

ANNEXURE 2

AMENDMENTS TO THE BMD DIRECTIVES

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

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| DIRECTIVE ON COMPLIANCE REPORTS | No. 3.36-002 |
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Relevant to : Rules 3.36 and 5.05
 Introduced with effect from : 15 August 2019
 Amended : N/A 30 November 2021 vide TP Circular No. 17/2021
 TPs' Circular No(s). : 21/2010, 6/2012
 Refer also to Directive No(s). :

1. Rule 3.36(c)

- (1) Rule 3.36(c) provides that throughout a Compliance Officer's registration, the Compliance Officer must ensure matters pertaining to compliance are highlighted to the Trading Participant's board of directors or in the case of an Investment Bank, to the board of directors or committee to whom the person is in charge of compliance is required to report under the Guidelines on Investment Banks.
- (2) In discharging the obligations under the said Rule, a Compliance Officer must, amongst others, comply with the requirements set out below.

1.1 Reporting on compliance matters

- (1) A Compliance Officer may bring matters pertaining to compliance to the attention of any of the senior management of the Trading Participant for appropriate action to be taken.
- (2) A Compliance Officer must ~~submit monthly written reports report directly and submit written compliance reports~~ to the Trading Participant's board of directors of the Trading Participant 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~~Laws, these Rules, ~~and the Directives~~ ("Regulatory Framework").
- (3) ~~In the case of an Investment Bank, the reporting and monthly written compliance reports referred to in paragraph 1.1(2) above must be made to the board of directors or committee to whom the person in charge of compliance reports to under the Guidelines on Investment Banks.~~[deleted]
- (4) The Trading Participant's board of directors or such committee appointed by the board of directors, as the case may be, or in the case of an Investment Bank, the board of directors or committee to whom the person in charge of compliance reports to under the Guidelines on Investment Banks, must deliberate on the written reports at its duly constituted meeting and decide on the appropriate action to be taken.
- (5) The Compliance Officer must submit the written reports in paragraph 1.1(2) 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, all Compliance Officers of Trading Participants must use the format appended to this Directive as Appendix 1 ("Standard Compliance Report") when submitting the compliance reports referred to in paragraph 1.1(2) above and make the submission in such manner as may be prescribed by the Exchange.

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- (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 Compliance Officer as ~~stipulated prescribed~~ in the 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, issued by the Exchange~~ and any other matters pertaining to compliance or otherwise are to be reported to the Exchange or the Trading Participant's 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 shall be completed in accordance with the ~~e~~Directives prescribed in the table below:

| Section No. | Item | Directives |
|-------------|--|--|
| 1.0 | Summary of Non-Compliance | 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 W <u>with</u> T <u>he</u> C <u>onditions</u> i <u>mposed</u> by the Exchange and the Commission | <p>This section provides for the status of compliance with the terms and conditions imposed by the Exchange and/or the Commission on the Trading Participant arising from its operations as a Trading Participant whether the same were imposed arising from applications made by the Trading Participants to the Exchange and/or the Commission or otherwise and where the compliance is required on a continuing basis.</p> <p>For example, the status of compliance with the terms and conditions imposed pursuant to the readiness audit conducted <u>for establishment of its offices</u> and applications made under these Rules for approvals or waivers.</p> |
| 4.0 | Matters T <u>o</u> B <u>e</u> H <u>ighlighted</u> T <u>o</u> the Exchange | <p>This section is optional. Trading Participant may wish to highlight to the Exchange general matters in relation to compliance other than breaches of the Rules <u>and Directives</u> or otherwise with a view of improving the standard of compliance and regulations.</p> <p>For example, areas in these Rules <u>or Directives</u> that lack clarity or require enhancements.</p> |
| 5.0 | Report O <u>n</u> G <u>eneral</u> | This section is for the Compliance Officer to |

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| Section No. | Item | Directives |
|-------------------------|---|---|
| | C ompliance L evel of Trading Participant | provide his opinion or make an assessment of the general compliance level of the Trading Participant for the month. |
| 6.0 to 169.0 | Detailed Report | <p>Theses sections prescribes the “mandatory areas” where Trading Participant has to expressly state whether the requirements stated in the mentioned areas have been complied with or not.</p> <p>This is to ensure that the Trading Participant's level of compliance with the <u>Regulatory Framework Securities laws, these Rules, and Directives issued by the Exchange</u> in relation to the “<u>mandatory areas</u>” areas set out in these sections are fully disclosed to its board of directors and to the Exchange.</p> |
| 1720.0 | | <p>Reporting in relation to compliance by the Trading Participant with the areas in the <u>Regulatory Framework Securities laws, these Rules and Directives issued by the Exchange</u> other than the areas itemised in sections 6.0 to 169.0 is only required if there is a non compliance with the same.</p> <p>Trading Participant must add is to include section 1720.0 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, Trading Participant may for ease of reporting add more section numbers after section 1720.0 <u>for ease of reporting</u>.</p> |

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1.2 Ad-hoc reporting of breaches or irregularities

- (1) A Compliance Officer must immediately report to the Trading Participant's board of directors or such committee appointed by the board of directors, as the case may be, and the Exchange— if the Compliance Officer becomes aware of any matter with reasonable diligence or assessment that:
- (a) constitutes a breach of any provision of the Securities Laws;
 - (b) involves the potential default of the Trading Participant against the Clearing House or other counterparty;
 - (c) results in a significant drop to the financial position of the Trading Participant;
 - (d) has significant adverse effect on the risk position and financial integrity of the Trading Participant;
 - (e) has significant adverse effect on the Client's assets that Trading Participant holds;
 - (f) has resulted in a regulatory or disciplinary action being taken against the Trading Participant or any of the Trading Participant's Registered Persons, employees or agents by any other regulatory authority;
 - (g) involves fraudulent conduct by the Trading Participant's Registered Person, employee or agent ~~of the Trading Participant;~~ or
 - (h) adversely affects the Trading Participant's ability to comply with these Regulatory Framework Rules or Directives.
- (2) In addition to the reporting requirement in paragraph 1.2(1) above, the Compliance Officer 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 Compliance Officer must inform the Exchange ~~(in relation to matters reported under paragraph 1.2(1) above~~ and the Commission, respectively, (in relation to matters reported in 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 decisions in relation to the matter, the corrective measures and decided course of actions that the board of directors will be or have been take or have taken by the board or board committee, within 30 days of his 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, t~~he matters set out in paragraph 1.2(1) above ~~must be reported to the board of directors or committee to whom the person in charge of compliance reports to under the Guidelines on Investment Banks. In this regard, references to the board~~

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~~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 person in charge of compliance reports to under the Guidelines on Investment Banks. [deleted]~~

[End of Directive]

(NAME OF TRADING PARTICIPANT / CLEARING PARTICIPANT)

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

DATE:

EXECUTIVE SUMMARY

A Trading Participant / Clearing Participant may report as “not applicable” in a particular section if it does not undertake the stated business and operational activities. For example, a Clearing Participant who is not a Trading Participant need not report issues specific to “Registered Representatives” where required in this Standard Compliance Report.

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 for the month of | Description of non-compliance | Status of rectification |
|----|--|-------------------------------|-------------------------|
| | | | |
| | | | |

3. STATUS OF COMPLIANCE WITH THE CONDITIONS IMPOSED BY BURSA DERIVATIVES THE EXCHANGE / CLEARING HOUSE AND THE SECURITIES COMMISSION MALAYSIA

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

Note: The Trading Participant / Clearing Participant is to report all the conditions that the Trading Participant / Clearing Participant 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 BURSA DERIVATIVES THE EXCHANGE / CLEARING HOUSE

- (a) Comments on existing Bursa Derivatives the Exchange or Clearing House Rules and Directives.
- (b) Regulatory burden encountered.

5. REPORT ON GENERAL COMPLIANCE LEVEL OF THE TRADING PARTICIPANT / CLEARING PARTICIPANT

The Compliance Officer to express opinion/assessment on the general compliance level of the Trading Participant / Clearing Participant for the month.

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DETAILED REPORT

6. On Adjusted Net Capital (“ANC”) and financial requirement, the Compliance Officer must report whether:

Note: This section is not applicable to Clearing Participants, ~~Investment Banks that are Trading Participants,~~ or ~~the exposures of Trading Participants / Clearing Participants who are Participating Organisations~~ that report have been reported exposures under the Capital Adequacy Framework

- (a) There is any exception noted in respect of the Trading Participant / Clearing Participant's ANC and minimum financial requirement reports and daily reports generated and kept for record purposes, paying particular attention to the accuracy and timeliness of the reports and also the integrity of the data;
- (b) There is any item/transaction not recorded/reported, including trading in overseas market and off-balance sheet transactions that may affect Trading Participant / Clearing Participant's ANC; and
- (c) For existing Subordinated Loans which have less than 2 years to expiry, highlight any intention to renew/extend the same.

7. On complaints, the Compliance Officer must report whether:

All complaints received have been promptly resolved. To indicate the number and nature of complaints received and resolved in the following table:-

| No | Nature of Complaint | Date of Complaint | Date complaints is resolved/Action taken |
|----|---------------------|-------------------|--|
| | | | |
| | | | |

8. On transaction by employees (including salaried and commissioned Registered Representatives, if applicable) and directors, the Compliance Officer must report whether upon receipt of the notice notifications of transactions of its employees and directors, under Rule 4.04, the necessary steps to ensure compliance with the Trading Participant / Clearing Participant's obligations to manage conflict of interests and risks under Rule 4.02 have been taken by the Trading Participant / Clearing Participant.

| Total number of employees involved | Total number of lots traded | Total notional value of transactions (RM) | Type of Contract |
|------------------------------------|-----------------------------|---|------------------|
| | | | |
| | | | |

| Total number of directors involved | Total number of lots traded | Total notional value of transactions (RM) | Type of Contract |
|------------------------------------|-----------------------------|---|------------------|
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9. On opening of Client trading accounts, the Compliance Officer 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 Regulations~~ Securities Laws, Rules and Directives on segregated account have been complied with.

10. On error trades, the Compliance Officer must report whether:

- (a) Errors are closed out immediately or promptly liquidated.

(b) To summarise the total error trades occurred in the month, the reasons for error trades as well as the amount of profits/losses from error trades in the following table:

| Date | Product | Qty (Lot) | Profit/(Loss) RM | Remarks |
|------|---------|-----------|------------------|---------|
| | | | | |
| | | | | |

11. On Registered Representatives (as defined in the Exchange Rules) (either salaried or commissioned), the Compliance Officer must report:

- (a) Exceptions on Registered Representatives who are not engaged on a full time basis and/or involved in back office operations;
- (b) Exceptions on registration, renewal and cessation of Registered Representative’s licence;
- (c) Exceptions on unlicensed trading; and
- (d) Exceptions on instances of sharing of user-ids and passwords and leaving trading terminals unattended without temporarily logging off.

12. On segregation of duties and policies and procedures, the Compliance Officer 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 Trading Participant / Clearing Participant.

13. On segregated account, the Compliance Officer must report whether:

- (a) All deficiencies in the segregated account have been addressed in a timely manner;
- (b) Irregularities noted on withdrawal of monies from the client’s segregated account. To state the deficiency in the segregated account in the following table:-

| Date | Deficiency (RM) | Action taken/Remarks |
|------|-----------------|----------------------|
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14. On client's margin, the Compliance Officer must report whether:-

- (a) There is any exception noted in respect of minimum initial margin obtained from client prior to trading;
- (b) Margin calls are promptly issued to clients when required;
- (c) Forms of margin payment are in line with the requirements of the Trading Participant / Clearing Participant's internal policies and procedures;
- (d) Irregularities were noted on withdrawal of excess margin by clients;
- (e) New positions were allowed for clients who have insufficient margin above T+3 days. To indicate in the following table:

| No of clients | Total new position allowed (lots) | Total margin shortfall |
|---------------|-----------------------------------|------------------------|
| | | |
| | | |

~~**15. On advertising, and publicity the Compliance Officer must report :**~~

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

~~**16. On training, the Compliance Officer must report:**~~

- ~~(a) Exceptions noted on the sufficiency and comprehensiveness of the training system and program; and~~
- ~~(b) Exceptions noted on the maintenance of training records.~~

~~**17. On non-compliances other than in the areas itemized in sections 6 to 16 above.**~~

15. On Contracts For Difference ("CFD"), the Compliance Officer must report:

Exceptions noted on compliance with the requirements on CFD.

16. On facilitating account, the Compliance Officer must report:

Exceptions or irregularities noted on compliance with facilitating trading activities.

17. On discretionary trading, the Compliance Officer must report:

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

18. On market surveillance monitoring, the Compliance Officer must report, in compliance with the

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requirements of the Exchange / Clearing House:

- (a) Any irregular trading activities; or
- (b) Any exceptions to trading activities.

19. On cybersecurity, the Compliance Officer must report:

- (a) Adequacy of cyber risk policies and procedures; and
- (b) Exceptions noted in cybersecurity.

1720. On non-compliances other than in the areas itemized in sections 6 to 169 above.

[End of Appendix 1]