

## FREQUENTLY ASKED QUESTIONS ON SHORT SELLING

### 1. What are the types of short selling allowed under the Rules of Bursa Malaysia Securities Berhad (“BMS” or “the Exchange”)?

- a. Permitted Short Selling (PSS)
- b. Regulated Short Selling (RSS)
- c. Intraday Short Selling (IDSS)

### 2. What are the differences between PSS, RSS and IDSS?

- a. PSS is designed primarily for market makers and derivatives specialists registered with the Exchange, where short selling is carried out as part of their market-making activities. PSS must be undertaken in a designated account.
- b. RSS is designed to be utilised by the broader universe of investors who take up a short position as part of their overall investment strategy. Before a RSS trade is performed, the investor would need to have either borrowed the Approved Securities to be short sold or have confirmation of borrowing of the Approved Securities. RSS must be undertaken in a designated account and is subjected to the At-Tick Rule where sell order price must be placed at the prevailing best ask/selling price or higher.
- c. IDSS is utilised by investors to take up a short position on an intraday basis as part of their trading strategies to capitalise a gain from a price drop, in anticipation of a bearish market. IDSS trades must be closed with a buy position within the same trading day. Failure to close off IDSS within the same day is a breach of the BMS Rules. Before an investor is allowed to execute any IDSS, the investor must have entered into an agreement to borrow securities (known as SBL Agreement) to settle all potential failed trades which might occur if IDSS is not closed off by the end of the trading day. SBL is further explained in Section 10 below. IDSS is subjected to the At-Tick Rule where sell order price must be placed at the prevailing best ask/selling price or higher<sup>1</sup>.

### 3. What securities are allowed for short selling?

- a. PSS -
  - i. Exchange Traded Funds (ETFs) and its constituent securities; and
  - ii. underlying securities of Structured Warrants (SW), Single Stock Futures Contracts (SSF) and Single Stock Options (SSO) Contracts which are listed under Approved Securities
- b. RSS – Approved Securities
- c. IDSS – Approved Securities

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<sup>1</sup> The Exchange has prescribed this requirement in paragraph 3.7 of the [Participating Organisations' Circular No. R/R 5 of 2021](#).

#### **4. What are Approved Securities?**

These are securities that meet the prescribed criteria and are declared by the Exchange as Approved Securities for the purposes of short selling pursuant to Rule 8.22(5) of the BMS Rules.

#### **5. What are the criteria for securities to be declared as Approved Securities?**

The criteria for Approved Securities are as follows:

- a. They are listed securities on the Exchange ;
- b. the securities have a daily market capitalisation of RM200 million for at least 3 months prior to the declaration date;
- c. at least 50 million units of the securities are held in public float<sup>2</sup> prior to the declaration date; and
- d. the average monthly trading volume for the securities is at least 1 million units for 12 months prior to the declaration date.

However, the Exchange has the discretion not to declare a securities as Approved Securities even if it fulfils the criteria above.

#### **6. Will this list of Approved Securities change?**

Yes, the list of Approved Securities will be reviewed approximately every 6 months, typically in May and November.

#### **7. There are negative sentiments to short selling of Approved Securities. Is this a valid concern?**

There is a misconception that short selling drives down the prices of Approved Securities, when in fact, share prices are driven by many factors such as earnings, financial performance and prospect of a listed issuer, as well as other macroeconomic factors such as recessions, inflation, and interest rate changes . The Exchange has put in place various controls to safeguard the trading and short selling of Approved Securities, including price limits, position limits and an at-tick rule to ensure an orderly market. The Exchange will constantly review and enhance these measures to ensure price stability and orderly trading of the Approved Securities.

#### **8. What are the short selling controls for PSS, RSS and IDSS?**

The BMS Rules provide for adequate safeguards to ensure an orderly and fair market. The short selling controls prescribed by the Exchange are summarised in the table below:

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<sup>2</sup> "Public float" means securities held in the hands of the public shareholders.

Short Selling Frameworks	Daily Price Limit <sup>3</sup> (15%/15sen)	Total Gross Short Position <sup>4</sup> (3% of Outstanding Securities)	Total Net Short Position Limit <sup>5</sup> (10% of Outstanding Securities)	Total Net Short Position Limit <sup>6</sup> (4% of Outstanding Securities)
PSS	x	x	✓	x
RSS	x	✓	✓	✓
IDSS	✓	✓	x	x

The Exchange may suspend short selling accordingly if the respective prescribed limits are reached.

### 9. How long will the suspension of short selling be effected?

If the respective short selling price limits or position limits are reached, the Exchange may suspend the short selling :

- for the rest of the trading day (in relation to Daily Price Limit and Total Gross Short Position); and
- until the Net Short Position falls below 10% (in relation to Total Net Short Position Limit).

A suspension of short selling will be announced via a special announcement on Bursa Malaysia's website.

### 10. What is SBL?

SBL stands for Securities Borrowing and Lending. It is a facility which enables investors to borrow Eligible Securities<sup>7</sup> from an approved lender or lend their Eligible Securities to an approved borrower, where applicable.

<sup>3</sup> Daily price limit of 15% (for securities at RM1.00 and above) or RM0.15 sen (for securities below RM1.00) down from the reference price.

<sup>4</sup> Total Gross Short Position means the total gross short position pursuant to RSS, IDSS and short selling under Day Trading (intraday short selling by Proprietary Day Traders). Please refer to Paragraph 5.1(1) of PO Directive on Regulated Short Selling (No. 8-002).

<sup>5</sup> Rules 4.18 and 8.31 of the BMS Rules.

<sup>6</sup> The Exchange has prescribed this requirement in paragraph 2.3 of the [Participating Organisations' Circular No. R/R 15 of 2020](#).

<sup>7</sup> These are securities that Bursa Malaysia Securities Clearing Sdn Bhd, i.e. the Clearing House, may prescribe as being eligible for Securities Borrowing and Lending ("**Eligible Securities**") in accordance with the Clearing House Requirements. Please refer to Part F in Chapter 7 of the BMS Rules, and the Bursa Malaysia Securities Clearing Rules for further information.

## 11. How is SBL related to short selling?

Pursuant to the BMS Rules, before short selling, the investor must have the following SBL facility in place:

- i. RSS and PSS on underlying securities of SW, SSF or SSO which are Approved Securities - have either borrowed the securities to be short sold or obtained confirmation of borrowing through SBL.
- ii. IDSS and PSS on ETF and its constituent securities - have entered into an SBL agreement to borrow the securities.

## 12. Where can I find more details about the short selling framework and its related information?

If you require more information, the following references are available on Bursa Malaysia's website:

- a. Rules and Directives of Bursa Malaysia Securities Berhad (BMS)  
[https://www.bursamalaysia.com/regulation/securities/rules\\_of\\_bursa\\_malaysia\\_securities](https://www.bursamalaysia.com/regulation/securities/rules_of_bursa_malaysia_securities)
  - i. BMS Rules: see Part E of Chapter 4 (PSS) and Parts C & D of Chapter 8 (RSS and IDSS)
  - ii. Participating Organisations ("POs") Directives and Guidance:
    - Directive ("Dir") in relation to Market Makers and Derivatives Specialists (No. 4-001) (for PSS);
    - Dir. on Regulated Short Selling (No. 8-002) (for RSS and short selling position limits);
    - Dir. on Intraday Short Selling (No. 8-003) (for IDSS); and
    - Dir. on Regulated Short Selling - Approved Securities (No. 8-22(5)-001) (for Approved Securities)
- b. List of Approved Securities  
[https://www.bursamalaysia.com/trade/trading\\_resources/equities/regulated\\_short\\_selling](https://www.bursamalaysia.com/trade/trading_resources/equities/regulated_short_selling)
- c. Net Short Position Report  
[https://www.bursamalaysia.com/market\\_information/market\\_statistic/securities](https://www.bursamalaysia.com/market_information/market_statistic/securities)
- d. Bursa Malaysia Trading Manual  
[https://www.bursamalaysia.com/trade/trading\\_resources/equities/manual\\_guidelines\\_po](https://www.bursamalaysia.com/trade/trading_resources/equities/manual_guidelines_po)

## FAQs that are specific for RSS

### **13. Can RSS be executed in a Clearing Account?**

Yes, provided the following conditions are complied with:

- a. a separate Clearing Account is opened solely for RSS purposes;
- b. comply with provisions prescribed in paragraph 1.1 of Directive 7.05(1)-002 followed by "RSS" in brackets;
- c. no carry forward of any execution of an order for RSS to the next market day from date of order notwithstanding that the order may be unexecuted either fully or partially; and
- d. no outward transfers of purchases from the Clearing Account.

### **14. What happens to RSS orders which were already entered into the trading system prior to the suspension of RSS?**

Once the Exchange suspends RSS of an Approved Securities, all pending RSS orders for the Approved Securities which were not matched in full or withdrawn by the PO prior to the suspension, will be cancelled by the trading system and no new RSS orders for the Approved Securities will be allowed until the suspension is uplifted.

### **15. What must investors do if they are interested to conduct RSS in respect of an Approved Securities?**

Investors interested to conduct RSS in respect of the Approved Securities would need to open a designated RSS trading account with their POs. All trades have to be executed via this designated RSS trading account. Before any short selling orders can be executed, investors must provide a confirmation to the PO that have borrowed the Approved Securities or have procured confirmation from an Authorised SBL Participant that the Approved Securities are available for borrowing.

### **16. POs have the obligation to obtain confirmation from the client as stated under Question 15. What are the acceptable forms of such confirmation ?**

Written and verbal confirmation are permissible. The POs are required to keep and furnish the confirmation (in writing, tape recording or electronic form) to the regulators when requested.

### **17. Can an investor borrow securities and do RSS at different POs?**

Yes.

### **18. Are purchases allowed in an RSS Trading account?**

Yes, purchases are allowed in an RSS Trading account provided it is executed after the execution of any RSS of an Approved Securities for the following purposes:

- a. to contra either in full or partially the RSS trade of an Approved Security executed in the RSS Account;
- b. for the return of the borrowed securities; or
- c. for the borrowing to execute another regulated short sale of that Approved Securities.

Purchases must not exceed the total amount of net short positions of the Approved Securities on a market day.

**19. Can a client sell overbought securities in the RSS account?**

A PO/client must always ensure compliance with the BMS Rules, including that it does not purchase any securities in the RSS account beyond what is allowed, as clarified in Question 18. However, in the event an overbought position of the securities arose due to a mistake, a PO may sell the purchased securities, but the sale must be reported by the Head of Dealing to the Exchange with an explanation on how the mistake arose.

**20. Can a trade on a non-RSS account be amended to a RSS account?**

No, this is prohibited by Rule 8.28 of the BMS Rules.

**21. Can a trade on a RSS account be amended to a non-RSS account?**

Yes. However, POs are reminded to ensure compliance with Rule 8.09 of the BMS Rules.

**FAQs that are specific for IDSS**

**22. Who can trade in IDSS?**

All clients are allowed to trade in IDSS if they comply with all the prescribed conditions for executing IDSS as set out under the BMS Rules as well as other requirements as may be imposed by the POs.

**23. What are the conditions for executing IDSS that need to be complied with by a client?**

- a. the client has entered into an agreement to borrow Eligible Securities or purchase Islamic Securities Selling and Buying – Negotiated Transaction (“ISSBNT”) Eligible Securities to settle all potential failed trades which may occur in the event any IDSS is not closed off by the end of the day;
- b. the client has signed the prescribed risk disclosure statement; and
- c. the client has submitted a written declaration that the client fully understands the requirements in the BMS Rules in relation to IDSS.

**24. Can an IDSS be carried out or be closed off by way of Direct Business Transaction (“DBT”) or On-Market Married Transaction (“OMMT”)?**

No, IDSS transaction cannot be performed by way of DBT or OMMT. It can only be executed by way of On Market Transaction.

**25. What can a client do to settle his/her position in the event that the IDSS trade is not covered by the end of day?**

The Client can perform either one of the following:

- a. to borrow the securities via the SBL agreement; or
- b. to manually buy in the securities / let the transaction be subjected to auto-buying in.

However, please note that the failure to close off the sell position by buying back the short-sold securities by the end of trading day is considered a breach of the BMS Rules.