>(c) have a material effect upon the minimum financial requirements prescribed pursuant to Section 20A of the Securities Industry Act and these Rules to be complied with by the Universal Broker and Investment Bank;</p> <p>(d) jeopardise the monies, funds, collateral, property or assets of the clients held by the Universal Broker and Investment Bank; and/or</p> <p>(e) significantly affect the risk position and financial integrity of the Universal Broker and Investment Bank.</p> <p>(2) In addition to the reporting requirement in the preceding Rule 307.5(1), the Executive Director Compliance and Head of Compliance shall immediately report to the Commission upon him becoming aware of any matter under Rule 307.5(1)(a).</p> <p>(3) The Executive Director Compliance and Head of Compliance, as the case may be, shall inform the Commission in relation to all matters reported under Rule 307.5(2) and the Exchange in relation to all matters reported under Rule 307.5(1) of the decision of the Universal Broker's and Investment Bank's board of directors and particulars of any corrective measures and decided course of actions taken or to be taken, as the case may be, within thirty (30) days of his</p>	

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Existing Rule		Amended Rules	
	<p>collateral, property or assets of the clients held by the Universal Broker and Investment Bank; and/or</p> <p>(e) significantly affect the risk position and financial integrity of the Universal Broker and Investment Bank.</p> <p>(2) In addition to the reporting requirement in the preceding Rule 307.5(1), the Executive Director Compliance and Head of Compliance shall immediately report to the Commission upon him becoming aware of any matter under Rule 307.5(1)(a).</p> <p>(3) The Executive Director Compliance and Head of Compliance, as the case may be, shall inform the Commission in relation to all matters reported under Rule 307.5(2) and the Exchange in relation to all matters reported under Rule 307.5(1) of the decision of the Universal Broker's and Investment Bank's board of directors and particulars of any corrective measures and decided course of actions taken or to be taken, as the case may be, within thirty (30) days of his reporting thereof to the board of directors and thereafter, of the completion of the measures and actions taken, if any.</p>		<p>reporting thereof to the board of directors and thereafter, of the completion of the measures and actions taken, if any.</p>

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Existing Rule		Amended Rules	
		307A	HEAD GROUP COMPLIANCE
	[None]	307A.1	REQUIREMENT TO REGISTER (1) Where the compliance functions of a Participating Organisation are undertaken at Group level in accordance with Rule 511, the Participating Organisation shall ensure that the Head Group Compliance is registered with the Exchange in accordance with Rule 307A.2.
	[None]	307A.2	APPLICATION FOR REGISTRATION (1) Procedures: A Participating Organisation shall complete and submit an application to the Exchange to register the Head Group Compliance in the form prescribed in Appendix 1B and which shall be accompanied by – (a) a statutory declaration by the Head Group Compliance as to the veracity of all information provided in the form prescribed in Appendix 2C; and (b) an undertaking to the Exchange in the form prescribed in Appendix 3B. (2) Additional documents: The Exchange may, as it thinks fit, require the Participating Organisation and/or Head Group Compliance to provide such additional information and/or documents as it may determine. (3) Payment of fees: A Participating Organisation shall promptly within such period as may be stipulated pay all fees and charges imposed by the Exchange pursuant to these Rules.
	[None]	307A.3	VACANCY (1) Notice: A Participating Organisation shall give to the Exchange fourteen (14) days notice prior to the effective date of the cessation of employment or engagement of a Head Group Compliance with the Entity. The Head Group Compliance shall be removed from the Register on the said effective date.

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Existing Rule		Amended Rules	
			<p>(2) Vacancy: Upon vacancy in the position of the Head Group Compliance</p> <p>(a) the functions, duties and responsibilities of the Head Group Compliance as envisaged under Rule 307A.4 shall be assumed by any one of the Compliance Officers registered pursuant to Rule 309.1(2); and</p> <p>(b) the Participating Organisation shall ensure that the vacancy of the Head Group Compliance is filled within three (3) months from the date of the vacancy arising.</p>
	[None]	307A.4	<p>CONTINUING OBLIGATIONS</p> <p>(1) Without prejudice to any provisions of these Rules from time to time in force, the following conditions shall, at all times throughout the term of his registration, apply to a Head Group Compliance –</p> <p>(a) the Head Group Compliance shall be responsible for all compliance matters as envisaged in these Rules;and</p> <p>(b) the Head Group Compliance shall not solicit or execute orders on behalf of the Participating Organisation or a client and shall not act in a manner which may compromise his function and position</p> <p>(2) All provisions in these Rules, directives, rulings and guidelines which are applicable and/or make reference to an Executive Director Compliance except for provisions in Rule 307 shall be also be applicable and shall be read to include Head Group Compliance unless expressly disapplied.</p>
		307A.5	<p>REPORTING</p> <p>(1) In addition to the provisions of these Rules relating to Compliance Officer which shall be applicable in all respects to the Head Group Compliance unless expressly provided to the contrary, the Head Group Compliance shall be required to immediately report to the Participating Organisation’s board of directors and the Exchange upon him becoming aware of any matter, which in his opinion, may –</p>

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			<p>(a) constitute a breach of any provision of the Securities Laws; and/or</p> <p>(b) involve the potential default of the Participating Organisation against the Clearing House or other counterparty; and/or</p> <p>(c) have a material effect upon the minimum financial requirements prescribed pursuant to Section 20A of the Securities Industry Act and these Rules to be complied with by the Participating Organisation; and/or</p> <p>(d) jeopardise the monies, funds, collateral, property or assets of the clients held by the Participating Organisation; and/or.</p> <p>(e) significantly affect the risk position and financial integrity of the Participating Organisation.</p> <p>(2) In addition to the reporting under Rule 307A.5(1), the Head Group Compliance shall also immediately report to the Commission upon him becoming aware of any matter under Rule 307A.5(1)(a).</p> <p>(3) The Head Group Compliance shall inform the Commission in relation to matters reported under Rule 307A.5(2) and the Exchange in relation to all matters reported under Rule 307A.5(1) of the decision of the Participating Organisation's board of directors and particulars of any corrective measures and decided course of actions taken or to be taken, as the case may be, within thirty (30) days or such other period as may be determined by the Exchange of his reporting thereof to the board of directors and thereafter of the completion of the measures and action taken (if any).</p>
309	COMPLIANCE OFFICER	309	COMPLIANCE OFFICER
309.1	REQUIREMENT	309.1	REQUIREMENT
	(1) Every Participating Organisation shall appoint and register with the Exchange one (1) or more Compliance Officer who		(1) Every Participating Organisation shall appoint and register with the Exchange one (1) or more Compliance Officer who shall be responsible to ensure that the compliance functions as set out in Rule 309.4(1) are carried out.

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Existing Rule		Amended Rules	
	shall be responsible to ensure that the compliance functions as set out in Rule 309.4(1) are carried out.		<p>(2) In the event the compliance functions of a Participating Organisation are undertaken at Group level in accordance with Rule 511, the Participating Organisation shall ensure that:-</p> <p>(a) the Entity designates at least one (1) dedicated Compliance Officer who shall be responsible to ensure that the compliance functions of the Participating Organisation as stipulated in Rule 309.4(1) are carried out; and</p> <p>(b) the dedicated Compliance Officer is registered with the Exchange in accordance with this Rule.</p>
309.2	<p>APPOINTMENT</p> <p>(4) Position: The Compliance Officer must be equipped with the authority and ability to effect decision so as to be able to carry out his responsibilities effectively. Therefore, the Compliance Officer must be a person holding a senior position in the organisation of the Participating Organisation, who can act independently and is able to fully effect decisions.</p> <p>(5) Notice of cessation: A Participating Organisation shall, upon ceasing to employ or engage a Compliance Officer, give not less than fourteen (14) days prior notice of such cessation to the Exchange whereupon the Compliance Officer shall be removed from the Register of Compliance Officers.</p>	309.2	<p>APPOINTMENT</p> <p>(4) Position: The Compliance Officer must be equipped with the authority and ability to effect decision so as to be able to carry out his responsibilities effectively. Therefore, the Compliance Officer must be a person holding a senior position in the organisation of the Participating Organisation, the Entity or the Group, as the case may be who can act independently and is able to fully effect decisions.</p> <p>(5) Notice of cessation: A Participating Organisation shall, give the Exchange not less than fourteen days (14) days notice prior to the effective date of the cessation of the employment or engagement of a Compliance Officer with the Participating Organisation. The Compliance Officer shall be removed from the Register of Compliance Officers on the said effective date.</p>
309.5	<p>VACANCY OF COMPLIANCE OFFICER</p> <p>(1) Where, at any particular time, a total vacancy</p>	309.5	<p>VACANCY OF COMPLIANCE OFFICER</p> <p>(1) Where, at any particular time, a total vacancy occurs in the office of –</p>

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Existing Rule	Amended Rules
<p>occurs in the office of –</p> <p>(a) the Executive Director Compliance or Head of Compliance, as the case may be, and the Compliance Officers in a Universal Broker or Investment Bank; or</p> <p>(b) the Compliance Officers in a Non-Universal Broker,</p> <p>the responsibility for the carrying out of the compliance functions in the interim shall be assumed by any one of the officers who is carrying out the compliance functions for the Universal Broker, Investment Bank or Non-Universal Broker, as the case may be, or in the absence thereof, the Head of the Internal Audit.</p> <p>(2) Where, at any particular time, a vacancy occurs in the office of the Compliance Officers in a Universal Broker or Investment Bank, the functions of the Compliance Officers shall in the interim be assumed by the Executive Director Compliance or Head of Compliance, as the case may be.</p> <p>(3) Such temporary duties referred to in the preceding Rules 309.5(1) and 309.5(2) shall be for a period not exceeding three (3) months. The person assuming such temporary duties as envisaged in the above Rules, save and except for the Executive Director Compliance and Head of Compliance, shall be registered with</p>	<p>(a) the Executive Director Compliance or Head of Compliance, as the case may be, and the Compliance Officers in a Universal Broker or Investment Bank; or</p> <p>(b) the Compliance Officers in a Non-Universal Broker,</p> <p>the responsibility for the carrying out of the compliance functions in the interim shall be assumed by any one of the officers who is carrying out the compliance functions for the Universal Broker, Investment Bank or Non-Universal Broker, as the case may be, or in the absence thereof, the Head of the Internal Audit.</p> <p>(2) Where, at any particular time, a vacancy occurs in the office of the Compliance Officers in a Universal Broker or Investment Bank, the functions of the Compliance Officers shall in the interim be assumed by the Executive Director Compliance or Head of Compliance, as the case may be.</p> <p>(2A) Where the compliance functions of a Participating Organisation is undertaken at Group level in accordance with Rule 511 and a vacancy occurs in the office of the Head Group Compliance and/or Compliance Officer, the following shall apply:-</p> <p>(i) Where a vacancy occurs in the office of a Compliance Officer, the Head Group Compliance shall in the interim be responsible to ensure the continued discharge of the compliance functions as envisaged in these Rules in the manner deemed fit by the Head of Compliance; or</p> <p>(ii) Where a total vacancy occurs in the office of both the Head Group Compliance and Compliance Officer, the functions of the Head Group Compliance and Compliance Officer shall in the interim be assumed by any one of the officers of the Entity with suitable experience and seniority in carrying out compliance functions for the Entity or the Head of the Internal Audit for the Participating Organisation.</p> <p>(3) Such temporary duties referred to in the preceding Rules 309.5(1), 309.5(2) and 309.5(2A) shall be for a period not exceeding three (3) months. The</p>

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Existing Rule		Amended Rules	
	<p>the Exchange in accordance with the procedures stipulated in Rule 309.5(4) below and shall be bound to comply with all the provisions in these Rules, where applicable, relating to the Executive Director Compliance or Head of Compliance, as the case may be, and Compliance Officer. The Participating Organisation shall, within such period, ensure that all steps are taken as may be necessary to employ and/or engage one or more persons to be the Compliance Officer, Executive Director Compliance or Head of Compliance, as the case may be.</p> <p>(4) A Participating Organisation shall submit to the Exchange an application in the form prescribed in Appendix 1C to register the person assuming the temporary duties referred to in Rules 309.5(1) and 309.5(2) together with the statutory declaration and undertaking executed by the above person in the form prescribed in Appendix 2C and Appendix 3B respectively. The Exchange reserves the right to reject an application made herein in the event the Exchange is not satisfied with the experience and seniority of the person proposed to be registered herein.</p>		<p>person assuming such temporary duties as envisaged in the above Rules, save and except for the Executive Director Compliance, Head of Compliance and Head Group Compliance, shall be registered with the Exchange in accordance with the procedures stipulated in Rule 309.5(4) below and shall be bound to comply with all the provisions in these Rules applicable and relating to the position that the person is assuming the temporary duties for save and except any provisions relating to registration and/or approval of the Commission of that position as contained in these Rules other than Rule 309.5(2A). . The Participating Organisation shall, within such period, ensure that all steps are taken as may be necessary to employ and/or engage one or more persons to be the Compliance Officer, Executive Director Compliance, Head of Compliance or Head Group Compliance, as the case may be.</p> <p>(4) A Participating Organisation shall submit to the Exchange an application in the form prescribed in Appendix 1C to register the person assuming the temporary duties referred to in Rules 309.5(1), 309.5(2) and 309.5(2A) together with the statutory declaration and undertaking executed by the above person in the form prescribed in Appendix 2C and Appendix 3B respectively. The Exchange reserves the right to reject an application made herein in the event the Exchange is not satisfied with the experience and seniority of the person proposed to be registered herein.</p>
309.8	REPORTING BY COMPLIANCE OFFICER	309.8	REPORTING ON COMPLIANCE MATTERS
	<p>(1) In the course of his duties, a Compliance Officer may bring to the attention of the Executive Directors or Heads, in the case of an Investment Bank, or other senior management of the Participating</p>		<p>(1) In the course of his duties, a Compliance Officer may bring to the attention of the Executive Directors or Heads, in the case of an Investment Bank, or other senior management of the Participating Organisation, matters pertaining to compliance of the Participating Organisation so as to enable appropriate actions to be taken.</p>

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Existing Rule		Amended Rules	
	<p>Organisation, matters pertaining to compliance of the Participating Organisation so as to enable appropriate actions to be taken.</p>		
(2)	<p>In the case of a Participating Organisation other than an Investment Bank, the Executive Director Compliance or, in relation to a Participating Organisation which does not have such appointment, the Compliance Officer who heads the compliance functions for that Participating Organisation, shall report directly to the board of directors and in this respect, must submit monthly written reports to the board of directors of the Participating Organisation on all matters pertaining to compliance of the Participating Organisation to the Securities Laws, these Rules, directives, rulings and guidelines issued by the Exchange, including matters which had been brought to the attention of the persons mentioned in Rule 309.8(1).</p>	(2)	<p>In the case of a Participating Organisation other than an Investment Bank, the Executive Director Compliance or, in relation to a Participating Organisation which does not have such appointment, the Compliance Officer who heads the compliance functions for that Participating Organisation, shall report directly to the board of directors and in this respect, must submit monthly written reports to the board of directors of the Participating Organisation on all matters pertaining to compliance of the Participating Organisation to the Securities Laws, these Rules, directives, rulings and guidelines issued by the Exchange, including matters which had been brought to the attention of the persons mentioned in Rule 309.8(1).</p>
(2A)	<p>In the case of an Investment Bank, the monthly written reports referred to in Rule 309.8(2) shall be submitted to the relevant person(s), body and/or committee to whom the Head of Compliance reports in accordance with the requirements of the Guidelines on Investment Banks.</p>	(2A)	<p>In the case of an Investment Bank, the monthly written reports referred to in Rule 309.8(2) shall be submitted to the relevant person(s), body and/or committee to whom the Head of Compliance reports in accordance with the requirements of the Guidelines on Investment Banks.</p>
(3)	<p>The board of directors of the Participating Organisation, or in the case of an Investment Bank, the relevant person(s), body and/or committee to whom the Head of Compliance reports in accordance with the requirements of the Guidelines on Investment Banks must deliberate on the written reports referred to in the Rule 309.8(2) or Rule 309.8(2A), as the case may be, at its proper meeting so that appropriate actions or decisions can be taken. Proper records of such deliberations must be maintained.</p>	(3)	<p>The board of directors of the Participating Organisation, or in the case of an Investment Bank, the relevant person(s), body and/or committee to whom the Head of Compliance reports in accordance with the requirements of the Guidelines on Investment Banks must deliberate on the written reports referred to in the Rule 309.8(2) or Rule 309.8(2A), as the case may be, at its proper meeting so that appropriate actions or decisions can be taken. Proper records of such deliberations must be maintained.</p>
(4)	<p>The written reports referred to in Rule 309.8(2) or Rule 309.8(2A) in the case of an Investment Bank shall be submitted to the Exchange on a monthly basis, not later than the last day of the following month or such other period as may be prescribed by the Exchange from time to time, in regard to all matters pertaining to compliance of the Participating Organisation.</p>	(4)	<p>The written reports referred to in Rule 309.8(2) or Rule 309.8(2A) in the case of an Investment Bank shall be submitted to the Exchange on a monthly basis, not later than the last day of the following month or such other period as may be prescribed by the Exchange from time to time, in regard to all matters pertaining to compliance of the Participating Organisation.</p>
(5)	<p>Where the compliance functions are undertaken at Group level, the reporting envisaged under Rule 309.8(2) shall be undertaken by the Head Group Compliance.</p>	(5)	<p>Where the compliance functions are undertaken at Group level, the reporting envisaged under Rule 309.8(2) shall be undertaken by the Head Group Compliance.</p>
(3)	<p>The board of directors of the Participating Organisation, or in the case of an Investment Bank, the relevant person(s), body and/or committee to whom the Head of Compliance reports in</p>	(3)	<p>The board of directors of the Participating Organisation, or in the case of an Investment Bank, the relevant person(s), body and/or committee to whom the Head of Compliance reports in</p>

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	<p>accordance with the requirements of the Guidelines on Investment Banks must deliberate on the written reports referred to in the Rule 309.8(2) or Rule 309.8(2A), as the case may be, at its proper meeting so that appropriate actions or decisions can be taken. Proper records of such deliberations must be maintained.</p> <p>(4) The written reports referred to in Rule 309.8(2) or Rule 309.8(2A) in the case of an Investment Bank shall be submitted to the Exchange on a monthly basis, not later than the last day of the following month or such other period as may be prescribed by the Exchange from time to time, in regard to all matters pertaining to compliance of the Participating Organisation.</p>		
506	BASIC ORGANISATION AND REPORTING STRUCTURE OF A BRANCH OFFICE	506	BASIC ORGANISATION AND REPORTING STRUCTURE OF A BRANCH OFFICE
506.2	KEY APPOINTMENTS AT BRANCH OFFICE	506.2	KEY APPOINTMENTS AT BRANCH OFFICE
	<p>(1) Requisite appointments: Subject to Rule 506.5 and unless otherwise prescribed by the Exchange upon notification to the Commission, a Participating Organisation shall in relation to every branch office appoint the following –</p> <p>(a) one (1) person to head and supervise the branch office (“Head of Branch Office”) who must:</p> <p style="padding-left: 20px;">(i) be engaged in full time</p>		<p>(1) Requisite appointments: Subject to Rule 506.5 and unless otherwise prescribed by the Exchange upon notification to the Commission, a Participating Organisation shall in relation to every branch office appoint the following –</p> <p>(a) one (1) person to head and supervise the branch office (“Head of Branch Office”) who must:</p> <p style="padding-left: 20px;">(ii) be engaged in full time employment with the Participating Organisation at the branch office; and</p> <p style="padding-left: 20px;">(ii) be registered with the Exchange in such manner as may be prescribed by the Exchange from time to time.</p>

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Existing Rule	Amended Rules
<p>employment with the Participating Organisation at the branch office; and</p> <p>(ii) be registered with the Exchange in such manner as may be prescribed by the Exchange from time to time.</p> <p>Provided Always he shall not hold the position of Head of Branch Office in the event he is removed from such register maintained by the Exchange for any reason whatsoever and the Participating Organisation shall notify the Exchange of his resignation or termination, as the case may be; and</p> <p>(b) one (1) person to head and supervise the activities of dealing in securities of the branch office (“Branch Head of Dealing”) who must:</p> <p>(i) hold a dealer’s representative licence; and</p> <p>(ii) not have been suspended from his right to trade in the Exchange; and</p>	<p>Provided Always he shall not hold the position of Head of Branch Office in the event he is removed from such register maintained by the Exchange for any reason whatsoever and the Participating Organisation shall notify the Exchange of his resignation or termination, as the case may be; and</p> <p>(b) one (1) person to head and supervise the activities of dealing in securities of the branch office (“Branch Head of Dealing”) who must:</p> <p>(iii) hold a dealer’s representative licence; and</p> <p>(iv) not have been suspended from his right to trade in the Exchange; and</p> <p>(c) one (1) person who is responsible for and supervises the back office functions of a branch office (“Branch Head of Operations”); and</p> <p>...</p> <p>(d) unless exempted under Rule 506.2(2) or Rule 506.3, at least one (1) Compliance Officer (“Branch Compliance Officer”) who must:</p> <p>(i) be approved by the Commission and registered with the Exchange in such manner as may be prescribed by the Exchange from time to time in these Rules;</p> <p>(ii) have passed such other examinations as may be prescribed by the Exchange and the Commission; and</p> <p>(iii) be engaged in full time employment with the Participating Organisation at the branch office.</p> <p>(e) [Deleted]</p> <p>(2) In the event the compliance functions of a Participating Organisation are undertaken at Group level in accordance with Rule 511, no Branch Compliance Officer is required for each of the Participating Organisation’s branch offices, unless determined otherwise by the Participating Organisation.</p>

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Existing Rule		Amended Rules	
	<p>(c) one (1) person who is responsible for and supervises the back office functions of a branch office (“Branch Head of Operations”); and</p> <p>(d) at least one (1) Compliance Officer (“Branch Compliance Officer) who must:</p> <p>(i) be approved by the Commission and registered with the Exchange in such manner as may be prescribed by the Exchange from time to time in these Rules;</p> <p>(ii) in the case of a Universal Broker and Investment Bank, have passed such other examinations as may be prescribed by the Exchange and the Commission; and</p> <p>(iii) be engaged in full time employment with the Participating Organisation at the branch office.</p> <p>(e) [Deleted]</p>		

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Existing Rule		Amended Rules	
506.3(1)	<p>(1) In amplification of Rule 506.2, the requirement for the following in respect of a branch office(s) may be waived by the Exchange, upon notification to the Commission, subject always to such terms and conditions as may be at any time be imposed by the Exchange and/or the Commission in respect thereof:-</p> <p>(a) a Branch Head of Dealing if the conditions below are fulfilled to the satisfaction of the Exchange –</p> <p>(i) the operations of the branch office(s) are solely limited to back office activities; and</p> <p>(ii) the branch office(s) does not directly or indirectly carry out activities of dealing in securities in any manner whatsoever; and/or</p> <p>(iii) in the case of a Universal Broker, Investment Bank and Non-Universal Broker and without derogation to the Universal Broker's, Investment Bank's and Non-Universal Broker's</p>	506.3(1)	<p>(1) In amplification of Rule 506.2, the requirement for the following in respect of a branch office(s) may be waived by the Exchange, upon notification to the Commission, subject always to such terms and conditions as may be at any time be imposed by the Exchange and/or the Commission in respect thereof:-</p> <p>(a) a Branch Head of Dealing if the conditions below are fulfilled to the satisfaction of the Exchange –</p> <p>(i) the operations of the branch office(s) are solely limited to back office activities; and</p> <p>(ii) the branch office(s) does not directly or indirectly carry out activities of dealing in securities in any manner whatsoever; and/or</p> <p>(iii) in the case of a Universal Broker, Investment Bank and Non-Universal Broker and without derogation to the Universal Broker's, Investment Bank's and Non-Universal Broker's compliance at all times with the requirements relating to corporate finance activities prescribed in Rule 508 where:</p> <p>(aa) the sole activities of the branch office(s) are limited to corporate finance activities; and</p> <p>(bb) the branch office(s) does not directly or indirectly carry out activities of dealing in securities in any manner whatsoever;</p> <p>(b) a Branch Head of Operations if the conditions below are fulfilled to the satisfaction of the Exchange –</p> <p>(i) the operations of the branch office(s) are solely limited to activities of dealing in securities and the branch office(s) does not directly or indirectly carry out back office activities in any manner whatsoever;</p>

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Existing Rule	Amended Rules
<p>compliance at all times with the requirements relating to corporate finance activities prescribed in Rule 508 where:</p> <p>(aa) the sole activities of the branch office(s) are limited to corporate finance activities; and</p> <p>(bb) the branch office(s) does not directly or indirectly carry out activities of dealing in securities in any manner whatsoever;</p> <p>(b) a Branch Head of Operations if the conditions below are fulfilled to the satisfaction of the Exchange –</p> <p>(i) the operations of the branch office(s) are solely limited to activities of dealing in securities and the branch office(s) does not directly or indirectly carry out back</p>	<p>(ii) the back office system and operations of the branch office(s) are integrated with the back office system and operations of the Participating Organisation which is centralised in accordance with Rule 506.7;</p> <p>(iii) further to Rule 513.1, the Participating Organisation is at all times able to comply with the statutory obligations regarding accounts to be kept by dealers in respect of the whole entity; and</p> <p>(iv) in the event the branch office(s) carries out the activities of account opening and/or credit control, the Participating Organisation has appointed a person or persons to be responsible therefor and such person(s) shall report directly to the relevant appointment at the principal office in accordance with the requisite reporting structure prescribed in Rule 506; and/or</p> <p>(v) in the case of a Universal Broker, Investment Bank and Non-Universal Broker and without derogation to the Universal Broker's, Investment Bank's and Non-Universal Broker's compliance at all times with the requirements relating to corporate finance activities prescribed in Rule 508 where:</p> <p>(aa) the sole activities of the branch office(s) are limited to corporate finance activities; and</p> <p>(bb) the branch office(s) does not directly or indirectly carry out activities of dealing in securities in any manner whatsoever;</p> <p>(c) a Branch Compliance Officer if the conditions below are fulfilled or are able to be fulfilled, as the case may be, to the satisfaction of the Exchange –</p> <p>(i) the compliance function in respect of the branch office(s) shall</p>

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	<p>office activities in any manner whatsoever;</p> <p>(ii) the back office system and operations of the branch office(s) are integrated with the back office system and operations of the Participating Organisation which is centralised in accordance with Rule 506.7;</p> <p>(iii) further to Rule 513.1, the Participating Organisation is at all times able to comply with the statutory obligations regarding accounts to be kept by dealers in respect of the whole entity; and</p> <p>(iv) in the event the branch office(s) carries out the activities of account opening and/or credit control, the Participating Organisation has appointed a person or persons to be responsible therefor and such person(s) shall report directly to the relevant appointment at</p>		<p>be capable of being undertaken and performed effectively by the Compliance Department at the principal office or Supervisory branch office, as the case may be, in the same manner and degree as if a full-time Compliance Officer has been appointed to the branch office(s);</p> <p>(ii) the compliance function of the Participating Organisation shall not in any way whatsoever be compromised or affected as a result of such waiver;</p> <p>(iii) the Compliance Officer at the principal office or Supervisory branch office, as the case may be, responsible for the branch office(s) is at all times able to satisfy his obligations in relation to branch office(s) as stipulated in guidelines, directives and/or circulars relating to compliance functions issued by the Exchange and/or the Commission from time to time;</p> <p>(iv) the internal audit department of the Participating Organisation shall conduct regular internal audits in respect of the branch office(s) in accordance with the scope prescribed in Rule 510 and the internal audit report shall be submitted to the Exchange and the Commission in separate copies as soon as reasonably practicable after the completion of the internal audits envisaged; and</p> <p>(v) the frequency of visits by the Compliance Officer(s) of the principal office or the Supervisory branch office, as the case may be, to the branch office(s), to be clearly determined and stipulated at the outset in the internal policies and procedures of the Participating Organisation,</p> <p>Provided Always the waiver granted by the Exchange may at any time be revoked in the event of the Exchange not being satisfied that the relevant controls and monitoring policies and procedures of the Participating Organisation as required herein is/are adequate and/or effective.</p>

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Existing Rule		Amended Rules	
	<p>the principal office in accordance with the requisite reporting structure prescribed in Rule 506; and/or</p> <p>(v) in the case of a Universal Broker, Investment Bank and Non-Universal Broker and without derogation to the Universal Broker's, Investment Bank's and Non-Universal Broker's compliance at all times with the requirements relating to corporate finance activities prescribed in Rule 508 where:</p> <p>(aa) the sole activities of the branch office(s) are limited to corporate finance activities; and</p> <p>(bb) the branch office(s) does not directly or indirectly carry out activities of dealing in securities in any</p>		

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Existing Rule		Amended Rules	
	<p align="center">manner whatsoever;</p> <p>(c) a Branch Compliance Officer if the conditions below are fulfilled or are able to be fulfilled, as the case may be, to the satisfaction of the Exchange –</p> <p>(i) the compliance function in respect of the branch office(s) shall be capable of being undertaken and performed effectively by the Compliance Department at the principal office or Supervisory branch office, as the case may be, in the same manner and degree as if a full-time Compliance Officer has been appointed to the branch office(s);</p> <p>(ii) the compliance function of the Participating Organisation shall not in any way whatsoever be compromised or affected as a result of such waiver;</p> <p>(iii) the Compliance Officer at the principal office or Supervisory branch office, as the case may</p>		

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Existing Rule		Amended Rules	
	<p>be, responsible for the branch office(s) is at all times able to satisfy his obligations in relation to branch office(s) as stipulated in guidelines, directives and/or circulars relating to compliance functions issued by the Exchange and/or the Commission from time to time;</p> <p>(iv) the internal audit department of the Participating Organisation shall conduct regular internal audits in respect of the branch office(s) in accordance with the scope prescribed in Rule 1202.2(2) and the internal audit report shall be submitted to the Exchange and the Commission in separate copies as soon as reasonably practicable after the completion of the internal audits envisaged; and</p> <p>(v) the frequency of visits by the Compliance Officer(s) of the principal office or the Supervisory</p>		

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Existing Rule		Amended Rules	
	<p>branch office, as the case may be, to the branch office(s), to be clearly determined and stipulated at the outset in the internal policies and procedures of the Participating Organisation,</p> <p>Provided Always the waiver granted by the Exchange may at any time be revoked in the event of the Exchange not being satisfied that the relevant controls and monitoring policies and procedures of the Participating Organisation as required herein is/are adequate and/or effective.</p>		
507	COMPLIANCE FUNCTION AT PARTICIPATING ORGANISATION	507	COMPLIANCE FUNCTION AT PARTICIPATING ORGANISATION
507.1	COMPLIANCE FUNCTION	507.1	COMPLIANCE FUNCTION
	<p>(1) Every Participating Organisation shall ensure that it carries out the compliance functions as envisaged under Rule 309.4(1). The responsibility to ensure that such compliance functions are properly carried out lies with the Executive Director Compliance, Head of Compliance and Compliance Officers, in the case of a Universal Broker, Investment Bank and Non-Universal</p>		<p>(1) Every Participating Organisation shall ensure that it carries out the compliance functions as envisaged under Rule 309.4(1). The responsibility to ensure that such compliance functions are properly carried out lies with the Executive Director Compliance, Head of Compliance and Compliance Officers, in the case of a Universal Broker, Investment Bank and Non-Universal Broker respectively. Where the compliance functions of a Participating Organisation are undertaken at Group level in accordance with Rule 511, the responsibility prescribed herein to ensure that the compliance functions are properly carried out lies with the Head Group Compliance.</p>

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Existing Rule		Amended Rules	
	<p>Broker respectively.</p> <p>(2) A Participating Organisation shall be responsible to ensure that its Executive Director Compliance, Head of Compliance or Compliance Officers in the case of a Universal Broker, Investment Bank and Non-Universal Broker respectively, fully discharge their duties as envisaged under these Rules.</p> <p>(3) Notwithstanding the duties of the Executive Director Compliance, Head of Compliance and Compliance Officers as referred to in these Rules, the ultimate responsibility for the proper supervision and compliance of a Participating Organisation shall rest with the Participating Organisation and its board of directors.</p>		<p>(2) A Participating Organisation shall be responsible to ensure that its Executive Director Compliance, Head of Compliance or Compliance Officers in the case of a Universal Broker, Investment Bank and Non-Universal Broker respectively, fully discharge their duties as envisaged under these Rules. The same responsibility herein applies to the Participating Organisation in respect of the Head Group Compliance, notwithstanding that the compliance functions are undertaken at Group level in accordance with Rule 511.</p> <p>(3) Notwithstanding the duties of the Executive Director Compliance, Head of Compliance, Head Group Compliance and Compliance Officers as referred to in these Rules, the ultimate responsibility for the proper supervision and compliance of a Participating Organisation shall rest with the Participating Organisation and its board of directors.</p>
509	RISK MANAGEMENT FUNCTIONS AND RISK MANAGEMENT COMMITTEE OF PARTICIPATING ORGANISATION	509	RISK MANAGEMENT FUNCTIONS, INTERNAL CONTROLS AND RISK MANAGEMENT COMMITTEE OF PARTICIPATING ORGANISATION
509.1	SPECIFIC REQUIREMENTS	509.1	SPECIFIC REQUIREMENTS
	<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</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</p>

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	<p>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> <p>(3) Reporting: The Risk Management Committee shall report directly to the Participating Organisation's board of directors.</p>		<p>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 shall equally apply unless expressly provided to the contrary.</p>
509.3	COMPOSITION OF RISK MANAGEMENT COMMITTEE	509.3	COMPOSITION OF RISK MANAGEMENT COMMITTEE
	<p>(1) Unless otherwise determined by the Exchange upon notification to the Commission, the Risk Management Committee shall be comprised of such number and such persons as may be determined by the Participating Organisation <i>Provided Always</i> –</p> <p>(a) the person does not hold a dealer's representative licence; and</p>		<p>(1) Unless otherwise determined by the Exchange upon notification to the Commission, the Risk Management Committee shall be comprised of such number and such persons as may be determined by the Participating Organisation <i>Provided Always</i> –</p> <p>(a) the person does not hold a dealer's representative licence; and</p> <p>(b) the following persons shall be members –</p> <p>(i) Executive Director Operations; and</p> <p>(ii) Executive Director Compliance or in the case of Non-Universal</p>

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Existing Rule		Amended Rules	
	<p>(b) the following persons shall be members –</p> <p>(i) Executive Director Operations; and</p> <p>(ii) Executive Director Compliance or in the case of Non-Universal Broker, Compliance Officer.</p> <p>(2) Without being in derogation to the foregoing paragraph, the Executive Director Dealing may be invited to attend at meetings or proceedings of the Risk Management Committee when there are issues concerning risk management that affect or may affect the activities of dealing in securities of the Participating Organisation.</p>		<p>Broker, Compliance Officer.</p> <p>(2) Without being in derogation to the foregoing paragraph, the Executive Director Dealing may be invited to attend at meetings or proceedings of the Risk Management Committee when there are issues concerning risk management that affect or may affect the activities of dealing in securities of the Participating Organisation.</p> <p>(3) The provisions in Rule 509.3(1)(b)(ii) would not apply where the Participating Organisation does not have an Executive Director Compliance for reason stipulated in Rule 307.1(3).</p>
1103.1	<p>RISK MANAGEMENT</p> <p>(1) Every Participating Organisation shall -</p> <p>(a) establish, maintain and exercise effective policies and procedures on risk management; and</p> <p>(b) have its own system of monitoring risk on a daily basis.</p> <p>The policies and procedures on risk management shall be put in written form. The Participating Organisation should be able to describe and demonstrate the objectives and operation of the system to</p>	509.5	<p>DUTIES OF A PARTICIPATING ORGANISATION</p> <p>(1) Every Participating Organisation shall -</p> <p>(a) establish, maintain and exercise effective policies and procedures on risk management; and</p> <p>(b) have its own system of monitoring risk on a daily basis.</p> <p>The policies and procedures on risk management shall be put in written form. The Participating Organisation should be able to describe and demonstrate the objectives and operation of the system to the Exchange.</p> <p>(2) Every Participating Organisation shall determine and record in its financial records appropriate credit limits for all counterparties to which it has a credit</p>

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Existing Rule		Amended Rules	
	the Exchange.		exposure.
(2)	Every Participating Organisation shall determine and record in its financial records appropriate credit limits for all counterparties to which it has a credit exposure.	(3)	The credit limits established shall be appropriate to the type, nature and volume of business undertaken and the financial status of the counterparty and shall be reviewed on a regular basis.
(3)	The credit limits established shall be appropriate to the type, nature and volume of business undertaken and the financial status of the counterparty and shall be reviewed on a regular basis.	(4)	A Participating Organisation's financial records shall 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's financial records shall be capable of being summarised in such a way as to permit actual exposures to be measured regularly against the established credit limits.	(5)	A Participating Organisation shall maintain its records in a manner such that they disclose, or are capable of disclosing, in a prompt and appropriate manner, the financial and business information which will enable its management to -
(5)	A Participating Organisation shall maintain its records in a manner such that they disclose, or are capable of disclosing, in a prompt and appropriate manner, the financial and business information which will enable its management to -	(a)	identify, quantify, control and manage the Participating Organisation's risk exposures;
	(a) identify, quantify, control and manage the Participating Organisation's risk exposures;	(b)	make timely and informed decisions;
	(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;
	(c) monitor the performance of all aspects of the Participating Organisation's business on an	(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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	<p>up-to-date basis;</p> <p>(d) monitor the quality of the Participating Organisation's assets; and</p> <p>(e) safeguard the assets of the Participating Organisation and assets belonging to other persons for which the Participating Organisation is responsible.</p>		
1103.2	<p>INTERNAL CONTROL</p> <p>(1) Every Participating Organisation shall establish and maintain at all times written policies and procedures on internal control and should be able to describe and demonstrate the objectives and operation of such policies and procedures to the Exchange.</p> <p>(2) In determining the scope and nature of effective internal control, a Participating Organisation shall consider all relevant factors including the size of the business, the diversity of operations, the volume, size and frequency of transactions, the degree of risk associated with each area of operation and the amount of control by its senior management over day to day operations.</p> <p>(3) The systems of internal control shall be designed in such a way as to ensure that -</p>	509.6	<p>INTERNAL CONTROL</p> <p>(1) Every Participating Organisation shall establish and maintain at all times written policies and procedures on internal control and should be able to describe and demonstrate the objectives and operation of such policies and procedures to the Exchange.</p> <p>(2) In determining the scope and nature of effective internal control, a Participating Organisation shall consider all relevant factors including the size of the business, the diversity of operations, the volume, size and frequency of transactions, the degree of risk associated with each area of operation and the amount of control by its senior management over day to day operations.</p> <p>(3) The systems of internal control shall be designed in such a way as to ensure that –</p> <p>(a) 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 entering into such transactions or commitments;</p> <p>(b) there are procedures to safeguard assets and control liabilities, including assets belonging to other persons for which the Participating Organisation is accountable;</p>

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	<p>(a) 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 entering into such transactions or commitments;</p> <p>(b) there are procedures to safeguard assets and control liabilities, including assets belonging to other persons for which the Participating Organisation is accountable;</p> <p>(c) there are measures, so far as is reasonably practicable, 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; and</p> <p>(d) there is clear delineation of responsibilities and proper segregation of tasks among the departments and the personnel of the Participating Organisation.</p>		<p>(c) there are measures, so far as is reasonably practicable, 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; and</p> <p>(d) there is clear delineation of responsibilities and proper segregation of tasks among the departments and the personnel of the Participating Organisation.</p>
510	AUDIT COMMITTEE OF UNIVERSAL BROKER	510	INTERNAL AUDIT
1202.1	INTERNAL AUDIT FUNCTIONS AND AUDIT COMMITTEE	510.1	INTERNAL AUDIT FUNCTIONS AND AUDIT COMMITTEE

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PERFORMANCE OF SUPERVISORY FUNCTIONS AT GROUP LEVEL**

Existing Rule	Amended Rules
<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 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</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 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>

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

Existing Rule		Amended Rules	
	<p>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>(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>(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. The chairman of the audit committee shall be appointed from amongst 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 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>

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

Existing Rule		Amended Rules	
(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 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>	(8)	<p>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>
(4)	[Deleted]		
(5)	[Deleted]		
(6)	Minutes of Audit Committee: A copy		

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

Existing Rule		Amended Rules	
	<p>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 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>		
1202.2	SCOPE OF INTERNAL AUDIT	510.2	SCOPE OF INTERNAL AUDIT
	<p>(1) Every Participating Organisation shall cause its internal audit department to conduct internal audit(s) on itself and its branch office(s) at such times as it</p>		<p>(1) Every Participating Organisation shall cause its internal audit department to conduct internal audit(s) on itself and its branch office(s) at such times as it deems necessary, subject always to a minimum of one (1) internal audit in each calendar year.</p>

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

Existing Rule		Amended Rules	
	<p>deems necessary, subject always to a minimum of one (1) internal audit in each calendar year.</p> <p>(2) The audit shall include the following areas -</p> <p>(a) to appraise the performance of the management of the Participating Organisation;</p> <p>(b) to appraise the efficiency and effectiveness of communication between personnel and supervisors;</p> <p>(c) to ensure maintenance of clearly presented and comprehensive written policies and procedures that appropriately allocate responsibilities and duties and clear lines of reporting;</p> <p>(d) to ensure the adequacy of employee training policies and procedures;</p> <p>(e) to ensure the efficiency and effectiveness of policies and procedures in relation to credit control and risk management;</p> <p>(f) to review the relevance, reliability and integrity of financial and operational information generated and the means used to identify, measure, classify and report such information;</p>		<p>(2) The audit shall include the following areas -</p> <p>(a) to appraise the performance of the management of the Participating Organisation;</p> <p>(b) to appraise the efficiency and effectiveness of communication between personnel and supervisors;</p> <p>(c) to ensure maintenance of clearly presented and comprehensive written policies and procedures that appropriately allocate responsibilities and duties and clear lines of reporting;</p> <p>(d) to ensure the adequacy of employee training policies and procedures;</p> <p>(e) to ensure the efficiency and effectiveness of policies and procedures in relation to credit control and risk management;</p> <p>(f) to review the relevance, reliability and integrity of financial and operational information generated and the means used to identify, measure, classify and report such information;</p> <p>(g) to ensure the adequacy of its internal controls and procedures that are specifically designed to detect and/or prevent violations;</p> <p>(h) to ensure the adequacy of its information system and other information technology-related matters;</p> <p>(i) to ensure compliance by the Participating Organisation of the Securities Laws, any other applicable laws and regulations, these Rules, its internal policies and procedures, and disciplinary actions imposed by any relevant authorities;</p> <p>(j) to appraise and evaluate all operational aspects of the Participating Organisation's business;</p> <p>(k) to ensure and ascertain that the financial and accounting records and reports of the Participating Organisation contain accurate, reliable, timely, complete and relevant information and are prepared in</p>

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD PERTAINING TO
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Existing Rule		Amended Rules	
	<p>(g) to ensure the adequacy of its internal controls and procedures that are specifically designed to detect and/or prevent violations;</p> <p>(h) to ensure the adequacy of its information system and other information technology-related matters;</p> <p>(i) to ensure compliance by the Participating Organisation of the Securities Laws, any other applicable laws and regulations, these Rules, its internal policies and procedures, and disciplinary actions imposed by any relevant authorities;</p> <p>(j) to appraise and evaluate all operational aspects of the Participating Organisation's business;</p> <p>(k) to ensure and ascertain that the financial and accounting records and reports of the Participating Organisation contain accurate, reliable, timely, complete and relevant information and are prepared in compliance with approved accounting standards;</p> <p>(l) to ensure that any major findings and/or frauds uncovered in the course of the internal audit that may affect the Participating Organisation's financial position or its operations, are reported to</p>		<p>compliance with approved accounting standards; and</p> <p>(l) to ensure that any major findings and/or frauds uncovered in the course of the internal audit that may affect the Participating Organisation's financial position or its operations, are reported to the board of directors and management immediately, so as to ensure prompt corrective actions are taken.</p> <p>(3) Every Participating Organisation shall also cause its internal audit department to submit its annual audit plan to the Exchange within thirty (30) days from the date the audit plan was approved by the audit committee or board of directors of the Participating Organisation, whichever is earlier, or such other period prescribed by the Exchange from time to time.</p>

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

Existing Rule		Amended Rules	
	<p>the board of directors and management immediately, so as to ensure prompt corrective actions are taken.</p> <p>(3) Every Participating Organisation shall also cause its internal audit department to submit its annual audit plan to the Exchange within thirty (30) days from the date the audit plan was approved by the audit committee or board of directors of the Participating Organisation, whichever is earlier, or such other period prescribed by the Exchange from time to time.</p>		
1202.3	<p>REPORTING</p> <p>(1) The relevant department carrying out the internal audit functions for the Participating Organisation shall table all its audit reports to the Audit Committee referred to in Rule 1202.1(2) irrespective of significance of issues raised as soon as reasonably practicable after the completion of the internal audit referred to in Rule 1202.2(1).</p> <p>(2) The audit committee shall thereafter present to the board of directors of the Participating Organisation the audit report, its course of action and/or any corrective measures taken, to address any non compliance or irregularities stated in the audit report, and submit a copy each of the aforesaid to the Exchange within thirty (30) days from the date the audit report was presented to the board of directors of the Participating</p>	510.3	<p>REPORTING</p> <p>REPORTING</p> <p>(1) The relevant department carrying out the internal audit functions for the Participating Organisation shall table all its audit reports to the Audit Committee referred to in Rule 510.1(2) irrespective of significance of issues raised as soon as reasonably practicable after the completion of the internal audit referred to in Rule 510.2(1).</p> <p>(2) The audit committee shall thereafter present to the board of directors of the Participating Organisation the audit report, its course of action and/or any corrective measures taken, to address any non compliance or irregularities stated in the audit report, and submit a copy each of the aforesaid to the Exchange within thirty (30) days from the date the audit report was presented to the board of directors of the Participating Organisation or such other period as prescribed by the Exchange from time to time.</p> <p>(3) The board of directors of a Participating Organisation shall be responsible for the submission of all documents referred to in Rule 510.3(2).</p>

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

Existing Rule		Amended Rules	
	<p>Organisation or such other period as prescribed by the Exchange from time to time.</p> <p>(3) The board of directors of a Participating Organisation shall be responsible for the submission of all documents referred to in Rule 1202.3 (2).</p>		
511	INTERNAL AUDIT DEPARTMENT OF UNIVERSAL BROKER	511	PERFORMANCE OF SUPERVISORY FUNCTIONS, RISK MANAGEMENT COMMITTEE AND AUDIT COMMITTEE AT GROUP LEVEL
	[Deleted]	511.1	<p>(1) A Participating Organisation may be permitted to have its Supervisory Functions undertaken at its Group level and in relation to its internal audit functions by an External Party provided it obtains the prior written approval of the Exchange pursuant to the Guidelines on Supervisory Functions and provided further that it is in compliance with, on a continuing basis, the Guidelines on Supervisory Functions and all rules, directives, rulings and guidelines issued by the Exchange pertaining to the same.</p> <p>(2) The Guidelines on Supervisory Functions shall be regarded as part of these Rules and consequently any breach by the Participating Organisations of the Guidelines on Supervisory Functions shall be deemed to be a breach of these Rules.</p> <p>(3) The Exchange may issue any rules, directives, rulings and guidelines in relation to the performance of Supervisory Functions at a Participating Organisation's Group level, as it deems fit, from time to time.</p>
		511.2	<p>(1) A Participating Organisation may have its risk management committee and/or its audit committee functions established or undertaken at Group Level provided it obtains the prior written approval of the Exchange and provided further that it is in compliance with, on a continuing basis, with the provisions of this Rule 511.2.</p>

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

Existing Rule	Amended Rules
	<p>(2) Where the Exchange approves for the risk management committee and/or the audit committee functions of a Participating Organisation to be established or undertaken at Group Level, the provisions set out in paragraph 3 of the Guidelines on Supervisory Functions shall equally apply to and be binding on the Participating Organisation with the following modifications:</p> <p>(a) all reference to 'supervisory functions' in paragraph 3 of the Guidelines on Supervisory Functions shall for the purposes of this Rule be read to include the risk management committee functions and the audit committee functions; and</p> <p>(b) all reference to 'market intermediary' and 'dealer' in paragraph 3 of the Guidelines on Supervisory Functions shall be read to include the Participating Organisation herein.</p> <p>(3) A Participating Organisation in making an application for the approval of the Exchange to establish or undertake its risk management committee and/or its audit committee functions at Group Level shall comply with the application procedures set out in paragraph 7 of the Guidelines on Supervisory Functions which shall equally apply to and be binding on the Participating Organisation with the following modifications:</p> <p>(a) all reference to 'dealers', 'market intermediary' in paragraph 7 of the Guidelines on Supervisory Functions shall for the purposes of this Rule be read to include a Participating Organisation stipulated herein; and</p> <p>(b) all reference to 'supervisory functions' in paragraph 7 of the Guidelines on Supervisory Functions shall for the purposes of this Rule be read to include the risk management committee functions and the audit committee functions.</p>

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

Existing Rule		Amended Rules	
		511.3	(1) The provisions in Rule 511.1 and 511.2 are not applicable to an Investment Bank and are substituted with the provisions in the Guidelines on Investment Bank and the requirements of Central Bank relating to the performance of the Supervisory Functions of an Investment Bank by an entity other than the Investment Bank (“the Relevant Guidelines and Requirements”). The Relevant Guidelines and Requirements are deemed to be part of these Rules.

**DIRECTIVES ON PERFORMANCE OF SUPERVISORY FUNCTIONS AT
GROUP LEVEL FOR CAPITAL MARKET INTERMEDIARIES**

1. **DEFINITION AND ACRONYMS**

1.1 In these directives, unless the context otherwise requires –

BURSA	means the following entities either collectively or individually as the context shall require. <ul style="list-style-type: none">• Bursa Malaysia Securities Berhad;or• Bursa Malaysia Derivatives Berhad.
Client(s)	means an entity, whether an individual or a body corporate, for whom relevant trading account(s), have been opened in accordance with the requirements of the Rules .
Entity	shall have the same meaning as ascribed to it in the Guidelines
External Party	shall have the same meaning as ascribed to it in the Guidelines
Guidelines	means the “Guidelines on Performance of Supervisory Functions at Group Level for Capital Market Intermediaries” issued by the Securities Commission on 29 June 2005 and revised on 2 March 2006.
Market Intermediary	means the following : <ul style="list-style-type: none">• Participating Organisation; and• Trading Participant as defined in the Rules whether collectively or individually, as the context requires.
Rules	shall have the same meaning as ascribed to it in the Guidelines.
Service Level Agreement (“SLA”)	shall have the same meaning as ascribed to it in the Guidelines.
Securities laws	shall have the same meaning as ascribed to it in the Guidelines.

2. OBLIGATIONS OF THE MARKET INTERMEDIARY

2.1 Responsibility of the Market Intermediary

Despite the supervisory functions being performed at group level or the internal audit function being performed by the External Party in accordance with the Rules, the Market Intermediary shall continue to retain accountability and responsibilities on compliance with the Rules and all other relevant securities laws, regulations and guidelines.

2.2 Service Level Agreement

2.2.1 Where there is more than one Entity for the performance of the supervisory functions, the Market Intermediary shall enter into separate SLA with each of the Entity.

2.2.2 The Market Intermediary shall ensure that the salient contractual obligations and terms of the SLA in relation to the secrecy and confidentiality of the documents and information of clients imposed on the Entity/ External Party in the course of carrying out the supervisory functions shall be applicable not only for the duration of the SLA but also survives the termination of the SLA.

2.3 Confidentiality of Clients' Information

2.3.1 The Market Intermediary shall comply with Section 43 and 45 of the Securities Industry (Central Depositories) Act 1991.

2.4 Interruption and Termination

2.4.1 The Market Intermediary shall be liable for any non performance of the supervisory functions arising from any interruption in the carrying out of the supervisory functions and/or termination thereof by the Entity/ External Party and in this respect the Market Intermediary shall not be exonerated from its responsibilities and obligations under the Rules, directives and/or guidelines issued by BURSA.

2.5 Notification of Termination

2.5.1 The Market Intermediary shall immediately notify BURSA in the event the Entity/ External Party is terminated from performing the supervisory functions.

2.6 Review and Reporting By the Market Intermediary

2.6.1 The Market Intermediary shall undertake regular review of the functions performed by the Entity/ External Party and prepare

the necessary report at least once a year. The Market Intermediary shall ensure the report contains, inter alia, the following :-

- quality of the performance of the supervisory function by the Entity/ External Party;
- adherence of the Entity/ External Party to the quality standards agreed between the Market Intermediary and the Entity/ External Party;
- adherence of the Entity/ External Party with the obligations stipulated under the SLA;
- potential conflict of interest;
- adequacy of resources and ability of the Entity/ External Party to efficiently undertake the functions especially where the Entity/ External Party performs supervisory functions for multiple entities.

2.6.2 The Market Intermediary shall submit a copy of the report mentioned under 2.6.1 to the Intermediary Supervision Division of BURSA within 30 days after the same has been deliberated by its Board of Directors.

3. COMPLIANCE AND ENFORCEMENT

3.1 The Market Intermediary shall ensure that the Entity/ External Party complies with the Rules, guidelines, rulings and directives issued, or as may be issued, from time to time, by BURSA.

3.2 In the event there is any breach or non compliance by the Entity/ External Party in relation to the Rules, guidelines, rulings and directives issued, or as may be issued, from time to time, by BURSA, whether the breach is discovered during the tenure of the SLA or otherwise, BURSA shall deem such breach to be a breach committed by the Market Intermediary and all provisions in the Rules in relation thereof shall apply.

4 COMMUNICATIONS

4.1 All Rules, guidelines, rulings, directives, and all other types of communications, whether written or otherwise, in relation to the supervisory functions shall at all times be issued by BURSA to the Market Intermediary, notwithstanding that the same has been outsourced to the Entity/ External Party.

4.2 The Market Intermediary shall be responsible to ensure that the Entity/ External Party is informed of all Rules, guidelines, rulings, directives and all other types of communications,

whether written or otherwise, directed to the Market Intermediary in relation to the supervisory functions and BURSA shall deem that the same is communicated and within the knowledge of the Entity/ External Party.

5. APPLICATION TO BURSA

5.1 The Market Intermediary shall submit an application in writing to BURSA at least 30 market days prior to the intended commencement of the carrying out of the supervisory functions by the Entity/ External Party. Such applications shall be addressed to:-

Intermediary Supervision Division
Bursa Malaysia Berhad
12th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur.

5.2 The Market Intermediary shall ensure each application is accompanied by the following documents/ information:-

- i) Information on the objectives of the performance of the supervisory functions at group level or the internal audit function being performed by the External Party;
- ii) Information on the manner in which the Market Intermediary shall monitor the performance of the functions by the Entity / External Party;
- iii) A copy of the SLA;
- iv) A copy of the completed Checklist for Performance of Supervisory Functions at Group Level together with the necessary supporting documents;
- v) Letters of Undertaking and Confirmation as follows :
 - a) in respect of the existing clients of the Market Intermediary as at the date of this application, a confirmation that the Market Intermediary has complied with the requirements stipulated under item no. 2.3; and
 - b) in respect of future clients of the Intermediary, an undertaking that the Market Intermediary shall comply with the requirements stipulated under item no.2.3.

5.3 BURSA may, upon approval given to the Market Intermediary, impose, add or vary any terms or conditions, as it deems fit in relation to the approval given herein.

5.4 The provisions in the Rules pertaining to the performance of supervisory functions by the Entity / External Party and these Directives shall apply to all performance of supervisory functions of a Market Intermediary that have been performed by the Entity/ External Party prior to the effective date of these Directives and the Market Intermediary intends the Entity/ External Party to continue to perform the functions. In relation thereto, the Market Intermediary shall be required to submit within two (2) months from the effective date of these Directives, documents stipulated under item no. 5.2 to demonstrate compliance with the requirements of the Rules in relation to the performance of supervisory functions at group level and these Directives.

6. REVOCATION OF APPROVAL AND INDEMNITY

6.1 BURSA shall have the right to revoke any approval given to an Market Intermediary in relation to the performance of supervisory functions by the Entity / External Party and/or to direct the Market Intermediary to discontinue the arrangement immediately, partly or wholly, for any reason whatsoever, including but not limited to, where there is a breach by the Market Intermediary of the requirements of the Rules and/or these Directives.

6.2 BURSA shall not be held liable either by the Market Intermediary and/or the Entity/ External Party for any claims arising from revocation of approvals granted in respect of the performance of supervisory functions. Consequent to the revocation, the Market Intermediary shall carry out the relevant supervisory functions by itself, until and unless a new Entity/ External Party has been appointed and approved by BURSA in accordance with the Rules and/or these Directives.

6.3 The Market Intermediary shall also keep BURSA indemnified and shall not hold BURSA liable to any claims made by any party howsoever arising from or in connection with the approval granted by BURSA to the Market Intermediary for the performance of supervisory functions by the Entity / External Party.

**CHECKLIST FOR PERFORMANCE OF
SUPERVISORY FUNCTIONS AT GROUP LEVEL**

DESCRIPTION		
1.	Name of Intermediary :	
2.	Address :	
3.	Telephone Number :	
4.	Facsimile :	
5.	Primary Contact Person (include designation / position) :	
6.	Date of Review :	

State the objective and the overview of the proposed supervisory functions at group level to be adopted :

Objective :

Overview of the proposed supervisory functions at group level :

PARTICULARS		YES	NO	N/A	REMARKS
1.	APPLICATION PROCEDURE				
1.1	<p>Has the Intermediary provided the following information / document(s) in its application ? :</p> <p>i. Objectives for placing Supervisory Functions at Group level / outsourcing of internal audit function to the External Party.</p> <p>ii. Proposed Group supervisory structure to be adopted.</p> <p>iii. State that the arrangement between the Intermediary and the Entity or the External Party is in compliance with the securities laws, regulations, guidelines, licensing conditions and Rules and measures are in place to ensure compliance on a continuous basis.</p> <p>iv. A copy of the executed Service Level Agreement</p>				
2.	GENERAL REQUIREMENTS				
2.1	<p><u>Legal and Regulatory Obligations</u></p> <p>Has the Intermediary prepared the policy and procedures to monitor the performance of the Entity carrying out the Supervisory Functions at Group Level or the External Party undertaking the internal audit function ?</p>				
2.2	<p><u>Confidentially of Clients' Information</u></p> <p>Has the Intermediary performed the following :-</p> <p>i. Obtained a written undertaking from the Entity and / or External Party to maintain the secrecy and confidentially of the documents and information of clients ? (Intermediary to provide a copy of the written undertaking)</p> <p>ii. Reviewed the Entity's and/or the External Party's security policies, procedures and controls to ensure that it enable the protection of confidentially and security of clients'</p>				

PARTICULARS		YES	NO	N/A	REMARKS
	information ?				
2.3	<p><u>Access to Books, Records and Documents</u></p> <p>i. Has the Intermediary obtained a written undertaking from the Entity and / or the External Party that give the rights to the SC and / or the Exchange to conduct inspection at the Entity's and/or External Party's premises which include examination and obtain copies of their books, records and documents ? (Intermediary to provide a copy of the written undertaking)</p> <p>ii. Has the Intermediary ensure that the necessary measures are in place to facilitate the performance of the SC's and Exchange's regulatory functions and full access to books, records and documents prior to placing the supervisory functions within the Entity or the External Party ?</p>				
2.4	<p><u>Service Level Agreement</u></p> <p>i. Has the Intermediary entered into a Service Level Agreement with the Entity and / or External Party that define the roles, responsibilities and obligations of the Entity or the External Party ?</p> <p>ii. Does the Service Level Agreement contain the following terms and conditions that include an undertaking by the Entity or External Party to have the capabilities to carry out the relevant function(s) in the following manner ? :-</p> <p>a. adequate resources and ability to undertake relevant function(s) efficiently at all times</p> <p>b. adequate expertise to perform the relevant function(s)</p> <p>c. ability to manage any conflicts or potential conflicts of interest</p> <p>d. ensure compliance with securities laws,</p>				

PARTICULARS		YES	NO	N/A	REMARKS
	regulations, guidelines, license conditions and Rules.				
2.5	<p><u>Business Continuity</u></p> <p>i. Has the Intermediary establish a contingent plan to mitigate any discontinuity and disruption to the performance of the Supervisory Functions ?</p>				
3.	COMPLIANCE FUNCTION				
3.1	Has the Intermediary assesses all systems are in place to ensure that the Intermediary's compliance function can effectively and efficiently be performed at Group level, including sufficiency of resources, expertise and effective day-to-day compliance ?				
3.2	Has the Intermediary appointed at least one Compliance Officer who is dedicated to undertake its compliance function ? (subject to the applicable Rules or Guidelines)				
3.3	Has the Intermediary registered the dedicated Compliance Officer with the SC and / or the Exchange ?				
4.	RISK MANAGEMENT FUNCTION				
4.1	Has the Intermediary established and implemented the appropriate risk management or risk mitigation strategies?				
5.	INTERNAL AUDIT FUNCTION				
5.1	<p>Has the Intermediary ensured the following for outsourcing of internal audit function to External Party ?:-</p> <p>i. External Party is not the Intermediary's current</p>				

PARTICULARS		YES	NO	N/A	REMARKS
	Statutory Auditors. ii. External Party shall at all times perform the function in an independent, competent and effective manner.				

Completed by :-	Date :-

Conclusion:-

Reviewed by:-	Date:-