

PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT



ANNEXURE C

RULES OF BURSA MALAYSIA SECURITIES BHD

PROPOSED RULE AMENDMENTS IN RELATION TO ISLAMIC SECURITIES SELLING AND BUYING - NEGOTIATED TRANSACTION (ISSBNT)

| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|----------------------------|--|----------------------------|---|--|
| 1.01 Definition | New definition | 1.01 Definition | <p><u>“Authorised ISSBNT Participant”</u></p> <p><u>An entity approved to undertake ISSBNT under the Clearing House Rules.</u></p> | <p>Amendment to insert a definition for an “Authorised ISSBNT Participant”. The new definition is almost equivalent to the current definition for an “Authorised SBL Participant”, with appropriate modifications.</p> <p>We will refer to the new term in the relevant provisions on Market Makers and Regulated Short Selling, e.g. Rules 4.13(1), 4.13(2), and 8.26(1).</p> |
| 1.01 Definition | <p>“Direct Business Transaction”</p> <p>A contract for sale and purchase of securities transacted on the stock market of the Exchange that is done outside the ATS.</p> | 1.01 Definition | <p>“Direct Business Transaction”</p> <p>A contract for <u>a</u> sale and purchase of securities transacted on the stock market of the Exchange that is done outside the ATS. <u>but excludes ISSBNT.</u></p> | <p>Technically, the ISSBNT model involves sale and purchase of securities that is done outside the ATS. Due to the similar nature of Direct Business Transaction and ISSBNT, there is a need to clearly specify that the ISSBNT is not a Direct Business Transaction so that the rules governing Direct Business</p> |

Draft for consultation – 21 March 2017

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| | | | | Transaction in Chapter 10 does not apply to ISSBNT. |
| 1.01 Definition | <p>“Eligible Securities”</p> <p>Such securities as the Clearing House may prescribe from time to time as being eligible for Securities Borrowing and Lending in accordance with the Clearing House Requirements.</p> | 1.01 Definition | <p>“Eligible Securities”</p> <p>Such securities as the Clearing House may prescribe from time to time as being eligible for Securities Borrowing and Lending in accordance with the Clearing House Requirements.</p> | Amended to simplify the provision. |
| 1.01 Definition | <p>“Income”</p> <p>In relation to Eligible Securities, any interest, dividends or other distribution of any kind whatsoever with respect to the Eligible Securities.</p> | 1.01 Definition | <p>“Income”</p> <p>In relation to Eligible Securities <u>or ISSBNT Eligible Securities</u>, any interest<u>profits</u>, dividends or other distribution of any kind whatsoever with respect to the Eligible Securities <u>or ISSBNT Eligible Securities respectively</u>.</p> | The definition has been amended to include the ISSBNT Eligible Securities pursuant to the introduction of the definition for “ISSBNT Eligible Securities”. The existing definition for “Income” in relation to Eligible Securities includes the interest with respect to the Eligible Securities. However, since “Income” could be from the ISSBNT Eligible Securities, we propose to use the word “profits” instead of “interest” so that the word used could be applicable to both Eligible Securities and ISSBNT Eligible Securities. |
| 1.01 Definition | New definition | 1.01 Definition | <u>“Islamic Securities Selling and Buying - Negotiated Transaction or ISSBNT”</u> | Amendment to insert a definition for “Islamic Securities Selling and Buying – Negotiated |

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| | | | <p><u>Same meaning as in the Clearing House Rules.</u></p> | <p>Transaction or ISSBNT”. The new definition is equivalent to the current definition for “Securities Borrowing and Lending” with appropriate modifications. We will refer to the new term in the relevant provisions throughout Part I of Chapter 7.</p> |
| <p>1.01 Definition</p> | <p>New definition</p> | <p>1.01 Definition</p> | <p><u>“ISSBNT Agreement”</u> <u>An agreement for the purpose of ISSBNT.</u></p> | <p>The conditions that must be fulfilled by a Participating Organisation (“PO”) prior to opening a Regulated Short Selling (“RSS”) Account, among others include the PO obtaining a confirmation in writing from the Client that the Client has a SBL Agreement in place and bring to the notice of the Client that a copy of the SBL Agreement must be furnished when requested by the Exchange. If the RSS Account is to be opened in the name of the PO, the PO must then execute a SBL Agreement.</p> <p>ISSBNT may be utilized for the purpose of execution of RSS, hence the conditions in relation to the RSS need to be extended to ISSBNT as well, including the</p> |

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| | | | | <p>rules in relation to the agreement.</p> <p>We will refer to the new term in the relevant provisions on Regulated Short Selling (e.g. Rules 8.25(4), 8.25(5) and 8.25(6)). The new definition is equivalent to the current definition for “SBL Agreement” with appropriate modifications.</p> |
| <p>1.01 Definition</p> | <p>New definition</p> | <p>1.01 Definition</p> | <p><u>“ISSBNT Eligible Securities”</u></p> <p><u>Such securities as the Clearing House may prescribe as being eligible for ISSBNT in accordance with the Clearing House Requirements.</u></p> | <p>Amendment to insert a definition for “ISSBNT Eligible Securities” to clarify the securities that the Clearing House may prescribe as being eligible for ISSBNT. The new definition is equivalent to the current definition for “Eligible Securities” with appropriate modifications. We will refer to the new term in the relevant provisions throughout Part I of Chapter 7.</p> |
| <p>4.13</p> | <p>Execution</p> <p>(1) A Market Maker must comply with the following conditions prior to executing an order for a Permitted Short Selling:</p> | <p>4.13</p> | <p>Execution</p> <p>(1) A Market Maker must comply with the following conditions prior to executing an order for a Permitted Short Selling:</p> | <p>The securities under the ISSBNT may be utilized for the purpose of executing PSS trades.</p> <p>Rule 4.13(1) is amended to insert ISSBNT into the Permitted Short selling (“PSS”) framework</p> |

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| | <p>(a) if the Market Maker intends to shortsell ETF units, it has borrowed the ETF units or the Constituent Securities needed for the creation of the ETF units to settle the sale or has obtained a confirmation from the Authorised SBL Participant that the above ETF units or Constituent Securities, are available for borrowing to settle the sale; or</p> <p>(b) if the Market Maker intends to shortsell the Constituent Securities, it has borrowed the Constituent Securities or the ETF units needed to redeem the units of Constituent Securities to settle the sale or has obtained a confirmation from the Authorised SBL Participant that the above Constituent Securities or ETF units, are available for borrowing to settle the sale.</p> <p>(2) If the Market Maker is not an Authorised SBL Participant, it must</p> | | <p>(a) if the Market Maker intends to shortsell ETF units, it has borrowed the ETF units or the Constituent Securities needed for the creation of the ETF units to settle the sale or has obtained a confirmation from the Authorised SBL Participant that the above ETF units or Constituent Securities, are available for borrowing to settle the sale; or</p> <p>(b) if the Market Maker intends to shortsell the Constituent Securities, it has borrowed the Constituent Securities or the ETF units needed to redeem the units of Constituent Securities to settle the sale or has obtained a confirmation from the Authorised SBL Participant that the above Constituent Securities or ETF units, are available for borrowing to settle the sale.</p> <p>(2) If the Market Maker is not an Authorised SBL Participant, it must</p> | <p>to clarify that a Market Maker who wants to shortsell ETF units or Constituent Securities, in addition to borrowing through SBL (or obtained a confirmation of availability from the Authorised SBL Participant), will now have the alternative to purchase through ISSBNT (or obtained a confirmation of availability from the Authorised ISSBNT Participant). Amendments are also made to clarify the drafting by separating Rule 4.13(1) into Rules 4.13(1) and 4.13(2).</p> <p>We also propose to delete the current Rule 4.13(2) as it is clear in Rule 7.18 and in the Clearing House Rules that only Authorised SBL Participant can execute the borrowings.</p> |

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| | execute all its borrowings through an Authorised SBL Participant. | | <p>execute all its borrowings through an Authorised SBL Participant.</p> <p><u>(1) A Market Maker intending to shortsell ETF units pursuant to Permitted Short Selling must comply with either of the following prior to execution of the order to shortsell -</u></p> <p><u>(a) it has borrowed through SBL or purchased through ISSBNT, the ETF units or the Constituent Securities needed for the creation of the ETF units to settle the sale; or</u></p> <p><u>(b) it has obtained a confirmation from the Authorised SBL Participant or Authorised ISSBNT Participant, as the case may be, that the above ETF units or Constituent Securities, are available for the Market Maker to use to settle the sale.</u></p> <p><u>(2) A Market Maker intending to shortsell the Constituent Securities pursuant to Permitted Short Selling, must comply</u></p> | |

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| | | | <p><u>with either of the following prior to execution of the order to shortsell –</u></p> <p><u>(a) it has borrowed through SBL or purchased through ISSBNT, the Constituent Securities or the ETF units needed to redeem the units of Constituent Securities to settle the sale; or</u></p> <p><u>(b) it has obtained a confirmation from the Authorised SBL Participant or Authorised ISSBNT Participant, as the case may be, that the above Constituent Securities or ETF units, are available for the Market Maker to use to settle the sale.</u></p> | |
| 7.02(2) | <p>Quotation and trading in securities</p> <p>(2) A Participating Organisation who intends to buy or sell securities that are traded on the stock market of the Exchange whether for the Participating Organisation’s own account or for a Client, must execute the transaction:</p> <p>(a) as either an On-Market Transaction or Direct Business Transaction;</p> | 7.02(2) | <p>Quotation and trading in securities</p> <p>(2) A Participating Organisation who intends to buy or sell securities that are traded on the stock market of the Exchange whether for the Participating Organisation’s own account or for a Client, must execute the transaction:</p> <p>(a) as either an On-Market Transaction —or— Direct Business Transaction;</p> | Technically the ISSBNT model involves the sale and purchase of securities that are traded on the stock market of the Exchange. Therefore, Rule 7.02(2) is amended to include ISSBNT and to simplify the provisions. |

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|------------------------------------|--|------------------------------------|--|-------------|--|------------------------------------|---|---|
| | <p>(b) on a Ready Basis Contract or Immediate Basis Contract; and</p> <p>(c) through the ATS only.</p> | | <p>(b) on a Ready Basis Contract or Immediate Basis Contract <u>Direct Business Transaction</u>; and/or</p> <p>(c) through the ATS only <u>an ISSBNT</u>.</p> <p><u>(2A) The transactions mentioned in Rule 7.02(2)(a) and (b) must be executed either on a Ready Basis Contract or Immediate Basis Contract as determined by the Exchange.</u></p> | | | | | |
| 7.17 | <p>Definitions</p> <p>For the purposes of this Part F of Chapter 7, the following terms have the following meanings unless the context requires otherwise:</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 20%;">Clearing House Requirements</td> <td>The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name in relation to securities</td> </tr> </table> | Clearing House Requirements | The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name in relation to securities | 7.17 | <p>Definitions</p> <p>For the purposes of this Part F of Chapter 7, the following terms have the following meanings unless the context requires otherwise:</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 20%;">Clearing House Requirements</td> <td>The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name <u>called</u> in relation to securities</td> </tr> </table> | Clearing House Requirements | The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name <u>called</u> in relation to securities | Propose to insert the word "called" to correct an omission. |
| Clearing House Requirements | The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name in relation to securities | | | | | | | |
| Clearing House Requirements | The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name <u>called</u> in relation to securities | | | | | | | |

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|---------|--|---------|---|---|--|--|-------------------------------|--|
| | <table border="1"> <tr> <td data-bbox="369 338 584 424"></td> <td data-bbox="589 338 891 424">borrowing and lending; and</td> </tr> </table> | | borrowing and lending; and | | <table border="1"> <tr> <td data-bbox="1106 338 1321 424"></td> <td data-bbox="1326 338 1619 424">borrowing and lending; and</td> </tr> </table> | | borrowing and lending; and | |
| | borrowing and lending; and | | | | | | | |
| | borrowing and lending; and | | | | | | | |
| 7.18(4) | <p>General</p> <p>(4) A Participating Organisation must ensure that where the Securities Borrowing and Lending involves a Client:</p> <p>(d) a copy of the Risk Disclosure Statement prescribed under Appendix 1 is given to and acknowledged by its Client prior to the execution of any written agreement for borrowing by the Client of Eligible Securities.</p> | 7.18(4) | <p>General</p> <p>(4) A Participating Organisation must ensure that where the Securities Borrowing and Lending involves a Client:</p> <p>(d) a copy of the Rrisk Ddisclosure Sstatement as prescribed under Appendix 1 by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for borrowing by the Client of Eligible Securities.</p> <p><i>[Refer to Directive No. 7-001]</i></p> | <p>We propose to move the prescribed Risk Disclosure Statement as prescribed in Appendix 1 of the Rules of Bursa Malaysia Securities Berhad (“Rules of BMS”) to Directive No. 7-001 (Directive on Securities Borrowing and Lending and ISSBNT) to be in line with our principles-based approach for the rules where appropriate. Similar approach will be adopted for ISSBNT.</p> <p>We propose to amend the current Directive 7.18-001 (Directive on Securities Borrowing and Lending) amongst others, to set out provisions in relation to ISSBNT. Therefore, we propose to rename and renumber this directive to “Directives on Securities Borrowing and Lending and ISSBNT (No. 7-001)”. Consequentially, the reference to “Directive No. 7.18-</p> | | | | |

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| | | | | 001” in Rule 7.18(4) will be changed to “Directive No. 7-001”. |
| 7.20 | <p>Commencement of Securities Borrowing and Lending Activities</p> <p>A Participating Organisation may only commence its Securities Borrowing and Lending activities if it has:</p> <p>(a) Effective Shareholders’ Funds of not less than RM50,000,000 as at the date of the declaration in Rule 7.20(c) and continues to maintain the same for as long as it is carrying out Securities Borrowing and Lending activities;</p> <p>(b) complied with Rule 7.19; and</p> <p>(c) subject to Rule 7.21, submitted a written declaration in the form prescribed in Appendix 4 to the Exchange of its compliance with Rules 7.20(a) and 7.20(b) at least 2 Market Days before commencing its</p> | 7.20 | <p>Commencement of Securities Borrowing and Lending Activities</p> <p>A Participating Organisation may only commence its Securities Borrowing and Lending activities if it has:</p> <p>(a) Effective Shareholders’ Funds of not less than RM50,000,000 as at the date of the declaration in Rule 7.20(c) and continues to maintain the same for as long as it is carrying out Securities Borrowing and Lending activities;</p> <p>(b) complied with Rule 7.19; and</p> <p>(c) subject to Rule 7.21, submitted a written declaration in the form as prescribed in Appendix 4 to by the Exchange of its compliance with Rules 7.1920(a) and 7.20(b) at least 2 Market Days before</p> | <p>The Effective Shareholders’ Funds of not less than RM50 million is a requirement that needs to be complied with by a PO who wants to undertake SBL activities as a borrower. As the Clearing House Rules prescribe the requirements that need to be complied with by a Borrower for SBL, we propose to remove the Effective Shareholders’ Funds requirement from the Rules of BMS and to specify such requirement in the Clearing House Rules instead. Similar approach will be adopted for ISSBNT.</p> <p>Amendments to Rule 7.20(c) is consequential to the proposal to remove Rule 7.21 (inspection or audit by the Exchange), Rule 7.20(a) and the duplication in Rules 7.20(b) and 7.20(c) as the written declaration is generally about a PO’s compliance with Rule 7.19 (Internal Guidelines and Systems).</p> |

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| | Securities Borrowing and Lending activities. | | commencing its Securities Borrowing and Lending activities. <i>[Refer to Directive No. 7-001]</i> | We also propose to move the prescribed written declaration as prescribed in Appendix 4 of the Rules of BMS to Directive No. 7-001 to be in line with our principles-based approach for the rules. Similar approach will be adopted for ISSBNT. |
| 7.21 | <p>Rule 7.21 Inspection or Audit by the Exchange</p> <p>(1) Without prejudice to any other powers conferred on the Exchange in these Rules pertaining to the conduct of inspection or audit on a Participating Organisation, the Exchange may at any time undertake an inspection or audit on the Participating Organisation's compliance with the requirements stipulated under Rules 7.20(a), 7.20(b) and 7.20(c).</p> <p>(2) In determining compliance with Rule 7.20(b), the Exchange may require the Participating Organisation to provide a confirmation that adequate verification and assessment has been carried out to ensure that its systems and infrastructure including back office systems and infrastructure, are</p> | 7.21 | <p>Rule 7.21 Inspection or Audit by the Exchange</p> <p>(1) Without prejudice to any other powers conferred on the Exchange in these Rules pertaining to the conduct of inspection or audit on a Participating Organisation, the Exchange may at any time undertake an inspection or audit on the Participating Organisation's compliance with the requirements stipulated under Rules 7.20(a), 7.20(b) and 7.20(c).</p> <p>(2) In determining compliance with Rule 7.20(b), the Exchange may require the Participating Organisation to provide a confirmation that adequate verification and assessment has been carried out to ensure that its</p> | Propose to delete the provisions on inspection or audit by the Exchange in relation to the compliance of a PO with the requirements for commencement of SBL as there are already general provisions on inspections and audits under Part B of Chapter 14 where the Exchange is empowered to conduct an inspection on a PO at any time on any matter in relation to any matter in relation to, among others, the Rules of BMS and Clearing House Rules. |

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| | <p>operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Securities Borrowing and Lending in accordance with Part F of Chapter 7 and the Clearing House Requirements.</p> <p>(3) The Exchange will give a written notice to the Participating Organisation before commencing any inspection or audit referred to under Rule 7.21(1).</p> <p>(4) If a notice under Rule 7.21(3) has been issued to a Participating Organisation that has yet to submit the declaration under Rule 7.20(c) or has submitted the declaration under Rule 7.20(c) but has yet to commence its Securities Borrowing and Lending activities, the Participating Organisation must not commence its Securities Borrowing and Lending activities unless:</p> <p>(a) the inspection or audit referred to in Rule 7.21(1) has been completed;</p> <p>(b) the corrective or preventive measures and actions</p> | | <p>systems and infrastructure including back office systems and infrastructure, are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Securities Borrowing and Lending in accordance with Part F of Chapter 7 and the Clearing House Requirements.</p> <p>(3) The Exchange will give a written notice to the Participating Organisation before commencing any inspection or audit referred to under Rule 7.21(1).</p> <p>(4) If a notice under Rule 7.21(3) has been issued to a Participating Organisation that has yet to submit the declaration under Rule 7.20(c) or has submitted the declaration under Rule 7.20(c) but has yet to commence its Securities Borrowing and Lending activities, the Participating Organisation must not commence its Securities Borrowing and Lending activities unless:</p> <p>(a) the inspection or audit referred to in Rule 7.21(1) has been completed;</p> | |

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| | <p>referred to in Rules 7.21(5) and 7.21(6), if any, have been duly carried out and completed by the Participating Organisation; and</p> <p>(c) the Participating Organisation has submitted the confirmation, if applicable, and the declaration referred to in Rule 7.21(6) to the Exchange.</p> <p>(5) Upon completing the inspection or audit, the Exchange will notify the Participating Organisation in writing of the findings of the inspection or audit and the corrective or preventive measures and actions, if any, to be taken by the Participating Organisation for the purpose of complying with the above Rules. The Exchange may, pending the carrying out and completion of the corrective or preventive measures and actions, if any, by a Participating Organisation other than the Participating Organisation referred to in Rule 7.21(4), suspend the carrying out of any further Securities Borrowing and Lending by the Participating Organisation until the corrective or</p> | | <p>(b) the corrective or preventive measures and actions referred to in Rules 7.21(5) and 7.21(6), if any, have been duly carried out and completed by the Participating Organisation; and</p> <p>(c) the Participating Organisation has submitted the confirmation, if applicable, and the declaration referred to in Rule 7.21(6) to the Exchange.</p> <p>(5) Upon completing the inspection or audit, the Exchange will notify the Participating Organisation in writing of the findings of the inspection or audit and the corrective or preventive measures and actions, if any, to be taken by the Participating Organisation for the purpose of complying with the above Rules. The Exchange may, pending the carrying out and completion of the corrective or preventive measures and actions, if any, by a Participating Organisation other</p> | |

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| | <p>preventive measures and actions, if any, are carried out and completed by the Participating Organisation.</p> <p>(6) The Participating Organisation must confirm in writing to the Exchange when it has duly carried out and completed the corrective or preventive measures and actions referred to in Rule 7.21(5). In relation to a Participating Organisation referred to in Rule 7.21(4) which has yet to submit the declaration under Rule 7.20(c), the Participating Organisation must submit the declaration stipulated under Rule 7.20(c) together with the confirmation.</p> <p>(7) The Exchange is not precluded from exercising any of its powers under these Rules for any non compliances of these Rules found pursuant to the inspection or audit referred to under Rule 7.21(1), even though a Participating Organisation may have duly carried out and completed the corrective or preventive measures and actions referred to in Rules 7.21(5) and 7.21(6).</p> | | <p>than the Participating Organisation referred to in Rule 7.21(4), suspend the carrying out of any further Securities Borrowing and Lending by the Participating Organisation until the corrective or preventive measures and actions, if any, are carried out and completed by the Participating Organisation.</p> <p>(6) The Participating Organisation must confirm in writing to the Exchange when it has duly carried out and completed the corrective or preventive measures and actions referred to in Rule 7.21(5). In relation to a Participating Organisation referred to in Rule 7.21(4) which has yet to submit the declaration under Rule 7.20(c), the Participating Organisation must submit the declaration stipulated under Rule 7.20(c) together with the confirmation.</p> <p>(7) The Exchange is not precluded from exercising any of its powers under these Rules for any non compliances of these Rules found pursuant to the inspection or audit referred to under Rule 7.21(1), even though a Participating</p> | |

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| | | | Organisation may have duly carried out and completed the corrective or preventive measures and actions referred to in Rules 7.21(5) and 7.21(6). [Deleted] | | | |
| | New provision | Part I of Chapter 7 | <u>PART I ISLAMIC SECURITIES SELLING AND BUYING – NEGOTIATED TRANSACTION</u> | Part I of Chapter 7 is introduced to provide for the proposed ISSBNT model. | | |
| | New provision | 7.34 | <p><u>Definitions</u></p> <p><u>For the purposes of this Part I of Chapter 7, the following term has the following meaning unless the context requires otherwise:</u></p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%;"><u>Clearing House's ISSBNT Requirements</u></td> <td style="width: 50%;"><u>The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name called, in relation to ISSBNT.</u></td> </tr> </table> | <u>Clearing House's ISSBNT Requirements</u> | <u>The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name called, in relation to ISSBNT.</u> | <p>This new provision is adopted from Rule 7.17 of the Rules of BMS to provide for the definition of certain terms used in this new Part I of Chapter 7.</p> <p>Amendment to insert a definition for "Clearing House's ISSBNT Requirements". The new definition is equivalent to the current definition for "Clearing House Requirements" defined in Rule 7.17, with appropriate modifications.</p> |
| <u>Clearing House's ISSBNT Requirements</u> | <u>The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name called, in relation to ISSBNT.</u> | | | | | |
| | New provision | 7.35(1) | <p><u>General</u></p> <p><u>(1) A Participating Organisation may only undertake an ISSBNT if:</u></p> | This new provision is adopted from Rule 7.18(1) of the Rules of BMS, with appropriate modifications to provide for the conditions where a Participating | | |

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| | | | <p><u>(a) the Participating Organisation is approved by the Clearing House to undertake an ISSBNT;</u></p> <p><u>(b) the securities are ISSBNT Eligible Securities; and</u></p> <p><u>(c) the ISSBNT is undertaken in accordance with the Clearing House Requirements and this Part I of Chapter 7.</u></p> | Organisation (“PO”) may carry out the buying or selling of securities in ISSBNT. |
| | New provision | 7.35(2) | <u>(2) A Participating Organisation may only undertake ISSBNT, whether for the Participating Organisation itself or its Client, for purposes allowed by the Clearing House.</u> | This new provision is adopted from Rule 7.18(2) of the Rules of BMS to provide that a PO may only undertake ISSBNT, whether for itself or on behalf of its client for the purposes allowed by the Clearing House. |
| | New provision | 7.35(3) | <u>(3) Any sale trade executed by a Participating Organisation which is to be settled with securities from a purchase made in breach of Rule 7.35(2) is deemed a short sale which is not executed in accordance with these Rules.</u> | This new provision is adopted from Rule 7.18(3) of the Rules of BMS to clarify that a sale trade executed by a PO which is to be settled with securities from a buying made in breach of Rule 7.35(2) is deemed a short sale which is not executed in accordance with these Rules. |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---------------------|----------------|--|---|
| | New provision | 7.35(4) | <p><u>(4) A Participating Organisation must ensure that where the ISSBNT involves a Client:</u></p> <p><u>(a) the sale of ISSBNT Eligible Securities held in its custody for its Clients, pursuant to a ISSBNT, complies with the requirements as stipulated by the Exchange; and</u></p> <p><u>(b) a copy of a risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for a purchase under ISSBNT.</u></p> <p><i>(Refer to Directive 7-001)</i></p> | This new provision is adopted from Rules 7.18(4)(c) and (d) of the Rules of BMS to provide the additional conditions that a PO must comply with where the ISSBNT involves a client. Currently for SBL which involves a Client, the PO must also ensure that a copy of the risk disclosure statement is given to and acknowledged by its Client prior to the execution of any written agreement for borrowing by the Client of Eligible Securities. We propose to prescribe the template risk disclosure statement in a directive instead. |
| | New provision | 7.36(1) | <p><u>Internal Guidelines and Systems</u></p> <p><u>(1) A Participating Organisation which intends to engage in ISSBNT activities must formulate a set of internal guidelines for ISSBNT as required by the Exchange.</u></p> | This new provision is adopted from Rule 7.19(1) of the Rules of BMS to clarify that a PO which intends to engage in ISSBNT activities must formulate a set of internal guidelines for ISSBNT as required by the Exchange. |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---------------------|----------------|--|---|
| | New provision | 7.36(2) | <p><u>(2) The Participating Organisation must establish, implement and maintain:</u></p> <p><u>(a) systems and infrastructure including back office systems and infrastructure, which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of ISSBNT in accordance with Part I of Chapter 7 and the Clearing House requirements; and</u></p> <p><u>(b) all the policies, procedures, controls and all other requirements set out in the internal guidelines for the ISSBNT.</u></p> <p><i>(Refer to Directive 5-001)</i></p> | This new provision is adopted from Rule 7.19(2) of the Rules of BMS to require the PO to establish, implement and maintain among others, the systems and infrastructure for the carrying out of the ISSBNT and policies, procedures and controls set out in the internal guidelines for the ISSBNT. The minimum requirements for written policies and procedures and internal controls are provided in new Appendix 2(b) of Directive 5-001 (Directive on Conduct of Business). |
| | New provision | 7.37 | <p><u>Commencement of ISSBNT Activities</u></p> <p><u>A Participating Organisation may only commence its ISSBNT activities if it submits a written declaration in the form as prescribed by the Exchange of its compliance with Rule 7.36 at least 2 Market</u></p> | This new provision is to set out the conditions for commencement of the ISSBNT activities, i.e. to submit a written declaration in the prescribed format that it has complied with Rule 7.36 (Internal Guidelines |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---------------------|----------------|--|--|
| | | | <p><u>Days before commencing its ISSBNT activities.</u></p> <p><i>[Refer to Directive No. 7-001]</i></p> | <p>and Systems). The written declaration will be prescribed in Directive 7-001.</p> |
| | New provision | 7.38(1) | <p><u>Designated Account</u></p> <p><u>(1) A Participating Organisation must hold all ISSBNT Eligible Securities sold or purchased pursuant to ISSBNT in the Securities Account(s) prescribed in the Clearing House Requirements and in no other Securities Account(s).</u></p> | <p>This new provision is adopted from Rule 7.22(1) of the Rules of BMS and it clarifies that all ISSBNT Securities must be hold by a PO only in the Securities Account(s) prescribed in the Clearing House Requirements.</p> |
| | New provision | 7.38(2) | <p><u>(2) Where the ISSBNT Eligible Securities purchased pursuant to ISSBNT are held in a Securities Account maintained in the name of a Participating Organisation in its capacity as an Authorised Nominee or Exempt Authorised Nominee, the Participating Organisation can only hold the ISSBNT Eligible Securities in that Securities Account for a maximum period of 3 Market Days from the date the ISSBNT Eligible Securities are credited into the Securities Account.</u></p> | <p>This new provision is adopted from Rule 7.22(2) of the Rules of BMS and it clarifies that if the ISSBNT Securities bought are held in a Securities Account maintained in the name of a PO in the PO's capacity as an Authorised Nominee or Exempt Authorised Nominee, the PO can hold such securities in that Securities Account for a maximum of 3 Market Days from the date the ISSBNT Securities are credited into the Securities Account.</p> |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---------------------|----------------|--|---|
| | | | | <p>For SBL, the requirement that the PO can hold the Eligible Securities in the Securities Account for a maximum of 3 Market Days is in line with the condition for the substantial shareholding reporting exemption as provided in the Companies (Prescribed Interest) Regulations 2011. We propose to seek a similar exemption for ISSBNT, hence the insertion of this requirement.</p> |
| | New provision | 7.39(1) | <p><u>Actions by the Exchange</u></p> <p><u>(1) The Exchange may take any of the actions enumerated under Rule 7.39(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all ISSBNT Eligible Securities if:</u></p> <p><u>(a) there is a breach or likelihood of breach of any provisions in this Part I; or</u></p> <p><u>(b) the ISSBNT activities may lead or is likely to lead to the commission of any of the offences under the</u></p> | <p>This new provision is adopted from Rule 7.24(1) of the Rules of BMS and it empowers the Exchange to take summary actions against the POs or Registered Persons or in relation to any or all Eligible Securities if there is a breach or likelihood of breach of the provisions in this Part I or if the ISSBNT activities may lead or is likely to lead to the commission of any offences under the CMSA 2007.</p> |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---------------------|----------------|---|---|
| | | | <u>Capital Markets and Services Act.</u> | |
| | New provision | 7.39(2) | <p><u>(2) Pursuant to Rule 7.39(1), the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all ISSBNT Eligible Securities:</u></p> <p><u>(a) directing further sale or purchase of ISSBNT Eligible Securities pursuant to ISSBNT by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients to be suspended or ceased;</u></p> <p><u>(b) imposing limits on the total number or the type of ISSBNT Eligible Securities that may be purchased or sold by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients; or</u></p> | This new provision is adopted from Rule 7.24(2) of the Rules of BMS and it clarifies the actions that may be taken by the Exchange against the PO or Registered Persons or in relation to any or all ISSBNT Eligible Securities in relation to the contravention of Rule 7.39(1). |

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in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|-------------|--|-------------|---|---|
| | | | <u>(c) imposing restrictions or conditions on the ISSBNT activities carried out by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients.</u> | |
| 8.23 | <p>Commencement of Regulated Short Selling</p> <p>A Participating Organisation may only commence its Regulated Short Selling activities if it has:</p> <ul style="list-style-type: none"> (a) established internal guidelines for Regulated Short Selling as required by the Exchange; (b) put in place systems and infrastructure including front office and back office systems which are operative and have all the relevant functionalities, requirements and controls for the carrying out of Regulated Short Selling in accordance with this Part C of Chapter 8; and | 8.23 | <p>Commencement of Regulated Short Selling</p> <p>A Participating Organisation may only commence its Regulated Short Selling activities if it has:</p> <ul style="list-style-type: none"> (a) <u>has</u> established internal guidelines for Regulated Short Selling as required by the Exchange; (b) <u>has</u> put in place systems and infrastructure including front office and back office systems which are operative and have all the relevant functionalities, requirements and controls for the carrying out of Regulated Short Selling in accordance with this Part C of Chapter 8; and | <p>Amendments to Rule 8.23(c) is consequential to the proposal to remove Rule 8.24 (inspection or audit by the Exchange) below. We also propose to move the written declaration prescribed in Appendix 4 of the Rules of BMS to Directive 8-002 (Directives on Regulated Short Selling) to be in line with our principles-based approach for the rules where appropriate.</p> |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|--------------------|---|--------------------|--|--|
| | <p>(c) subject to Rule 8.24, submitted a written declaration in the form prescribed in Appendix 4 to the Exchange of its compliance with Rules 8.23(a) and 8.23(b) at least 2 Market Days before commencing its Regulated Short Selling activities.</p> | | <p>(c) subject to Rule 8.24, submitted a written declaration in the form <u>as</u> prescribed in Appendix 4 <u>to</u>by the Exchange of its compliance with Rules 8.23(a) and 8.23(b) at least 2 Market Days before commencing its Regulated Short Selling activities.</p> <p><i>[Refer to Directive 8-002]</i></p> | |
| <p>8.24</p> | <p>Inspection or Audit by the Exchange</p> <p>(1) Without prejudice to any other powers conferred on the Exchange in these Rules pertaining to the conduct of inspection or audit on a Participating Organisation, the Exchange may at any time undertake an inspection or audit on a Participating Organisation's compliance with the requirements stipulated under Rules 8.23(a), 8.23(b) and 8.23(c).</p> <p>(2) In determining compliance with Rule 8.23(b), the</p> | <p>8.24</p> | <p>Inspection or Audit by the Exchange</p> <p>(1) Without prejudice to any other powers conferred on the Exchange in these Rules pertaining to the conduct of inspection or audit on a Participating Organisation, the Exchange may at any time undertake an inspection or audit on a Participating Organisation's compliance with the requirements stipulated under Rules 8.23(a), 8.23(b) and 8.23(c).</p> | <p>Propose to delete the provisions on inspection or audit by the Exchange in relation to the compliance of a PO with the requirements for commencement of RSS as we can rely on the general provisions on inspections and audits where the Exchange is empowered under Part B of Chapter 14 to conduct an inspection on a PO at any time on any matter in relation to any matter in relation to, among others, the Rules of BMS and Clearing House Rules.</p> |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---|------|---|-----------|
| | <p>Exchange may require the Participating Organisation to provide a confirmation that adequate verification and assessment has been carried out to ensure that its systems and infrastructure including its front office and back office systems and infrastructure are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Regulated Short Selling in accordance with Part C of Chapter 8.</p> <p>(3) The Exchange will give a written notice to the Participating Organisation before commencing any inspection or audit referred to under Rule 8.24(1).</p> <p>(4) If a notice under Rule 8.24(3) has been issued to a Participating Organisation that has yet to submit the declaration under Rule 8.23(c) or has submitted the declaration under Rule 8.23(c) but has yet to</p> | | <p>(2) In determining compliance with Rule 8.23(b), the Exchange may require the Participating Organisation to provide a confirmation that adequate verification and assessment has been carried out to ensure that its systems and infrastructure including its front office and back office systems and infrastructure are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Regulated Short Selling in accordance with Part C of Chapter 8.</p> <p>(3) The Exchange will give a written notice to the Participating Organisation before commencing any inspection or audit referred to under Rule 8.24(1).</p> <p>(4) If a notice under Rule 8.24(3) has been issued to a Participating Organisation that has yet to submit the declaration</p> | |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---|------|---|-----------|
| | <p>commence its Regulated Short Selling activities, the Participating Organisation must not commence its Regulated Short Selling activities unless:</p> <p>(a) the inspection or audit referred to in Rule 8.24(1) has been completed;</p> <p>(b) the corrective or preventive measures and actions referred to in Rules 8.24(5) and 8.24(6),if any, have been duly carried out and completed by the Participating Organisation; and</p> <p>(c) the Participating Organisation has submitted the confirmation, if applicable, and the declaration referred to in Rule 8.24(6)to the Exchange.</p> | | <p>under Rule 8.23(c) or has submitted the declaration under Rule 8.23(c) but has yet to commence its Regulated Short Selling activities, the Participating Organisation must not commence its Regulated Short Selling activities unless:</p> <p>(a) the inspection or audit referred to in Rule 8.24(1) has been completed;</p> <p>(b) the corrective or preventive measures and actions referred to in Rules 8.24(5) and 8.24(6),if any, have been duly carried out and completed by the Participating Organisation; and</p> <p>(c) the Participating Organisation has submitted the confirmation, if</p> | |

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in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|--|------|---|-----------|
| | <p>(5) Upon completing the inspection or audit, the Exchange will notify the Participating Organisation in writing of the findings of the inspection or audit and the corrective or preventive measures and actions, if any, to be taken by the Participating Organisation for the purpose of complying with Rules 8.23(a),8.23(b) and 8.23(c). The Exchange may, pending the carrying out and completion of the corrective or preventive measures and actions, if any, by a Participating Organisation other than the Participating Organisation referred to in Rule 8.24(4), suspend the carrying out of any further Regulated Short Selling by the Participating Organisation until the corrective or preventive measures and actions, if any, are carried out and completed by the Participating Organisation.</p> <p>(6) The Participating Organisation must confirm in</p> | | <p style="text-align: right;">applicable, and the declaration referred to in Rule 8.24(6) to the Exchange.</p> <p>(5) Upon completing the inspection or audit, the Exchange will notify the Participating Organisation in writing of the findings of the inspection or audit and the corrective or preventive measures and actions, if any, to be taken by the Participating Organisation for the purpose of complying with Rules 8.23(a),8.23(b) and 8.23(c). The Exchange may, pending the carrying out and completion of the corrective or preventive measures and actions, if any, by a Participating Organisation other than the Participating Organisation referred to in Rule 8.24(4), suspend the carrying out of any further Regulated Short Selling by the Participating Organisation</p> | |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|--|------|--|-----------|
| | <p>writing to the Exchange when it has duly carried out and completed the corrective or preventive measures and actions referred to in Rule 8.24(5). In relation to a Participating Organisation referred to in Rule 8.24(4) which has yet to submit the declaration under Rule 8.23(c), the Participating Organisation must submit the declaration stipulated under Rule 8.23(c) together with the confirmation.</p> <p>(7) The Exchange is not precluded from exercising any of its powers under these Rules for any non compliances of these Rules found pursuant to the inspection or audit referred to under Rule 8.24(1), even though a Participating Organisation may have duly carried out and completed the corrective or preventive measures and actions referred to in Rules 8.24(5) and 8.24(6).</p> | | <p>until the corrective or preventive measures and actions, if any, are carried out and completed by the Participating Organisation.</p> <p>(6) The Participating Organisation must confirm in writing to the Exchange when it has duly carried out and completed the corrective or preventive measures and actions referred to in Rule 8.24(5). In relation to a Participating Organisation referred to in Rule 8.24(4) which has yet to submit the declaration under Rule 8.23(c), the Participating Organisation must submit the declaration stipulated under Rule 8.23(c) together with the confirmation.</p> <p>(7) The Exchange is not precluded from exercising any of its powers under these Rules for any non compliances of these Rules found pursuant to</p> | |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|-----------------------|---|-----------------------|---|---|
| | | | <p>the inspection or audit referred to under Rule 8.24(1), even though a Participating Organisation may have duly carried out and completed the corrective or preventive measures and actions referred to in Rules 8.24(5) and 8.24(6). [Deleted]</p> | |
| <p>8.25(4)</p> | <p>Designated trading account and Securities Account</p> <p>(4) A Participating Organisation must, prior to opening a RSS Account:</p> <p>(a) obtain confirmation in writing from the Client that the Client has a SBL Agreement in place; and</p> <p>(b) bring to the notice of the Client that a copy of the SBL Agreement must be furnished when requested by the Exchange and that where there is a failure to do so, the Exchange may take appropriate action including directing the Participating</p> | <p>8.25(4)</p> | <p>Designated trading account and Securities Account</p> <p>(4) A Participating Organisation must, prior to opening a RSS Account:</p> <p>(a) obtain confirmation in writing from the Client that the Client has a SBL Agreement <u>or an ISSBNT Agreement</u> in place; and</p> <p>(b) bring to the notice of the Client that a copy of the SBL Agreement <u>or the ISSBNT Agreement</u> must be furnished when requested by the Exchange and that where there is a failure to do so, the Exchange may take</p> | <p>The conditions that must be fulfilled by a PO prior to opening a Regulated Short Selling (“RSS”) Account, among others including the PO obtaining a confirmation in writing from the Client that the Client has a SBL Agreement in place and bring to the notice of the Client that a copy of the SBL Agreement must be furnished when requested by the Exchange. If the RSS Account is to be opened in the name of the PO, the PO must then execute a SBL Agreement.</p> <p>The relevant provisions on Regulated Short Selling (“RSS”) are amended to allow for the utilisation of ISSBNT in addition</p> |

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| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|-----------------------|--|-----------------------|--|---|
| | <p>Organisation to suspend trading for the Client; or</p> <p>(c) if the RSS Account is to be opened in the name of the Participating Organisation, execute a SBL Agreement.</p> | | <p>appropriate action including directing the Participating Organisation to suspend trading for the Client; or</p> <p>(c) if the RSS Account is to be opened in the name of the Participating Organisation, execute a SBL Agreement <u>or an ISSBNT Agreement.</u></p> | <p>to SBL for the purposes of carrying out of RSS.</p> |
| <p>8.25(5)</p> | <p>(5) A Participating Organisation may execute purchase of securities in the RSS Account but only for the following purposes:</p> <p>(a) to contra in full or in part any Regulated Short Sale of an Approved Securities executed in the RSS Account;</p> <p>(b) for redelivery of securities arising from any borrowing of Approved Securities under a SBL Agreement; and</p> <p>(c) after a Regulated Short Sale of an Approved Securities, to:</p> <p>(i) execute another Regulated Short Sale</p> | <p>8.25(5)</p> | <p>(5) A Participating Organisation may execute <u>purchases or make use of the purchases</u> of securities in the RSS Account but only for the following purposes:</p> <p>(a) to contra in full or in part any Regulated Short Sale of an Approved Securities executed in the RSS Account;</p> <p>(b) for redelivery of securities arising from any borrowing of Approved Securities under a SBL Agreement <u>or an ISSBNT Agreement ("Approved Securities for Redelivery"); and/or</u></p> | <p>This rule sets out the purposes in which a PO may execute purchase of securities in the RSS Account. Rule 8.25(5) is amended to expand the purposes in which a PO may execute purchase of securities in the RSS Account to include the redelivery of securities arising from the purchase of Approved Securities under an ISSBNT Agreement, and the selling of Approved Securities under an ISSBNT Agreement after a RSS of an Approved Securities.</p> <p>The list of Approved Securities for RSS prescribed by the Exchange currently corresponds with the list of Eligible Securities</p> |

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in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|----------------|---|----------------|---|--|
| | <p>of that Approved Securities; or</p> <p>(ii) lend the Approved Securities under a SBL Agreement.</p> <p><i>[Refer to Directive No. 8-002]</i></p> | | <p>(c) after a Regulated Short Sale of an Approved Securities, to use the Approved Securities for Redelivery:</p> <p>(i) to execute another Regulated Short Sale of that Approved Securities; or</p> <p>(ii) for lending the Approved Securities under a SBL Agreement or sale under an ISSBNT Agreement.</p> <p><i>[Refer to Directive No. 8-002]</i></p> | <p>for SBL prescribed by the Clearing House.</p> |
| 8.25(6) | <p>(6) A Participating Organisation must open a separate Securities Account for each trading account opened pursuant to Rule 8.25(1) and Rule 8.25(3). This Securities Account must be designated in accordance with the Depository Rules or any directives issued by the Depository. A Participating Organisation can only</p> | 8.25(6) | <p>(6) A Participating Organisation must open a separate Securities Account for each trading account opened pursuant to Rule 8.25(1) and Rule 8.25(3). This Securities Account must be designated in accordance with the Depository Rules or any directives issued by the Depository. A Participating Organisation can</p> | <p>Rule 8.25(6) requires a PO to open a separate Securities Account for RSS trades and sets out the purposes in which a PO may utilize the Securities Account. Rules 8.25(6)(c) and (d) are amended to simplify the drafting. We also propose to amend the purpose stated in Rule 8.25(6)(c) to extend it to the</p> |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---|------|--|---|
| | <p>utilize this Securities Account for the following purposes:</p> <p>(a) for settlement of Regulated Short Selling;</p> <p>(b) for settlement of purchases as permitted under Rule 8.25(5);</p> <p>(c) to hold securities for purposes of subsequent redelivery of the securities arising from the borrowing of Approved Securities under a SBL Agreement; or</p> <p>(d) to hold borrowing of Approved Securities for executing the Regulated Short Sale, if the Securities Account is maintained in the name of a Participating Organisation, in its capacity as Authorised Nominee or Exempt Authorised Nominee, provided Rule 7.22(2) is complied with.</p> | | <p>only utilize this Securities Account for the following purposes:</p> <p>(a) for settlement of Regulated Short Selling;</p> <p>(b) for settlement of purchases as permitted under Rule 8.25(5);</p> <p>(c) to hold securities for purposes of subsequent redelivery of the securities arising from the borrowing of Approved Securities under a SBL Agreement <u>or an ISSBNT Agreement</u>; or</p> <p>(d) to hold borrowing of Approved Securities for executing the Regulated Short Sale, if the Securities Account is maintained in the name of a Participating Organisation, in its capacity as Authorised Nominee or Exempt Authorised Nominee, provided Rule 7.22(2) <u>or 7.38(2)</u> is complied with.</p> | <p>redelivery under a ISSBNT Agreement.</p> |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|---------|--|---------|--|---|
| 8.26(1) | <p>Execution</p> <p>(1) A Participating Organisation must comply with the following before executing an order for a Regulated Short Sale whether for itself or a client:</p> <p>(a) if the order is executed for the Participating Organisation itself, the Participating Organisation:</p> <p>(i) has borrowed the Approved Securities to be short sold from an Authorised SBL Participant or has obtained a confirmation from the Authorised SBL Participant that the Approved Securities to be short sold are available for borrowing to settle the sale; and</p> <p>(ii) is not associated in the manner referred to in Rule 8.21 with the body corporate that issued or made</p> | 8.26(1) | <p>Execution</p> <p>(1) A Participating Organisation must comply with the<u>ensure the</u> following conditions are met before executing <u>entering</u> an order for a Regulated Short Sale whether for itself or a <u>eClient</u>:</p> <p>(a) if the order is executed for the Participating Organisation itself, the Participating Organisation:</p> <p>(i) has borrowed the Approved Securities to be short sold from an Authorised SBL Participant or has obtained a confirmation from the Authorised SBL Participant that the Approved Securities to be short sold are available for borrowing to settle the sale; and</p> | <p>Rule 8.26(1) is amended to simplify the drafting of the provision by combining the conditions to be complied with before execution of a RSS order in Rules 8.26(1)(a) and 8.26(1)(b). The conditions set out in Rule 8.26(1) is also extended to ISSBNT.</p> |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---|------|---|-----------|
| | <p>available the Approved Securities in relation to which the order for short sale is to be executed;</p> <p>(b) if the order is for a Client, the Participating Organisation has obtained confirmation from the Client, that:</p> <p>(i) the Client has borrowed the Approved Securities to be short sold from an Authorised SBL Participant or that the Client has obtained a confirmation from an Authorised SBL Participant that the Approved Securities to be short sold are available for borrowing to settle the sale; and</p> <p>(ii) the Client or if the Client is acting on behalf of another person, the person for</p> | | <p>(ii) is not associated in the manner referred to in Rule 8.21 with the body corporate that issued or made available the Approved Securities in relation to which the order for short sale is to be executed;</p> <p>(b) if the order is for a Client, the Participating Organisation has obtained confirmation from the Client, that:</p> <p>(i) the Client has borrowed the Approved Securities to be short sold from an Authorised SBL Participant or that the Client has obtained a confirmation from an Authorised SBL Participant that the</p> | |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---|------|--|-----------|
| | <p>whom the Client is acting for, is not associated in the manner referred to in Rule 8.21 with the body corporate that issued or made available the Approved Securities in relation to which the order for short sale is to be executed.</p> <p>(c) the order price of the Approved Securities to be entered into the ATS is in compliance with all requirements as may be prescribed by the Exchange; and</p> <p>(d) the order is entered into ATS through the screen designated in the ATS for Regulated Short Sale.</p> | | <p>Approved Securities to be short sold are available for borrowing to settle the sale; and</p> <p>(ii) the Client or if the Client is acting on behalf of another person, the person for whom the Client is acting for, is not associated in the manner referred to in Rule 8.21 with the body corporate that issued or made available the Approved Securities in relation to which the order for short sale is to be executed.</p> <p><u>(a) the Approved Securities to be short sold, have been borrowed through SBL or purchased through</u></p> | |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---------------------|------|--|-----------|
| | | | <p><u>ISSBNT, as the case may be; or</u></p> <p><u>(b) a confirmation has been obtained from an Authorised SBL Participant or Authorised ISSBNT Participant, as the case may be, that the Approved Securities to be short sold are available to settle the sale;</u></p> <p><u>(c) the person for whom the order for a Regulated Short Sale is entered, is not associated in the manner referred to in Rule 8.21 with the body corporate that issued or made available the Approved Securities in relation to which the order for short sale is to be entered, and if the order for the Regulated Short Sale is for a Client, to obtain a confirmation from the Client in this respect;</u></p> <p><u>(ed) the order price of the Approved Securities to be entered into the ATS is in</u></p> | |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|----------------|---|----------------|---|---|
| | | | <p>compliance with all requirements as may be prescribed by the Exchange; and</p> <p>(de) the order is entered into ATS through the screen designated in the ATS for Regulated Short Sale.</p> | |
| 8.31(3) | <p>Limit for regulated short selling</p> <p>(3) The suspension referred to in Rule 8.31(1) may be for:</p> <p>(a) in relation to the circumstance described in Rule 8.31(1)(a), the remaining Market Day from the time the suspension was instituted on that Market Day; or</p> <p>(b) in relation to the circumstance described in Rule 8.31(1)(b), the period until the aggregated quantity falls below 10% of the quantity of outstanding shares or securities, which can only occur when there is a return of the securities borrowed to the</p> | 8.31(3) | <p>Limit for regulated short selling</p> <p>(3) The suspension referred to in Rule 8.31(1) may be for:</p> <p>(a) in relation to the circumstance described in Rule 8.31(1)(a), the remaining Market Day from the time the suspension was instituted on that Market Day; or</p> <p>(b) in relation to the circumstance described in Rule 8.31(1)(b), the period until the aggregated quantity falls below 10% of the quantity of outstanding shares or securities, which can only occur when there is a return <u>redelivery</u> of the</p> | <p>Rule 8.31(3)(b) is amended to replace the word “return” with “redelivery” for consistency with Rules 8.25(5)(b) and 8.25(6)(c) which use the word “redelivery” and to include the redelivery of the ISSBNT Eligible Securities under a ISSBNT Agreement.</p> |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|----------------|--|----------------|---|--|
| | Authorised SBL Participant. | | securities borrowed to the Authorised SBL Participant <u>Eligible Securities under a SBL Agreement or of ISSBNT Eligible Securities under a ISSBNT Agreement.</u> | |
| 8.31(5) | (5) If the shares or securities referred to under Rules 8.31(1)(a) and Rule 8.31(1)(b) respectively falls within the class of Eligible Securities, the following apply: (a) the suspension referred to in Rule 8.31(1)(a), Rule 8.31(1)(b) and Rule 8.31(2) includes suspension on the short selling of the Eligible Securities; and (b) the 'securities' referred to in Rule 8.31(3) includes Eligible Securities and the suspension referred to in that rule is applicable to the short selling of that Eligible Securities. | 8.31(5) | (5) If the shares or securities referred to under Rules 8.31(1)(a) and Rule 8.31(1)(b) respectively falls within the class of Eligible Securities <u>or ISSBNT Eligible Securities</u> , the following apply: (a) the suspension referred to in Rule 8.31(1)(a), Rule 8.31(1)(b) and Rule 8.31(2) includes suspension on the short selling of the Eligible Securities <u>or ISSBNT Eligible Securities</u> ; and (b) the 'securities' referred to in Rule 8.31(3) includes Eligible Securities <u>or ISSBNT Eligible Securities</u> and the suspension referred to in that rule is applicable to the short selling of that Eligible | Amendments to this rule are consequential to allowing the utilisation of ISSBNT for the carrying out of RSS. |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|-------|---|-------|---|---|
| | | | Securities <u>or ISSBNT Eligible Securities.</u> | |
| 11.04 | <p align="center">PART C OTHER FEES AND CHARGES</p> <p>11.04 Levy by Commission</p> <p>(1) In this Rule 11.04, a “Transaction” means a purchase or sale of:</p> <p style="padding-left: 40px;">(a) securities recorded on the Exchange; or</p> <p style="padding-left: 40px;">(b) securities notified to the Exchange in accordance with these Rules.</p> <p>(2) Pursuant to the Securities Commission (Levy on Securities Transactions) Order 1995, every selling Participating Organisation and buying Participating Organisation must pay to the Exchange, for the account of the Commission, a levy on a Transaction as stipulated in Schedule 7.</p> | 11.04 | <p align="center">PART C OTHER FEES AND CHARGES</p> <p>11.04 Levy by Commission</p> <p>(1) In this Rule 11.04, a “Transaction” means a purchase or sale of:</p> <p style="padding-left: 40px;">(a) securities recorded on the Exchange; or</p> <p style="padding-left: 40px;">(b) securities notified to the Exchange in accordance with these Rules.</p> <p>(2) Pursuant to the Securities Commission (Levy on Securities Transactions) Order 1995, every selling Participating Organisation and buying Participating Organisation must pay to the Exchange, for the account of the Commission, a levy on a Transaction as stipulated in Schedule 7.</p> <p><u>(3) For the avoidance of doubt, the requirement in Rule 11.04(2) does not apply to an ISSBNT transaction.</u></p> | We propose to insert new Rule 11.04(3) to clarify that the SC levy does not apply to an ISSBNT transaction. |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | | RATIONALE | | | |
|---|---|-------------------------------------|--|------|-----------|---|---|--|
| <p>13.02 Definitions</p> | <p>New definition</p> | <p>13.02 Definitions</p> | <table border="1"> <thead> <tr> <th data-bbox="1108 341 1279 395">Term</th> <th data-bbox="1283 341 1621 395">Meaning</th> </tr> </thead> <tbody> <tr> <td data-bbox="1108 399 1279 1308"> <p><u>ISSBNT Securities Purchased or ISSBNT Securities Sold</u></p> </td> <td data-bbox="1283 399 1621 1308"> <p><u>Any securities purchased or securities sold under ISSBNT. If the securities purchased or securities sold consist of securities that have been subdivided or consolidated or made the subject of a bonus issue or an event similar to any of the events mentioned, the expression ISSBNT Securities Purchased or ISSBNT Securities Sold means:</u></p> <p><u>(a) in the case of a subdivision or consolidation, the securities into which the securities purchased or securities sold have been subdivided or consolidated;</u></p> <p><u>(b) in the case of a bonus issue, the securities</u></p> </td> </tr> </tbody> </table> | Term | Meaning | <p><u>ISSBNT Securities Purchased or ISSBNT Securities Sold</u></p> | <p><u>Any securities purchased or securities sold under ISSBNT. If the securities purchased or securities sold consist of securities that have been subdivided or consolidated or made the subject of a bonus issue or an event similar to any of the events mentioned, the expression ISSBNT Securities Purchased or ISSBNT Securities Sold means:</u></p> <p><u>(a) in the case of a subdivision or consolidation, the securities into which the securities purchased or securities sold have been subdivided or consolidated;</u></p> <p><u>(b) in the case of a bonus issue, the securities</u></p> | <p>Amendment to insert a new definition for “ISSBNT Eligible Securities Purchased or Securities Sold”. The new definition is equivalent to the current definition for “Securities Borrowed or Securities Lent”, with appropriate modifications. We will refer to the new term in Rule 13.13 (Position Risk – General Principle).</p> |
| Term | Meaning | | | | | | | |
| <p><u>ISSBNT Securities Purchased or ISSBNT Securities Sold</u></p> | <p><u>Any securities purchased or securities sold under ISSBNT. If the securities purchased or securities sold consist of securities that have been subdivided or consolidated or made the subject of a bonus issue or an event similar to any of the events mentioned, the expression ISSBNT Securities Purchased or ISSBNT Securities Sold means:</u></p> <p><u>(a) in the case of a subdivision or consolidation, the securities into which the securities purchased or securities sold have been subdivided or consolidated;</u></p> <p><u>(b) in the case of a bonus issue, the securities</u></p> | | | | | | | |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------|---------------------|------|--|-----------|
| | | | <p><u>purchased or securities sold (as applicable) together with the securities allotted by way of the bonus issue; and</u></p> <p><u>(c) in the case of any event similar to any of the events mentioned, the securities purchased or securities sold, together with or replaced by a sum of money or securities (or both) equivalent to the value or amount arising or due in relation to the securities purchased or securities sold resulting from such event.</u></p> | |

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|-----------------|--|-----------------|---|--|
| 13.13(b) | <p>General Principle</p> <p>A Participating Organisation must calculate its Position Risk Requirement for the securities listed below:</p> <p>(b) Securities Borrowed or Securities Lent for the Participating Organisation as principal;</p> | 13.13(b) | <p>General Principle</p> <p>A Participating Organisation must calculate its Position Risk Requirement for the securities listed below:</p> <p>(b) Securities Borrowed or Securities Lent <u>and ISSBNT Securities Purchased or ISSBNT Securities Sold</u> for the Participating Organisation as principal;</p> | Rule 13.13(b) is amended to clarify that a PO must also calculate its Position Risk Requirement for the ISSBNT Eligible Securities Purchased or Securities Sold. |
| 13.13(c) | <p>(c) securities other than Margin Securities held by the Participating Organisation that have been onward lent by it as principal for the purpose of Securities Borrowing and Lending;</p> | 13.13(c) | <p>(c) securities other than Margin Securities held by the Participating Organisation that have been onward lent by it as principal for the purpose of Securities Borrowing and Lending <u>or onward sold by it as principal for the purpose of ISSBNT</u>;</p> | Rule 13.13(c) which provides for the calculation of a PO's Position Risk Requirement is amended consequential to the introduction of ISSBNT. |
| 13.17(d) | <p>General Principle</p> <p>A Participating Organisation must calculate its Counterparty Risk Requirement for all Counterparty exposures arising from:</p> | 13.17(d) | <p>General Principle</p> <p>A Participating Organisation must calculate its Counterparty Risk Requirement for all Counterparty exposures arising from:</p> | Rule 13.17(d) is amended to require a PO to also include in the calculation of its Counterparty Risk Requirement for all Counterparty exposures |

Draft for consultation – 21 March 2017

**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT**



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------------|---|------------|--|---|
| | (d) Securities Borrowing and Lending transactions; | | (d) Securities Borrowing and Lending <u>or ISSBNT</u> transactions; | arising from ISSBNT transactions. |
| Appendix 1 | RISK DISCLOSURE STATEMENT ON SECURITIES BORROWING | Appendix 1 | RISK DISCLOSURE STATEMENT ON SECURITIES BORROWING <i>[Deleted]</i> | We propose to move the Risk Disclosure Statement on Securities Borrowing as prescribed in Appendix 1 of the Rules of BMS to Directive No. 7-001 (Directive on Securities Borrowing and Lending and ISSBNT) to be in line with our principles-based approach for the rules where appropriate. Similar approach will be adopted for ISSBNT. |
| Appendix 4 | DECLARATION ON COMPLIANCE FOR REGULATED SHORT SELLING AND SECURITIES BORROWING AND LENDING [Rules 8.23(c) and 7.20(c)] | Appendix 4 | DECLARATION ON COMPLIANCE FOR REGULATED SHORT SELLING AND SECURITIES BORROWING AND LENDING [Rules 8.23(c) and 7.20(c)] <i>[Deleted]</i> | We propose to move the written declaration as prescribed in Appendix 4 of the Rules of BMS to Directive No. 7-001 (Directive on Securities Borrowing and Lending and ISSBNT) and Dir. No. 8-002 (Directive on Regulated Short Selling) to be in line with our principles-based approach for the rules where appropriate. |

PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES
in relation to ISSBNT



| RULE | EXISTING PROVISIONS | RULE | AMENDED PROVISIONS | RATIONALE |
|------------|---|------------|-----------------------------|-----------|
| Schedule 6 | SCHEDULE 6 [Rule 11.02 & 11.03] COMMISSION RATES* | Schedule 6 | See Schedule 6 as attached. | |

[End of Proposed Rule Amendments]

SCHEDULE 6
[Rule 11.02 & 11.03]

COMMISSION RATES*

| | Type of Trade | Basis for determining commission | Minimum commission | Maximum commission |
|----------------|---|---|---------------------------|----------------------------|
| (a) | Online Routed Trades | Fully negotiable | Not applicable | Not applicable |
| (b) | Trades paid for by Cash Upfront | Fully negotiable | Not applicable | Not applicable |
| (c) | Direct Business Transactions except for Direct Business Transactions provided at items (a), (b) and (c)(i) and (c)(ii) below | Negotiable subject to the minimum commission | Minimum Fixed Commission | Not applicable |
| | (i) Direct Business Transactions of ABFMY1 trades | Negotiable subject to the minimum commission | RM12.00 | Not applicable |
| | (ii) Direct Business Transactions of ETB trades | Fully negotiable | Not applicable | Not applicable |
| (d) | All trades in securities executed in Board Lots except for trades specifically mentioned in the other items this table and trades in securities provided at items (d)(i) and (d)(ii) below | Negotiable subject to the minimum and maximum commission, whichever is higher | Minimum Fixed Commission | 0.7% of the Contract Value |
| | (i) ABFMY1 trades (including ABFMY1 Intraday Trades) | Negotiable subject to the minimum and maximum commission, whichever is higher | RM12.00 | 0.3% of the Contract Value |
| | (ii) ETB trades (including ETB Intraday Trades) | Negotiable subject to the maximum commission | Not applicable | 0.3% of the Contract Value |
| (e) | All trades in securities executed in less than a Board Lot except for trades specifically mentioned in the other items in this table | Fully negotiable | Not applicable | Not applicable |
| (f) | ISSBNT trades | Fully negotiable | Not applicable | Not applicable |

Commented [Bursa1]: New item (f) is inserted to clarify that the requirements for prescribed commission rates do not apply to ISSBNT trades.

* Notes:

- (1) For transactions in securities denominated in foreign currency, the commission rate will be stipulated by the Exchange in the Directives.
- (2) Cash Upfront refers to full payment by the buying Client to the buying Client's Participating Organisation for the purchase of securities prior to the entry of the order to purchase into the ATS. For the purposes of this Schedule, the "full payment" in the definition of Cash Upfront must be in the form of cash or any other mode of payment where clearance of or good value is given to the mode of payment prior to the entry of the order.
- (3) Online Routed Trade refers to trade arising from an order routed by a Client to the Participating Organisation through an electronic order routing system for submission into ATS and includes an order routed through Direct Market Access.
- (4) Minimum Fixed Commission means:
 - (a) for trade other than Retail Trade
 - (i) on transactions in loan instruments RM2.00; and
 - (ii) on any other transaction RM40.00.
 - (b) for Retail Trade
 - (i) where the Contract Value is RM100,000 or below, the minimum commission payable shall be calculated at 0.6% of the Contract Value or the amount prescribed under paragraph 4(a) above, whichever is higher;
 - (ii) where the Contract Value exceeds RM100,000, the minimum commission payable shall be calculated at 0.3% of the Contract Value or the amount prescribed under paragraph 4(a) above, whichever is higher; and
 - (iii) where the trade is an Intraday Trade, the minimum commission payable shall be calculated at 0.15% of the Contract Value or the amount prescribed under paragraph 4(a) above, whichever is higher.
 - (c) Notwithstanding paragraph 4(b) above:
 - (i) for Direct Business Transactions in respect of Retail Trade, the minimum commission payable shall be the amount prescribed under paragraph 4(a) above or half of the amount prescribed in paragraph 4(b) above, whichever is higher; and
 - (ii) for transactions by employees, Dealer's Representatives and Trading Representatives, the minimum commission payable shall be the amount prescribed under paragraph 4(a) above.
- (5) For the avoidance of doubt, all commission rates set out in this Schedule are exclusive of GST.

[End of Schedule]

Draft for consultation – 21 March 2017