

ANNEXURE 2
AMENDMENTS TO THE BMS DIRECTIVES

In relation to review of the (1) Guidelines for Compliance Function and (2) Compliance Reporting for Participating Organisation, Trading Participants and Clearing Participants

DIRECTIVES ON COMPLIANCE REPORT	No. 3.36-002
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Relevant to : Rules 3.36 and 6.07
Introduced with effect from : 2 May 2013
Amended : 22 February 2016 vide R/R 2 of 2016, 16 June 2017 vide R/R 7 of 2017, ~~and~~ 21 August 2020 vide R/R 11 of 2020 and 30 November 2021 vide R/R 6 of 2021
POs' Circular No(s). : R/R 5 of 2009
Refer also to Directive No(s). : N/A

1. Rule 3.36(c)

- (1) Rule 3.36(c) provides that a Head of Compliance must ensure matters pertaining to compliance by the Participating Organisation, the Participating Organisation's Registered Persons, employees and agents with the Securities Laws, these Rules and the Directives are highlighted to the Participating Organisation's Board of Directors or in the case of an Investment Bank, to the Board of Directors or committee to whom the Head of Compliance is required to report under the Guidelines on Investment Banks.
- (2) In discharging the obligations under the said Rule, a Head of Compliance must, amongst others, comply with the requirements set out below.

1.1 Reporting on compliance matters

- (1) A Head of Compliance may bring matters pertaining to compliance to the attention of any of the Heads or other senior management of the Participating Organisation for appropriate action to be taken.
- (2) A Head of Compliance must report directly and submit written compliance reports to the Participating Organisation's Board of Directors or such committee appointed by the Board of Directors, as the case may be, on a monthly basis on all matters pertaining to compliance with the Securities Laws, these Rules and the Directives ("Regulatory Framework").
 - ~~(a) report directly to the Participating Organisation's Board of Directors; and~~
 - ~~(b) submit monthly written reports to the Participating Organisation's Board of Directors on all matters pertaining to compliance with the Securities Laws, these Rules and the Directives.~~
- (3) ~~In the case of an Investment Bank, the reporting and monthly written reports referred to in paragraph 1.1(2) above must be made to the relevant person or committee to whom the Head of Compliance reports to, under the Guidelines on Investment Banks. [deleted]~~
- (4) The Participating Organisation's Board of Directors or such committee appointed by the Board of Directors, as the case may be, in the case of an Investment Bank, the person or committee to whom the Head of Compliance reports to, must deliberate on the written reports at its duly constituted meetings and decide on the appropriate action to be taken.

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- (5) A Head of Compliance must submit the written reports referred to in paragraph 1.1(2)(b) above 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.
- (6) When submitting the compliance reports referred to in paragraph 1.1(2) above, aAll Heads of Compliance ~~of Participating Organisations~~ must use the format appended to this Directive as Appendix 1 (“**Standard Compliance Report**”) and make the submission in such manner as may be prescribed by the Exchange ~~when submitting the compliance reports referred to in paragraph 1.1(2) above.~~
- (7) The Standard Compliance Report is not intended and must not be construed to limit the scope of reporting or the scope of duties and responsibilities of a Head of Compliance as prescribed in the se Rules. The Standard Compliance Report serves to streamline and standardise the form and manner in which breaches of the Regulatory Framework Securities Laws, these Rules and Directives and any other matters pertaining to compliance or otherwise are to be reported to the Exchange or the Board of Directors or such committee appointed by the Board of Directors, as the case may be.
- (8) All items stated in the respective sections of the Standard Compliance Report must be completed in accordance with the Directives prescribed in the table below:

Section No.	Item	Directives
1.0	Summary of Non-Compliances	This section provides for a brief description of the non-compliances noted in the month reported and the remedial action(s) taken, if any.
2.0	Status of Non-Compliances Reported Earlier	This section provides for the status of the remedial action(s) on the non-compliances reported in the previous Standard Compliance Report.
3.0	Status of Compliance with the conditions imposed by the Exchange and the Commission	This section provides for the status of compliance with the terms and conditions imposed by the Exchange and/or the Commission on the Participating Organisation arising from its operations as a Participating Organisation and where the compliance is required on a continuing basis. For example, the status of compliance with the terms and conditions imposed pursuant to the readiness audit conducted for establishment of its office(s) and applications made under these Rules for approvals or waivers.

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4.0	Matters to be highlighted to the Exchange	This section is optional. Participating Organisation may wish to highlight to the Exchange general matters in relation to compliance other than breaches of the Rules and Directives or otherwise with a view of improving the standard of compliance and regulations. For example, areas in these Rules or Directives that lack clarity or require enhancements.
5.0	Report on general compliance level of Participating Organisation	This section is for the Head of Compliance to provide his opinion or make an assessment of the general compliance level of the Participating Organisation for the month.
6.0 to 157.0	Detailed Report	<p>These sections prescribe the 'mandatory areas' where Participating Organisation has to expressly state whether the requirements stated have been complied with or not.</p> <p>This is to ensure that the Participating Organisation's level of compliance with the Securities Laws, these Rules and Directives <u>Regulatory Framework</u> in relation to the "mandatory areas" are fully disclosed to its Board of Directors and the Exchange.</p>
168.0		<p>Reporting in relation to non-compliance by the Participating Organisation with the areas in the Securities Laws, these Rules and Directives <u>Regulatory Framework</u> other than the areas itemised in sections 5.0 to 157.0 <u>is only required if there is a non-compliance with the same.</u></p> <p>Participating Organisation must add <u>to include</u> section 168.0 to the Standard Compliance Report for the purpose of reporting the above non-compliances. Where the areas involved in the above said reporting are varied and many, Participating Organisation may add more section numbers after section 168.0 for ease of reporting.</p>

1.2 Ad-hoc Reporting of breaches or irregularities

- (1) A Head of Compliance must immediately report to the Participating Organisation's Board of Directors or such committee appointed by the Board of Directors, as the case may be, and the Exchange if the Head of Compliance becomes aware of any matter with reasonable diligence or assessment that:

As at ~~8 July 2024~~ 30 November 2021

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- (a) constitutes a breach of any provision of the Securities Laws;
 - (b) involves the potential default of the Participating Organisation against the Clearing House or other counterparty;
 - (c) results in a significant drop to the financial position of the Participating Organisation;
 - (d) has significant adverse effect on the Client's assets the Participating Organisation holds;
 - (e) has significant adverse effect on the risk position and financial integrity of the Participating Organisation;
 - (f) has resulted in a regulatory or disciplinary action being taken against the Participating Organisation or any of the Participating Organisation's Registered Persons, employees or agents by any other regulatory authority;
 - (g) involves fraudulent conduct by the Participating Organisation's Registered Person, employee or agent; or
 - (h) adversely affects the Participating Organisation's ability to comply with ~~these Rules or Directives~~ the Regulatory Framework.
- (2) In addition to the reporting requirement in paragraph 1.2(1) above, the Head of Compliance must immediately report to the Commission upon becoming aware of any matter under paragraph 1.2(1)(a).
- (3) In relation to matters reported under paragraphs 1.2(1) and (2) above, the Head of Compliance must inform the Exchange (in relation to matters reported under paragraph 1.2(1) above) and the Commission, respectively, (in relation to matters reported under paragraph 1.2(2) above) of:
- (a) the decision of the Board of Directors or such committee appointed by the Board of Directors, as the case may be, together with' decision in relation to the matters and the corrective measures and decided courses of actions that the Board of Directors will be or have been taken by the Board of Directors or board committee or have taken, within 30 days of such reporting to the Board of Directors under paragraph 1.2(1) above; and
 - (b) the completion of the measures and actions taken, if any.
- (4) In the case of an Investment Bank, the Head of Compliance of the Investment Bank must report on matters set out in paragraph 1.2(1) above to the Board of Directors or committee to whom the Head of Compliance is required to report to under the Guidelines on Investment Banks. In this regard, references to the Board of Directors in paragraphs 1.2(1) and 1.2(3) above are to be read to include the Board of Directors or committee a Head of Compliance reports to under the Guidelines on Investment Banks. [deleted]

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[End of Directive]

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Appendix 1

(NAME OF PARTICIPATING ORGANISATION)

**COMPLIANCE REPORT
FOR THE MONTH OF
xx 20xx**

DATE:

As at ~~8 July 2021~~ 30 November 2021

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EXECUTIVE SUMMARY

1. SUMMARY OF NON-COMPLIANCE

No	Ref	Relevant Rule / Guidelines / Acts	Description of non-compliance	Action(s) taken

2. STATUS OF NON-COMPLIANCES REPORTED EARLIER
(to the extent that the issue has not been rectified and reported)

No	Reported in Compliance Report of the month of	Description of non-compliance	Status of rectification

3. STATUS OF COMPLIANCE WITH THE CONDITIONS IMPOSED BY THE EXCHANGE AND THE COMMISSION

No	Readiness or applications (include the date of approval)	Condition	Status of compliance

Note: The Participating Organisation is to report all conditions that the Participating Organisation has yet to comply. Those conditions that have been complied with and reported need not be included in the reports of subsequent months.

4. MATTERS TO BE HIGHLIGHTED TO THE EXCHANGE

- (a) Comments on ~~existing Bursa Malaysia~~ these Rules and Directives.
- (b) Regulatory burden encountered.

5. REPORT ON GENERAL COMPLIANCE LEVEL OF PARTICIPATING ORGANISATION

- ~~(a)~~ — The Head of Compliance to express opinion/ assessment on the general compliance level of the Participating Organisation for the month.

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DETAILED REPORT

6. On trading accounts and trust accounts, the **Head of Compliance** must report whether:

- (a) The internal policies and procedures on “Know Your Client” and opening of accounts have been complied with; and
- (b) The Rules and the Securities Laws on clients’ trust account have been complied with.

7. On complaints, the **Head of Compliance** must report whether:

~~(a)~~ — All complaints received have been resolved. To indicate the number and nature of complaints received and resolved in the following table:

No	Nature of complaint	Date of complaint	Date complaint is resolved / Action taken

8. On transaction by employees **(includes Salaried and Commissioned Dealer’s Representatives)** and directors, the **Head of Compliance** must report whether upon receipt of notifications of transactions under Rule 7.26(1), the necessary steps to ensure compliance with the Participating Organisation’s obligations to manage conflict of interests and risks under Rule 5.02 have been taken by the Participating Organisation.

Total number of employees involved	Total number of shares	Total value of shares	Total number of securities involved

Total number of directors involved	Total number of shares	Total value of shares	Total number of securities involved

9. On Capital Adequacy Requirement, the **Head of Compliance** must report whether:

[This Section 9 not applicable to Investment Banks]

- (a) There is any exception noted in respect of the Participating Organisation’s Capital Adequacy reports and daily reports generated, paying particular

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attention to the accuracy and timeliness of the reports and also the integrity of the data; and

- (b) There is any item/transaction not recorded/reported that may affect the Participating Organisation's liquid capital and total risk requirement.

10. On Dealer's Representatives (covers Salaried and Commissioned Dealer's Representatives), the Head of Compliance must report:

- (a) Exceptions on Dealer's Representatives who are involved in back office operations;
- (b) Exceptions on registration, renewal and cessation of Dealer's Representatives' licences;
- (c) Exceptions on unlicensed trading; and
- (d) Exceptions on instances of sharing of user-ids and passwords and leaving broker front end terminals unattended without temporarily logging off.

11. On segregation of duties and policies and procedures, the Head of Compliance must report:

- (a) Irregularities noted on the segregation of duties especially between the back and front office; and
- (b) Exceptions noted on the inadequacies of policies and procedures of the Participating Organisation (e.g. margin, Discretionary Financing Account, PDT, etc).

~~**12. On brokerage, the HOC must report:**~~

- ~~(a) The exceptions noted on the brokerage charged and reflected in the contract notes.~~

~~**12. On Regulated Short Selling ("RSS") and Securities Borrowing and Lending ("SBL"), the Head of Compliance must report:**~~

- ~~(a) Exceptions noted on compliance with the requirements on RSS~~
- ~~(b) Exceptions noted on compliance with the requirements on SBL~~

~~**13. On advertising and publicity, the HOC must report:**~~

- ~~(a) Exceptions noted on compliance with the requirements on advertising and publicity.~~

~~**13. On clearing and error account, the HOC must report:**~~

~~Exceptions noted on compliance with the requirements on clearing and error accounts.~~

~~**14. On training, the HOC must report:**~~

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~~(a) Exceptions noted on the sufficiency and comprehensiveness of the training system and program; and~~

~~(b) Exceptions noted on the maintenance of training records.~~

14. On discretionary trading, the Head of Compliance must report:

~~Exceptions noted on compliance with the requirement on discretionary trading activities.~~

15. On market surveillance monitoring, the Head of Compliance must report:

~~Any exceptions or irregular trading activities noted on compliance with the requirements of the Exchange.~~

15.16. On trading on the LEAP Market, the Head of Compliance must report all non-compliances with the ~~Regulatory Framework~~ Securities Laws, the Rules and the Directives. Notwithstanding paragraph 1.1 of Directive No. 3.36-002, this item must be submitted every quarter of a calendar year.

17. On cybersecurity, the Head of Compliance must report:

~~(a) Adequacy of cyber risk policies and procedures; and~~

~~(b) Exceptions noted in cybersecurity.~~

168. On non-compliances other than in the areas itemised in sections 6 to 175 above.

[End of Appendix]