

RULES OF BURSA MALAYSIA SECURITIES BERHAD**TABLE OF CONTENTS**

CHAPTER 1		DEFINITION AND RELATED PROVISIONS
Rule	101	DEFINITION AND INTERPRETATION
	101.1	Definition
	101.2	Interpretation
	102	APPLICATION AND EFFECT OF THESE RULES
	102.1	Rules of the Exchange
	102.2	Binding Effect of Rules
	102.3	Covenants to Observe Rules
	102.4	Investment Banks
	103	TRANSITIONAL PROVISIONS
	103.1	Transitional Provision in Relation to the Conversion Date
	103.2	Transitional Provision in Relation to the Old Rules
	104	NOTICES
	104.1	Notices
CHAPTER 2		ADMINISTRATION
Rule	201	POWERS OF THE EXCHANGE
	201.1	Exercise of Powers
	201.2	Disapplication of Chapter 15
	201.3	Validity of Actions
	201.4	Powers of the Exchange Holding Company
	201.5	Appeal Against Decisions of the Exchange
	201.6	Parties Affected by the Actions Taken by the Exchange
	202	SUSPENSION OF RULES
	202.1	Power to Suspend Rules
	202.2	Emergency
	203	INDEMNITY
	203.1	Liability of the Exchange

204 REGISTERS

204.1 General

CHAPTER 3 PARTICIPATING ORGANISATIONS AND REGISTERED PERSON

Rule 301 PARTICIPATING ORGANISATIONS

301.1 Qualification Criteria

301.2 Application Procedure

301.3 Appeals

301.4 Change of Status

301.5 Participantship

301.6 Continuing Obligations

301.7 Resignation

301.8 Fees

301.9 Continuing Liability

302 REGISTERED PERSON

302.1 Obligation to Register

302.2 Registration Procedures

302.3 Appeals

302.4 Prohibition on Performing Functions Until Registered

302.5 Obligations

302.6 Liability of a Registered Person

302.7 Reporting

302.8 Duty to Manage Conflicts of Interest

302.9 Notice of Cessation

302.10 Vacancy of Registered Person

302.11 Automatic De-registration

302.12 Fees on Registration

302.13 Continuing Liability

302.14 Decisions of the Exchange

303 CHIEF EXECUTIVE OFFICER

303.1 Obligation

303.2 Engagement in Other Business

304 HEADS

304.1 Minimum Number of Heads

305 HEAD OF DEALING

- 305.1 Requirement
- 305.2 Qualification Criteria
- 305.3 Obligations
- 305.4 Engagement in Other Business
- 305.5 Reporting

306 HEAD OF OPERATIONS

- 306.1 Requirement
- 306.2 Qualification Criteria
- 306.3 Obligations
- 306.4 Engagement in Other Business
- 306.5 Reporting

307 HEAD OF COMPLIANCE

- 307.1 Requirement
- 307.2 Qualification Criteria
- 307.3 Obligations
- 307.4 Engagement in Other Business
- 307.5 Reporting
- 307.6 Reporting of Breaches or Irregularities
- 307.7 Reporting on Compliance Matters

308 HEAD GROUP COMPLIANCE

- 308.1 Requirement
- 308.2 Qualification Criteria
- 308.3 Obligations
- 308.4 Engagement in Other Business
- 308.5 Applicability of Rules

309 DIRECTORS

- 309.1 Requirement
- 309.2 Obligations
- 309.3 Engagement in Other Business
- 309.4 Deeming Provision
- 309.5 Liability

310 DEALER'S REPRESENTATIVES

- 310.1 Categories
- 310.2 Requirement
- 310.3 Qualification Criteria
- 310.4 Obligations
- 310.5 Scope of Activities
- 310.6 Remuneration
- 310.7 Segregation of Assets
- 310.8 Movement of Dealer's Representative
- 310.9 Re-Designation
- 310.10 Transfer

311 PROTECTION OF PUBLIC, CLIENT AND EXCHANGE'S INTEREST

- 311.1 Powers of the Exchange

CHAPTER 4 MARKET MAKERS

Rule 401 REGISTRATION OF MARKET MAKERS

- 401.1 Qualification Criteria
- 401.2 Application Procedure
- 401.3 Continuing Obligations

402 OBLIGATIONS OF A MARKET MAKER

- 402.1 Bid and Offer Prices
- 402.2 Designated Trading Account and Designated Securities Account
- 402.3 Conduct by Market Maker

403 RESIGNATION

- 403.1 Resignation
- 403.2 Termination, Suspension or Restriction of Market Making Activity
- 403.3 Continuing Liability

404 PERMITTED SHORT SELLING

- 404.1 General
- 404.2 Commencement of Permitted Short Selling
- 404.3 Execution
- 404.4 Limits for Permitted Short Selling

- 404.5 Delivery and Settlement
- 404.6 Action by the Exchange

CHAPTER 5 CONDUCT OF BUSINESS

Rule	501	GENERAL REQUIREMENTS
	501.1	Standard of Conduct
	501.2	Conflicts of Interest and Risk Management
	501.3	Structures, Policies, Procedures and Internal Controls
	501.4	Records
	501.5	Business Premises
	501.6	Advertising
	501.7	Communication within the Participating Organisation
	501.8	Disputes
	501.9	Statements, Information and Reports to the Exchange
	501.10	Currency
	501.11	Segregation of Client's Securities
	502	RESOURCES
	502.1	Proper Performance of Business Activities
	502.2	Personnel
	502.3	Trading Clerks
	503	CLIENTS
	503.1	Client Information and Opening of Accounts with Clients
	503.2	Doing Business with Clients
	503.3	Posting a Client as a Defaulter
	504	INSURANCE REQUIREMENTS
	504.1	Requirement to Take Out Insurance Policy
	504.2	Notification of Claims

CHAPTER 6 ORGANISATION AND STRUCTURE OF PARTICIPATING ORGANISATIONS

Rule	601	PERMITTED BUSINESS OF PARTICIPATING ORGANISATIONS
	601.1	Permitted Business
	602	BRANCH OFFICE AND ELECTRONIC ACCESS FACILITIES
	602.1	Application of Rule 602

- 602.2 Establishment of Branch Office and Electronic Access Facilities
- 602.3 Permitted Activities at the Branch Office and Electronic Access Facility
- 602.4 Conversion

603 BACK OFFICE FUNCTIONS

- 603.1 Back Office System and Operations

604 COMPLIANCE FUNCTION

- 604.1 Compliance Function
- 604.2 Accountability
- 604.3 Reporting
- 604.4 Compliance with the Capital Markets and Services Act or Securities Laws

605 RISK MANAGEMENT OF PARTICIPATING ORGANISATIONS

- 605.1 Risk Management Functions
- 605.2 Composition of the Committee for Risk Management

606 INTERNAL AUDIT OF PARTICIPATING ORGANISATIONS

- 606.1 Internal Audit Functions
- 606.2 Composition of Audit Committee
- 606.3 Internal Audit
- 606.4 Audit Committee

607 PERFORMANCE OF SUPERVISORY FUNCTIONS, RISK MANAGEMENT COMMITTEE AND AUDIT COMMITTEE AT GROUP LEVEL

- 607.1 Performance of Supervisory Functions
- 607.2 Risk Management Committee and Audit Committee
- 607.3 Investment Bank

CHAPTER 7 DEALINGS IN SECURITIES

Rule 701 DEALINGS IN SECURITIES

- 701.1 General
- 701.2 Quotation and Trading in Securities
- 701.3 Acting as Principal
- 701.4 Proprietary Trading

701.5	Trading Accounts
701.6	Breakdown or Malfunction
701.7	Lien on Securities
701.8	Reporting of Trade Dispute
701.9	Recognised Stock Exchange
701.10	Dealing With or Creation of Other Market
702	OFF BALANCE SHEET TRANSACTION
702.1	Investment Banks
702.2	Records of Off-Balance Sheet Transactions
702.3	Reporting of Off-Balance Sheet Transactions
703	DESIGNATED SECURITIES
703.1	Designated Securities
704	CORNER
704.1	Declaration
705	ISLAMIC STOCKBROKING ACTIVITIES
705.1	Approval of the Exchange
706	SECURITIES BORROWING AND LENDING
706.1	Definitions
706.2	General
706.3	Internal Guidelines and Systems
706.4	Commencement of Securities Borrowing or Lending Activities
706.5	Inspection or Audit by the Exchange
706.6	Written Agreement
706.7	Collateral
706.8	Securities in Margin Account
706.9	Securities in Custody
706.10	Designated Account
706.11	Actions by the Exchange
707	TRANSACTION BY EMPLOYEES, COMMISSIONED DEALER'S REPRESENTATIVES AND DIRECTORS
707.1	Opening of Trading Account

- 707.2 Approval
- 707.3 Transaction by Employees, Directors and Dealer's Representative

708 FINANCING

- 708.1 Types of Financing Allowed
- 708.2 Margin Financing
- 708.3 Discretionary Financing
- 708.4 Financing to Related Corporation

CHAPTER 8 TRADING

Rule 801 AUTOMATED TRADING SYSTEM

- 801.1 General
- 801.2 Trading Days, Trading Sessions and Trading Hours
- 801.3 Trading Status
- 801.4 Keying-In of Orders
- 801.5 Orders
- 801.6 Types of Orders
- 801.7 Validity Condition
- 801.8 Order Matching
- 801.9 System Failure or Malfunction or Mistakes by the Exchange
- 801.10 Mistakes by the Participating Organisation
- 801.11 Price Limits
- 801.12 On-Market Married Transaction

802 DIRECT MARKET ACCESS ORDER

- 802.1 DMA Order
- 802.2 General
- 802.3 DMA Infrastructure
- 802.4 Clients
- 802.5 DMA Orders
- 802.6 Actions by the Exchange

803 REGULATED SHORT SELLING

- 803.1 Regulated Short Selling
- 803.2 Commencement of Regulated Short Selling
- 803.3 Designated Trading Account and Securities Account
- 803.4 Execution

803.5	Contract Note for Regulated Short Sale
803.6	Prohibition on Amendments of Contract
803.7	Delivery and Settlement
803.8	Reporting by Participating Organisation
803.9	Limit for Regulated Short Selling
803.10	Action by the Exchange

804 TRADING SUSPENSION

804.1	Trading Suspension
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CHAPTER 9 DELIVERY AND SETTLEMENT**Rule 901 GENERAL**

901.1	Scope
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902 DELIVERY OF SECURITIES

902.1	Ready Basis Contracts
902.2	Securities with Multiple Quotations

903 FAILED CONTRACTS OF BOARD LOTS

903.1	Automatic Buying-In
903.2	Buying-In Procedures
903.3	Cash Settlement

904 FAILED CONTRACTS OF ODD LOTS

904.1	Cash Settlement
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905 SETTLEMENT OF PAYMENT

905.1	Settlement Between a Participating Organisation and Client
905.2	Contra
905.3	Set-Off

906 SELLING OUT

906.1	Default in Payment
906.2	Notice Not Required

907 CLAIMS AND ENTITLEMENTS ARISING OUT OF FAILURE TO DELIVER

- 907.1 Securities Transacted on “Cum-Entitlements” Basis
- 907.2 Securities Transacted on “Ex-Entitlement” Basis
- 907.3 Sale of Rights

CHAPTER 10 DIRECT BUSINESS TRANSACTIONS

- | | | |
|-------------|-------------|--|
| Rule | 1001 | GENERAL |
| | 1001.1 | General |
| | 1001.2 | Prohibition |
| | 1001.3 | Delivery and Settlement |
| | 1001.4 | Selling Out |
| | 1002 | MODE OF DIRECT BUSINESS TRANSACTIONS |
| | 1002.1 | Conduct of Direct Business Transactions |
| | 1002.2 | Reporting of Direct Business Transactions |
| | 1002.3 | Accuracy of Reports |
| | 1002.4 | Trading Days, Trading Session and Trading Hours |
| | 1002.5 | Price of Securities |
| | 1003 | THE FIRST DAY OF TRADING OF SECURITIES UPLIFTED FROM TRADING HALT OR SUSPENSION, LISTED AND QUOTED AND TRADING EX-ENTITLEMENT OR AFTER A CORPORATE ACTION |
| | 1003.1 | Reporting of Direct Business Transaction |
| | 1004 | AMENDMENTS AND CANCELLATION OF DIRECT BUSINESS TRANSACTIONS |
| | 1004.1 | Amendments and Cancellation |
| | 1005 | FAILURE TO DELIVER OR TO MAKE PAYMENT FOR A DIRECT BUSINESS TRANSACTION |
| | 1005.1 | Action by the Exchange |
| | 1006 | SECURITIES COMMISSION LEVY |
| | 1006.1 | Claim |

CHAPTER 11 COMMISSION AND OTHER FEES AND CHARGES

Rule	1101	DEFINITIONS
	1101.1	Definitions
	1102	COMMISSION
	1102.1	Rates
	1102.2	Net Contracts Prohibited
	1103	OTHER FEES AND CHARGES
	1103.1	Levy by Commission
	1103.2	Clearing Fees

CHAPTER 12 ACCOUNTING, AUDIT AND FINANCIAL REPORTING REQUIREMENTS

Rule	1201	ACCOUNTS AND FINANCIAL REPORTING
	1201.1	Accounts
	1201.2	Financial Reporting Statements
	1202	STATUTORY AUDIT
	1202.1	Annual Statutory Audit and Annual Report
	1203	SUSPENSION OF INTEREST AND PROVISION FOR BAD AND DOUBTFUL DEBTS
	1203.1	Directives
	1203.2	Duty to Disclose

CHAPTER 13 CAPITAL REQUIREMENTS

Rule	1301	GENERAL
	1301.1	Investment Banks
	1301.2	Definitions
	1302	CAPITAL REQUIREMENTS
	1302.1	Minimum Paid-up Capital and Minimum Shareholders' Funds Unimpaired by Losses
	1303	CAPITAL ADEQUACY REQUIREMENTS

1303.1 Obligations of a Participating Organisation

1303.2 Obligations of an Investment Bank

1304 LIQUID CAPITAL

1304.1 General Principle

1304.2 Computation of Liquid Capital

1305 OPERATIONAL RISK

1305.1 General Principle

1305.2 Computation of Operational Risk Requirement

1305.3 Minimum Operational Risk Requirement

1305.4 Annual Expenditure Requirement

1305.5 Adjustment

1306 POSITION RISK

1306.1 General Principle

1306.2 Position Risk Requirement for Equity and Exchange Traded Derivatives
Instruments

1306.3 Position Risk Requirement for Debt Securities

1306.4 Position Risk Requirement for Other Instruments

1307 COUNTERPARTY RISK

1307.1 General Principle

1307.2 Computation of Counterparty Risk Requirement

1307.3 Exceptional Instruments

1307.4 Collateral

1307.5 Hedging

1307.6 Additional Counterparty Risk Requirement

1308 LARGE EXPOSURE RISK

1308.1 General Principles

1308.2 Exposure to a Single Client or Counterparty

1308.3 Direct Exposure to Debt Securities

1308.4 Exposure to a Single Equity

1309 UNDERWRITING RISK

1309.1 General Principle

- 1309.2 Computation
- 1309.3 Register of Underwriting Commitments

1310 GEARING RATIO

- 1310.1 Definition
- 1310.2 Gearing Ratio

CHAPTER 14 INSPECTION AND INVESTIGATION

Rule 1401 INSPECTION

- 1401.1 Definition
- 1401.2 Exchange's Right to Inspection
- 1401.3 Inspection Cost
- 1401.4 Reporting
- 1401.5 Provision of Audit Report to the Exchange

1402 INVESTIGATION

- 1402.1 Definition
- 1402.2 Power of Investigation
- 1402.3 Investigation Cost

1403 CONFIDENTIALITY

- 1403.1 Confidentiality of Findings

CHAPTER 15 DISCIPLINARY ACTIONS

CHAPTER 16 COMPENSATION FUND

Rule 1601 ESTABLISHMENT AND ADMINISTRATION OF COMPENSATION FUND

- 1601.1 Establishment of Compensation Fund
- 1601.2 Administration of Compensation Fund
- 1601.3 Contribution by Participating Organisation

1602 CLAIMS OUT OF COMPENSATION FUND

- 1602.1 Entitlement to Claim
- 1602.2 Procedures for Claim
- 1602.3 Powers of the Exchange in Respect of Claims

ANNEXURE 1B

1603	RIGHT OF APPEAL
1603.1	Right of Appeal

APPENDICES

Appendix 1	RISK DISCLOSURE STATEMENT ON SECURITIES BORROWING
Appendix 2	DECLARATION ON OFF-BALANCE SHEET TRANSACTIONS
Appendix 3	MONTHLY RETURNS ON CREDIT FACILITIES EXTENDED IN RELATION TO MARGIN ACCOUNT
Appendix 4	DECLARATION ON COMPLIANCE FOR REGULATED SHORT SELLING
Appendix 5	NOTIFICATION REQUIRED IN ORDER TO CARRY OUT MARKET MAKING AND PERMITTED SHORT SELLING AND DECLARATION REQUIRED FOR PERMITTED SHORT SELLING
Appendix 6	DECLARATION ON DIRECT BUSINESS TRANSACTION

SCHEDULES

SCHEDULE 1 (CHAPTER 3)	DEALER'S REPRESENTATIVE'S SCOPE OF ACTIVITIES
SCHEDULE 2 (CHAPTER 5)	DECLARATION ON DEFAULTERS
SCHEDULE 3 (CHAPTER 9)	DELIVERY AND SETTLEMENT TIME FOR ON MARKET TRANSACTION
SCHEDULE 4 (CHAPTER 10)	DELIVERY AND SETTLEMENT TIME FOR DIRECT BUSINESS TRANSACTIONS
SCHEDULE 5 (CHAPTER 10)	PRICES OF SECURITIES TRANSACTED IN DIRECT BUSINESS TRANSACTIONS
SCHEDULE 6 (CHAPTER 10)	PRICES OF SECURITIES TRANSACTED IN DIRECT BUSINESS TRANSACTIONS FOR THE FIRST DAY OF TRADING OF SECURITIES UPLIFTED FROM TRADING HALT OR SUSPENSION, LISTED AND QUOTED AND SECURITIES ON THE FIRST DAY OF TRADING EX-ENTITLEMENT OR AFTER A CORPORATE ACTION
SCHEDULE 7 (CHAPTER 11)	COMMISSION RATES
SCHEDULE 8 (CHAPTER 11)	SC LEVY

CHAPTER 1 DEFINITION AND RELATED PROVISIONS

RULE 101 DEFINITION AND INTERPRETATION

101.1 Definition

(1) The following terms have the following meanings unless the context requires otherwise:

Term	Meaning
ABFMY1	The ABF Malaysia Bond Index Fund that is an Exchange Traded Fund listed and quoted on the Exchange and bears the stock short name ABFMY1.
ACE Market	The Exchange's stock market referred to in the ACE Market Listing Requirements.
Adverse Event(s)	Any one or more of the events specified in the Off-Balance Sheet Transaction(s) agreement that obliges the Participating Organisation to perform and discharge the Participating Organisation's obligations under the Off-Balance Sheet Transaction(s).
Annual Report	In relation to a Participating Organisation, the annual report of the Participating Organisation prepared and submitted to the Exchange by an approved company auditor under the Companies Act.
Approved Class of Securities	A class of Approved Securities.
Approved Securities	In relation to Regulated Short Selling any of the Securities from the class of Securities set out below, of an Issuer, that is declared by the Exchange ("Declaration Date") to be included in a class of Securities to which Section 98(4)(c) of the Capital Markets and Services Act applies: <ol style="list-style-type: none"> (a) the Securities is for the time being admitted to the Official List ("the Securities"); (b) the Securities has a daily market capitalisation of RM500 million for at least 3 months prior to the Declaration Date. Market capitalisation means the market value of all the ordinary shares issued by the Issuer and admitted to the Official List; (c) the Securities has at least 50 million in public float prior to the Declaration Date. 'Public float' means securities held in the hands of the public shareholders. 'Public' has the same meaning assigned to that expression in the Listing Requirements; and (d) the volume of trading for the Securities on a monthly basis on average is at least 1 million units for 12 months prior to the Declaration Date.
ATS	The automated and computerised securities trading system established by the Exchange.
ATS Operator	ATS Operators in relation to a Participating Organisation,

Chapter 1 – Definitions and Related Provisions

	means Dealer's Representatives and Trading Clerks who are duly authorised by the Participating Organisation to enter orders into the ATS, to modify and cancel orders.
Authorised Nominee	Same meaning as in the Securities Industry (Central Depositories) Act and the Depository Rules.
Authorised SBL Participant	The Clearing House or an entity approved by the Clearing House to undertake securities borrowing and lending activities as defined in Rule706.
Associated	Same meaning as in Section 3 of the Capital Markets and Services Act.
Associated Corporation	A corporation that is deemed to be associated with the person by virtue of the person holding, directly or indirectly, not less than 20% and not more than 50% of the issued share capital of the corporation.
BAFIA	Banking and Financial Institutions Act 1989.
Best Buy Price	The highest buy order price in the order book of the ATS
Beneficial Owner	Same meaning as in the Securities Industry (Central Depositories) Act and the Depository Rules.
Best Sell Price	The lowest sell order price in the order book of the ATS
Board Lot	In relation to any securities quoted on the Official List, a parcel of securities comprising number of units as determined by the Exchange.
Board of Directors	In relation to a Participating Organisation, the Participating Organisation's board of Directors.
Book Closing Date	The specified time and date set by an Issuer for the purpose of determining entitlements to dividends, interest, new securities or other distributions or rights of holders of Securities.
Branch Office	A branch office the Exchange approves as a branch office of a Participating Organisation. In the case of an Investment Bank, a branch office the Central Bank approves as a branch office of that Investment Bank.
Capital Adequacy Requirements	The capital adequacy requirements in Chapter 13.
Capital Markets and Services Act	Capital Markets and Services Act 2007.
Capital Markets Services Licence	Same meaning as in the Capital Markets and Services Act.
Capital Markets Services Representative's Licence	Same meaning as in the Capital Markets and Services Act.
Central Bank	Central Bank of Malaysia established under the Central Bank of Malaysia Act 1958.
Central Depository	A central depository established under the Securities Industry

Chapter 1 – Definitions and Related Provisions

	(Central Depositories) Act and includes any foreign central depository the Exchange may stipulate.
Chief Executive Officer	In relation to an Investment Bank, the 'Chief Executive Officer' referred to in the Guidelines on Investment Banks.
Clearing Account	Same meaning as in Directive 701.5(1)-002.
Clearing House	BURSA MALAYSIA SECURITIES CLEARING SDN BHD and any other clearing house the Exchange designates for the purpose of clearing and settlement of Contract. .
Clearing House Rules	In relation to a Clearing House, the rules of the Clearing House.
Client	A person for whom a trading account is proposed to be opened or has been opened by a Participating Organisation under these Rules and who is a Beneficial Owner or an Authorised Nominee or an Exempt Authorised Nominee.
Closing Price	'closing price' for On Market Transaction as stipulated by the Exchange
Commission	The Securities Commission established under the Securities Commission Act.
Commissioned Dealer's Representative	A Dealer's Representative a Participating Organisation engages on a non-salaried basis.
Commission's Licensing Handbook	The licensing handbook the Commission issued pursuant to Section 377 of the Capital Markets and Services Act.
Companies Act	Companies Act 1965.
Constituent Securities	Any of the Securities admitted on the Official List which forms the basket or part of the basket of securities required for the creation of an ETF unit and/or underlying an ETF unit.
Contract	A contract for a sale or purchase transaction of Securities entered into on the stock market of the Exchange as described in Rule 801. 8(3).
Contract Date	In relation to a sell or buy Contract of On-Market Transaction, the day the sell or buy order is matched in the ATS.
Contract Note	Same meaning as in Capital Markets and Services Act
Conversion Date	Same meaning as in the Demutualisation Act.
Corporate Action	Any action taken by an Issuer in relation to or arising from the Issuer's Securities including payment of dividend, issue of bonus shares and other rights and interests associated with such Securities, capital restructuring and share consolidation.
Day Trading	Same meaning as in the Exchange's Directives on the use of Day Trading Activities Account.
Day Trading Activities Account	Same meaning as in the Exchange's directives on the use of Day Trading Activities Account.
Dealer's Representative	A holder of a Capital Markets Services Representative's

Chapter 1 – Definitions and Related Provisions

	Licence for Dealing in Securities who trades on the Exchange's stock market.
Dealing in Securities	Same meaning as in the Capital Markets and Services Act.
Demutualisation Act	Demutualisation (Kuala Lumpur Stock Exchange) Act 2003.
Depository	BURSA MALAYSIA DEPOSITORY SDN BHD, a company approved by the Minister to act as a central depository under the Securities Industry (Central Depositories) Act.
Depository Rules	The rules of Depository.
DF Account	A trading account opened by a Client of a Participating Organisation, that allows the Client to utilise Discretionary Financing under Rule 708.3.
DF Account Holder	A Client who has opened a DF Account with a Participating Organisation.
Direct Business Transaction	A contract for sale and purchase of Securities done outside the ATS.
Direct Market Access (DMA)	The process by which orders to buy or sell Securities including any modifications and cancellations thereof are submitted into a DMA Infrastructure for execution in the ATS by a Client without any intervention by a Dealer's Representative or being entered or re-entered by a Dealer's Representative
Directives	Instructions, rulings or guidelines the Exchange issues by whatever name called for or in connection with any of these Rules including: (a) any decision, request or requirement the Exchange makes or imposes pursuant to any act or thing done under these Rules; (b) any terms and conditions imposed pursuant to any act or thing done under these Rules; and (c) any requirement the Exchange imposes for the proper operation and management of the Exchange's stock market and facilities.
Director	Same meaning as in Companies Act
Discretionary Financing	A financing that a Participating Organisation provides to a Client under Rule 708.3.
DMA Infrastructure	An infrastructure established or maintained by or for the Participating Organisation which facilitates Direct Market Access.
DMA Client	A person who is allowed to key-in DMA orders under Rule 802.4.
Document	Same meaning as in the Capital Markets and Services Act.
DR Security Deposit	Any cash, bank guarantee, securities or other form of security acceptable to the Participating Organisation

deposited with the Participating Organisation:

- (a) to secure the Dealer's Representative's obligations to the Participating Organisation under the agreement setting out the Participating Organisation's arrangement with the Dealer's Representative; or
- (b) as security for the repayment of all monies that are or may be owing by the Dealer's Representative or the Dealer's Representative's Client to the Participating Organisation arising from or in connection with transactions in Securities.

Dual Licensed Dealer's Representative	A Dealer's Representative who also holds a Capital Markets Services Representative's Licence for Trading in Futures Contracts.
Effective Date	The date that the New Rules comes into force.
Effective Shareholders' Funds	Same meaning as in Rule 1301.2(1).
Electronic Access Facility	Any physical site, location or premise at which is situated or installed physical hardware or equipment – <ul style="list-style-type: none"> (a) that does or is able to house or accommodate electronic systems, devices or platforms; and (b) which hardware or equipment when used in conjunction with the electronic systems does or is able to provide broker-client linkages or electronic client ordering systems.
Eligible Non-Universal Broker	A Non-Universal Broker that has merged with or acquired the assets or any interests and business of at least 1 other Participating Organisation or a Participating Organisation that was a Member Company.
Eligible Securities	Such Securities as the Clearing House may prescribe as being eligible for securities borrowing and lending in accordance with the Clearing House Requirements;
Entity	In relation to outsourcing of Supervisory Functions, same meaning as in the Commission's requirements on performance of Supervisory Functions at Group Level for capital market intermediaries.
Equity	In relation to Margin Financing the sum of Margin and securities purchased and carried in Client's Margin Account
Equity-based Exchange Traded Fund	The Exchange Traded Fund that: <ul style="list-style-type: none"> (a) tracks the performance of a market index where constituent securities of that market index are wholly shares ("the constituent shares"); and (b) invests in the constituent shares of that market index.
Exchange	BURSA MALAYSIA SECURITIES BERHAD.

Chapter 1 – Definitions and Related Provisions

Exchange Holding Company	BURSA MALAYSIA BERHAD.
Exchange Traded Fund (ETF)	Same meaning as in the Commission's requirements on exchange traded funds.
Executive Director	A person who is an executive Director and employee of a Participating Organisation.
Exempt Authorised Nominee	Same meaning as in the Depository Rules.
External Party	Same meaning as 'external party' in the Commission's requirements on the performance of Supervisory Functions at Group Level for capital market intermediaries.
FDSS	The fixed delivery and settlement system established by the Exchange that fixes and regulates the day and time for the delivery and settlement of Securities traded or reported on the Exchange's stock market.
Forward Contract	A contract for the future delivery of securities at a pre-determined price and date.
Fund Management	Same meaning as in the Capital Markets and Services Act.
Fund Manager's Representative	A holder of a Capital Markets Services Representative's Licence for Fund Management.
Futures Broker	A holder of a Capital Markets Services Licence for Trading in Futures Contracts.
Futures Broker's Representative	A holder of a Capital Markets Services Representative's Licence for Trading in Futures Contracts.
Futures Exchange Business Rules	Same meaning as in paragraphs (b) and (e) (in so far as the same relates to an approved clearing house providing clearing house facilities in relation to futures contracts and an exchange holding company of a futures exchange) and (d) of the definition of 'rules' in Section 2(1) of the Capital Markets and Services Act.
Futures Contract	Same meaning as in the Capital Markets and Services Act.
Futures Exchange	A body corporate approved as a futures exchange under the Capital Markets and Services Act.
Group Level	In relation to outsourcing of Supervisory Functions same meaning as in the Commission's requirements on the performance of Supervisory Functions at group level for capital market intermediaries.
Guidelines on Back Office Functions	Guidelines on Outsourcing of Back Office Functions for Capital Market Intermediaries.
Guidelines on Investment Banks	Guidelines on Investment Banks jointly issued by the Central Bank and the Commission.
Guidelines on Supervisory Functions	Guidelines on Performance of Supervision Functions at Group Level for Capital Market Intermediaries.

Chapter 1 – Definitions and Related Provisions

Heads	Head of Dealing, Head of Operations and Head of Compliance and a “Head” means any one of these Heads.
Head Group Compliance	The ‘head of compliance’ referred to in the guidelines issued by the Commission on the performance of Supervisory Functions at a Group Level for capital market intermediaries.
Head of Compliance	A person who a Participating Organisation appoints under Rule 307.1(1).
Head of Dealing	A person who a Participating Organisation appoints under Rule 305.1(1).
Head of Operations	A person who a Participating Organisation appoints under Rule 306.1(1).
Interest in Securities	Same meaning as in the Capital Markets and Services Act.
Internal Guidelines for Permitted Short Selling	Written guidelines formulated by Market Maker setting out the Market Maker’s internal policies, procedures, controls and requirements in relation to Permitted Short Selling activities to ensure strict compliance with laws and these Rules including any regulations, directives, guidelines and rulings issued under the laws or these Rules in relation to Permitted Short Selling.
Investment Bank	An Investment Bank referred to under the Guidelines on Investment Banks and admitted as a Participating Organisation under Rule 301.2..
Issuer	Same meaning as in the Capital Markets and Services Act.
Last Done Price	the last traded price of an On-Market Transaction.
Licensed Institution	Same meaning as in the BAFIA.
Listing Requirements	The rules governing the listing of securities and regulation of listed Issuer on the Main Market and ACE Market.
Lodgement Date	The date on any market day immediately preceding the Book Closing Date.
Lower Limit Price	The lowest price at which the Securities can be traded from a Reference Price, as stipulated by the Exchange.
Main Market	The Exchange’s stock market referred to under the Main Market Listing Requirements
Margin	The aggregate amount of cash and collateral deposited into a Client’s Margin Account but excludes Securities that are purchased and carried in the Client’s Margin Account.
Margin Account	The account a Client maintains with a Participating Organisation for Margin Financing.
Margin Financing	A financing that a Participating Organisation provides to a Client under Rule 708.2
Market Day	A day on which the Exchange’s stock market is open for trading in securities.

Chapter 1 – Definitions and Related Provisions

Market Maker	A person who performs market making.								
Market Making	The act of entering bid and offer prices in the order book maintained in the ATS for a Specified Security based on the requirements stipulated by the Exchange.								
Member Company	A Participating Organisation who was a member of the Exchange Holding Company prior to the demutualisation of the Exchange Holding Company under the Demutualisation Act.								
Minimum Paid-Up Capital	The minimum paid-up capital specified in Rule 1302.1(1).								
Minimum Shareholders' Funds	The minimum shareholders' funds unimpaired by losses specified in Rule 1302.1(1).								
Minister	The Minister responsible for finance in Malaysia.								
Net Short Position	In relation to an Approved Securities means the quantity of an Approved Securities short sold on a Market Day in accordance with Rule 803 but which have yet to be closed off by subsequent purchases of Securities falling within the same class of Securities as the Approved Securities short sold and executed on the same Market Day that the Approved Securities was short sold.								
New Rules	The Rules of Bursa Malaysia Securities Bhd in force from the Effective Date.								
No Cancellation Range	The range of prices specified in the table below where the Exchange will not cancel a Contract arising from a mistake made by a Participating Organisation as stipulated under Rule 801.10. In relation to Securities denominated in foreign currency, the range of prices stated below will equally apply but denominated in the foreign currency in which the Securities are quoted and traded in.								
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Prevailing Price (RM)</th> <th style="text-align: center;">No Cancellation Range</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Below 0.50</td> <td>Between RM 0.075 below the Prevailing Price and RM 0.075 above the Prevailing Price.</td> </tr> <tr> <td style="text-align: center;">Between 0.50 and 1.00</td> <td>Between RM 0.15 below the Prevailing Price and RM 0.15 above the Prevailing Price.</td> </tr> <tr> <td style="text-align: center;">Above 1.00</td> <td>Between the price 15% below the Prevailing Price and the price 15% above the Prevailing Price.</td> </tr> </tbody> </table>	Prevailing Price (RM)	No Cancellation Range	Below 0.50	Between RM 0.075 below the Prevailing Price and RM 0.075 above the Prevailing Price.	Between 0.50 and 1.00	Between RM 0.15 below the Prevailing Price and RM 0.15 above the Prevailing Price.	Above 1.00	Between the price 15% below the Prevailing Price and the price 15% above the Prevailing Price.
Prevailing Price (RM)	No Cancellation Range								
Below 0.50	Between RM 0.075 below the Prevailing Price and RM 0.075 above the Prevailing Price.								
Between 0.50 and 1.00	Between RM 0.15 below the Prevailing Price and RM 0.15 above the Prevailing Price.								
Above 1.00	Between the price 15% below the Prevailing Price and the price 15% above the Prevailing Price.								
Non-Executive Director	A non-executive Director of a Participating Organisation.								
Non-Universal Broker	A Participating Organisation that is not a Universal Broker and includes an Eligible Non-Universal Broker and Special Scheme Broker.								
Odd Lot	In relation to any Securities quoted on the Official List, means any number of such Securities that is less than the number of Securities the Exchange determines as a Board Lot.								

Off-Balance Sheet Transactions	<p>Includes:</p> <ul style="list-style-type: none"> (a) uncalled amounts on securities, options, other contingent liabilities and capital commitments (whether secured or not); (b) all assets pledged as security, forward purchase or sale contracts (other than in securities) (c) futures contracts and other commitments that contractually obliges a Participating Organisation to perform certain actions that are transacted outside the ATS, <p>but excludes underwriting or sub-underwriting that are required to be reported under Capital Adequacy Requirements.</p>
Official List	<p>The list of Securities that:</p> <ul style="list-style-type: none"> (a) has been admitted by the Exchange and has not been removed by the Exchange; or (b) are quoted and traded on the Exchange, <p>or both.</p>
Old Rules	The Rules of Bursa Malaysia Securities Bhd in force prior to the Effective Date.
On-Market Transaction	<p>A transaction that is concluded by way of:</p> <ul style="list-style-type: none"> (a) automated matching of orders entered into the order book maintained in the ATS, in accordance with Rule 801.3 or (b) a transaction that is concluded in accordance with Rule 801.12.
On-Market Married Transaction	<p>A match of a buy order to a sell order for the same price and quantity made by the same Participating Organisation simultaneously entering and executing the buy and sell orders into the ATS in accordance with Rule 801.12 between:</p> <ul style="list-style-type: none"> (a) two Clients of the same Participating Organisation; or (b) a Participating Organisation and its Client.
Opening Price	'opening price' for On Market Transaction as stipulated by the Exchange.
Outstanding Balance	The amount owed by a Client in the Client's Margin Account arising from the Client's transactions in Securities, including all commission charges, interest, expenses and all other related expenses before deducting any cash deposited by the Client as Margin.
Participantship Participating Dealer	<p>Being a Participating Organisation of the Exchange.</p> <p>Same meaning as in the guidelines on Exchange Traded Funds issued by the Commission.</p>
Participating Organisation	A company that carries on the business of trading in Securities on the Exchange's stock market and is admitted as a a Participating Organisation under Rule 301.2 and includes all the Participating Organisation's Branch Offices.

Permitted Short Selling	The short selling of units of an ETF or constituent securities pursuant to the Capital Markets Services (Non-Application of Subsection 98(1))(Exchange Traded Funds) Order 2009.
Prevailing Price	The reference price used to establish the “No Cancellation Range” and the reference price is the Last Done Price or any other price the Exchange deems fit, prior to and on the same trading session that the mistake as described in Rule 801.10 is made by the Participating Organisation.
Principal Office	The principal office approved by the Commission as the principal office of a Participating Organisation. In the case of an Investment Bank, the principal office approved by the Central Bank as the principal office of an Investment Bank.
Proprietary Account	A trading account opened by a Participating Organisation for the Participating Organisation’s own trades.
Proprietary Day Trader	A Dealer’s Representative a Participating Organisation engages to execute Day Trading on the Participating Organisation’s behalf.
Public Holiday	A day that is declared as a public holiday in the Federal Territory of Kuala Lumpur.
Ready Basis Contract	A Contract where the delivery and settlement time for buying or selling of Securities are as stipulated in Schedule 3.
Recognised Stock Exchange	<p>(a) A body corporate approved by the Minister under Section 8(2) of the Capital Markets and Services Act; or</p> <p>(b) A foreign stock exchange the Exchange declares to be a Recognised Stock Exchange.</p>
Record	Same meaning as in Capital Markets and Services Act
Record of Depositors	Same meaning as in the Depository Rules.
Reference Price	<p>(a) Except for the situations stipulated in paragraph (b) below, the Last Done Price of Securities :</p> <p style="margin-left: 40px;">(i) in the previous trading session; or</p> <p style="margin-left: 40px;">(ii) in the event no trade of such Securities was effected on the previous trading session, the last trading session in which trades were effected; or</p> <p>(b) if for 2 consecutive trading sessions of 1 Market Day, no trading has been done for a particular Securities:</p> <p style="margin-left: 40px;">(i) the Upper Limit Price at market close, if there is an order to buy at the Upper Limit Price and the Upper Limit Price is greater than the last Reference Price; or</p> <p style="margin-left: 40px;">(ii) the Lower Limit Price at market close, if there is an order to sell at the Lower Limit Price and the Lower Limit Price is less than the last Reference Price; or</p>

	(c) for Securities quoted ex-entitlement, as the Exchange determines; or
	(d) for Securities that have been approved by the Exchange for listing and quotation on the Official List, on the first day of their listing and quotation, the issue or offer price of such Securities or any other price as determined by the Exchange; or
	(e) in any other circumstances, as the Exchange determines.
Register	The list or roll of Participating Organisations and Registered Person(s) or such other persons determined by the Exchange the Exchange keeps.
Registered Person	A Persons stipulated under Rule 302.1(1), who is registered with the Exchange.
Regulated Short Selling	The selling of Approved Securities where the seller does not, at the time of the execution of the sale, have an exercisable and unconditional right to vest such Securities in the purchaser but has, prior to the execution of the sale, borrowed the Approved Securities or obtained confirmation from an Authorised SBL Participant that the Authorised SBL Participant has the Approved Securities available to lend, pursuant to a SBL Agreement as will enable delivery of the same to be made to the purchaser under the said sale, in accordance with the Rules relating to delivery and settlement in Chapter9, and "Regulated Short Sale" means the sale relating to the same.
Retail Clients	Clients of a Participating Organisation who carry out Retail Trades as defined in Rule 1101.1.
Related Corporation	Same meaning as 'related corporation' under section 6 in the Companies Act.
Salaried Dealer's Representative	A Dealer's Representative a Participating Organisation employs on a salaried basis.
SBL Agreement	An agreement for the purpose of securities borrowing /or lending as defined in Rule 706.
Securities	Securities as defined in the Capita Markets and Services Act which are listed or quoted on the stock market of the Exchange,
Securities Account	Same meaning as in the Securities Industry (Central Depositories) Act.
Securities Commission Act	Securities Commission Act 1993.
Securities Industry (Central Depositories) Act	Securities Industry (Central Depositories) Act 1991.
Securities Laws	The Capital Markets and Services Act, Securities Industry (Central Depositories) Act, Securities Commission Act and any written notices, circulars or guidelines the Commission issues pursuant to any of the above mentioned Acts.

Chapter 1 – Definitions and Related Provisions

Special Scheme Broker	Same meaning as in the Commission's Licensing Handbook.
Specified Security	The Securities specified by the Exchange as available for Market Making.
Standalone Broker	A Participating Organisation that has not complied with the Commission's policy framework for stockbroking industry consolidation.
Supervisory Functions	Same meaning as in the Commission's requirements on supervisory functions at Group Level for capital market intermediaries.
T	In relation to:- a) On-Market Transaction, the day that the On-Market Transaction is done on ATS; and b) Direct Business Transaction, the day the Direct Business Transaction is reported to the Exchange in accordance with Chapter 10; and
these Rules	The Rules of Bursa Malaysia Securities Berhad.
Tick	The minimum change allowed in the price of Securities, as stipulated by the Exchange.
Total Short Position	In relation to an Approved Securities, the total quantity of an Approved Securities short sold in accordance with Rule803.
Tradeable Balance	(a) Securities marked as "free" in the seller's Securities Account; or (b) Securities that are due to be delivered to a seller's Securities Account pursuant to an outstanding purchase Contract.
Trading Clerk	A trading clerk referred to in Rule 502.3.
Trading in Futures Contracts	Same meaning as in the Capital Markets and Services Act.
Trading Loss	In relation to Rule801. 10(2), means the difference between the value of the trade if executed based on the Prevailing Price and the value of the trade executed arising from the mistake by the Participating Organisation as described in Rule801.10.
Universal Broker	A Participating Organisation that has: (a) merged with or acquired 3 or more Member Company(ies) or Participating Organisations or both; (b) fulfilled the necessary qualifying criteria stipulated by the Commission to the satisfaction of the Commission; and (c) been approved in writing by the Commission to be a Universal Broker.
Upper Limit Price	The highest price at which the Securities can be traded from a Reference Price as stipulated by the Exchange.

VWAP	<p>The volume weighted average price of a particular Securities calculated as follows:</p> $\frac{\text{the total value of Securities transacted during a particular period of time ("the period")}}{\text{the total number of Securities transacted during the period}}$
Worst Case scenario	<p>In relation to Off-Balance Sheet Transaction(s), the assessment and determination of Worst Case scenario will include consideration of:</p> <ul style="list-style-type: none"> (a) the assumption that the Off-Balance Sheet Transaction(s) will be fully exercised; (b) any corresponding obligation with, or by, a third party to buy or sell the same underlying securities may be taken into account only to the extent that there is collateral provided by such third party; and (c) such other considerations or assumptions as the Exchange may stipulate.

101.2 Interpretation

- (1) Unless the context requires otherwise, terms not defined in these Rules have the same meaning as in the:
 - (a) Capital Markets and Services Act;
 - (b) Securities Industry (Central Depositories) Act;
 - (c) Securities Commission Act; or
 - (d) Companies Act.
- (2) A reference to a statute is to that statute so modified, re-enacted or consolidated and includes regulations, rules or other statutory instruments made under that statute.
- (3) A reference to a rule, directive, guideline or requirement of the Exchange, Exchange Holding Company, Depository, Clearing House, the Commission or the Central Bank or other relevant party is to that rule, directive, guideline or requirement so amended, supplemented, consolidated or substituted.
- (4) The singular includes the plural and vice versa.
- (5) A reference to a person includes a firm, partnership and corporation.
- (6) A reference to writing includes any mode of representing or reproducing letters, figures or marks in a visible form.
- (7) A reference to "RM" or "Ringgit Malaysia" is to Malaysian currency.
- (8) If a word or phrase is defined in these Rules, any other grammatical form in respect of such word or phrase has a corresponding meaning.
- (9) A reference to a rule, chapter, schedule or appendix is to the relevant rule, chapter, schedule and appendix to these Rules.

- (10) Headings and sub-headings are inserted for convenience of reference only and does not affect the interpretation and construction of the rule.
- (11) A reference to a day or month is to a calendar day or calendar month.
- (12) A reference to a time of day is a reference to Malaysian time.
- (13) A reference to an "employee" in these Rules includes Executive Directors of the Participating Organisation, unless stated otherwise.
- (14) A reference to "suspend" or "suspension" in relation to the trading of Securities, where the context permits, includes "forbidden", "interrupted", "reserved", "suspended" or "frozen" as referred to in Rule 801.4.
- (15) A reference to 'trade' or 'transaction' means a contract to buy or sell Securities as permitted in these Rules.

RULE 102 APPLICATION AND EFFECT OF THESE RULES

102.1 Rules of the Exchange

- (1) These Rules must be read together with:
 - (a) the Directives;
 - (b) the Capital Markets and Services Act;
 - (c) the Commission's requirements applicable to Participating Organisations or Registered Person(s);
 - (d) any other laws or requirements of any relevant authority applicable to Participating Organisations or Registered Person(s).

102.2 Binding effect of Rules

- (1) These Rules are binding on Participating Organisations and Registered Person(s) in the manner set out in:
 - (a) section 354(2) of the Capital Markets and Services Act; and
 - (b) Rule 102.3.

102.3 Covenants to observe Rules

- (1) These Rules have the effect of a contract between:
 - (a) the Exchange and Participating Organisations under which each Participating Organisation covenants with the Exchange to observe these Rules and the Directives and to perform the obligations that these Rules and the Directives purport to impose on the Participating Organisation in the manner set out by these Rules and the Directives; and
 - (b) the Exchange and Registered Person(s) under which each Registered Person(s) covenants with the Exchange to observe these Rules and the Directives and to perform the obligations that these Rules and the Directives purport to impose on the Registered Person(s), in the manner provided by these Rules and the Directives.

102.4 Investment Banks

- (1) If a provision in these Rules is expressed to be inapplicable to an Investment Bank or a Registered Person(s) of an Investment Bank, the relevant requirements in the Guidelines on Investment Banks and any other requirement the Central Bank specifies on the matter ("the Relevant Guidelines and Requirements") will apply instead. The Relevant Guidelines and Requirements will be deemed to be part of these Rules.

RULE 103 TRANSITIONAL PROVISIONS

103.1 Transitional provisions in relation to the Conversion Date

- (1) A Member Company who has not been expelled from membership of Exchange Holding Company immediately prior to the Conversion Date is deemed a Participating Organisation under these Rules until it ceases to be a Participating Organisation in accordance with these Rules and shall continue to be bound by these Rules and Directives
- (2) All references to the Participating Organisation in that Participating Organisation's former capacity as a Member Company of the Exchange Holding Company in any undertaking, declaration, indemnity or other document are references to the Participating Organisation.
- (3) For the avoidance of doubt:
 - (a) these Rules;
 - (b) all privileges, obligations and liabilities of a person (including a Participating Organisation and Dealer's Representative) prior to the Conversion Date; and
 - (c) all registrations made and approvals granted to a person (including a Participating Organisation and Dealer's Representative) that were valid immediately prior to the Conversion Date,continue to be valid and binding on that person unless these Rules specify otherwise .
- (4) Unless these Rules or the Exchange provides otherwise:
 - (a) the Exchange must apply the rules and procedures on disciplinary actions applicable prior to the Conversion Date to a disciplinary action instituted under the Exchange Holding Company's rules prior to the Conversion Date. The previous disciplinary rules and procedures will also apply to an appeal against a decision on a disciplinary action instituted prior to the Conversion Date;
 - (b) The Exchange may institute disciplinary action for a breach of the Exchange Holding Company's rules or Directives committed prior to the Conversion Date if no disciplinary action has been instituted. The Exchange may apply the relevant procedures under these Rules in this disciplinary action.
- (5) Any act or thing done by a Participating Organisation or a Registered Person(s) under the Exchange Holding Company's rules or Directives prior to the Conversion Date has effect from the Conversion Date as if the act or thing had been done under the corresponding provision of these Rules.
- (6) The reference to "any act or thing done" includes
 - (a) the making of a determination or the passing of a resolution;
 - (b) the granting or exercise of a power (including delegated power);
 - (c) the execution of a document; or
 - (d) the appointment or removal of any person from any office or position.
- (7) All Directives issued by the Exchange Holding Company prior to the Conversion Date continue in force insofar as these Directives are not inconsistent with these Rules.

103.2 Transitional Provisions in relation to the Old Rules

- (1) The New Rules do not affect:
 - (a) the accrued rights of the Exchange under the Old Rules;
 - (b) the accrued obligations of Participating Organisations and Registered Person(s) under the Old Rules;
 - (c) the right of the Exchange to take any action for breaches under the Old Rules discovered after the New Rules come into effect;
 - (d) the right of the Exchange to continue with any action initiated under the Old Rules after the New Rules come into effect; and
 - (e) any conditions, undertakings, decisions, waivers, act or thing imposed on or given by or done by the Participating Organisations and Registered Person(s) under the Old Rules.
- (2) If the Exchange initiates any disciplinary action on and after the Effective Date for breaches which occurred under the Old Rules, the following applies:
 - (a) the Exchange can apply the relevant rules and procedures relating to disciplinary matters under the New Rules;and
 - (b) the Exchange can apply the relevant penalties under the New Rules.
- (3) The Exchange can apply the rules, procedures, and penalties of the Old Rules to:
 - (a) disciplinary actions which was initiated prior to the Effective Date;
 - (b) appeals made prior to the Effective Date; or
 - (c) appeals made on or after the Effective Date in relation to disciplinary actions initiated or taken prior to the Effective Date.
- (4) The reference to "any act or thing " in this Rule has the same meaning as stated under Rule 103.1(6).

RULE 104 NOTICES

104.1 Notices

- (1) The Exchange will send all notices required to be sent under these Rules in writing:
 - (a) to the address or facsimile number (or both) of the addressee contained in the records of the Exchange; or
 - (b) using any other mode of giving notice the Exchange thinks fit, including electronic mail, other electronic means and advertisement in newspapers.
- (2) A notice given under these Rules is regarded as received:
 - (a) if delivered by hand, at the time of delivery;
 - (b) if sent by post within Peninsula Malaysia, on the 3rd Market Day after posting;
 - (c) if sent by air mail to Sabah, Sarawak or outside Malaysia, on the 5th Market Day after posting;
 - (d) if sent by courier, on the 2nd Market Day after despatch;
 - (e) if sent by facsimile or other electronic media, at the time of transmission; and
 - (f) if published in any public media, at the time of publication.

[End of Chapter]

CHAPTER 2 ADMINISTRATION

RULE 201 POWERS OF THE EXCHANGE

201.1 Exercise of powers

- (1) The Exchange may exercise all such powers and do all such acts and things as may be exercised or done by the Exchange pursuant to the Securities Laws.
- (2) Subject to the provisions of the Securities Laws, the Exchange may exercise its powers in such manner and on such terms as it considers necessary or expedient which includes the following –
 - (a) to make new rules;
 - (b) to add to, vary, repeal, enforce or waive any of these Rules or Directives;
 - (c) to administer, manage and formulate policies in relation to these Rules;
 - (d) to issue Directives for the purposes of or in connection with any of these Rules, including any modifications to the Directives;
 - (e) to interpret conclusively any provision in these Rules and any Directives having regard to the spirit, intention, purpose and the substance of such Rules and Directives, in a case of dispute over interpretation of such Rules and Directives;
 - (f) to release any information in relation to a Participating Organisation, the Participating Organisation's Registered Person or Clients to the Commission, Depository, Clearing House or any other relevant body or authority (in Malaysia or outside of Malaysia) as the Exchange considers fit;
 - (g) to disclose the following information to the Participating Organisations and the public:
 - (i) without identifying the Client of the Participating Organisation to whom the information relates to, the volume or value of On-Market Transactions and Direct Business Transactions transacted by all or any or each of the Participating Organisations or Market Maker(s);
 - (ii) any action taken against the Participating Organisation or Registered Person by the Exchange under these Rules;
 - (h) to grant, suspend or revoke the rights of any Participating Organisation or Registered Person;
 - (i) to impose terms and conditions in relation to any decisions, approvals or act or thing done by the Exchange in connection with these Rules at any time and to revoke, vary or amend the terms and conditions at any time thereafter;
 - (j) to enforce the directions given by the Commission;
 - (k) to require the Participating Organisations and Registered Person to provide reports, information or documents to the Exchange in relation to any matter under these Rules or Directives;
 - (l) to refer any act or conduct of the Participating Organisation or Registered Person to an appropriate authority;

Chapter 2 - Administration

- (m) to impose charges, fees and interest payment for late payment or non-payment of fees and charges or any other amount due to the Exchange;
 - (n) to appoint a committee, sub-committee, officers of the Exchange or an agent to exercise the Exchange's powers under these Rules where appropriate;
 - (o) to undertake readiness audit which scope, criteria and manner will be as determined by the Exchange. The cost of the readiness audit will be borne by the Participating Organisation;
 - (p) to undertake any further, ancillary or consequential action pursuant to an initial decision or action taken by the Exchange, Commission, Clearing House or Depository in relation to a Participating Organisation, Registered Person or an Issuer;
 - (q) to exercise all such other powers as may be necessary for purposes of monitoring compliance with and enforcement of these Rules and Directives;
 - (r) to exercise any power and take any action (including preventive or pre-emptive action) which in the opinion of the Exchange is necessary for the existence or maintenance of an orderly and fair market; and
 - (s) to exercise all such other powers as may be necessary for the performance of its functions as a stock exchange pursuant to the Capital Markets and Services Act.
- (3) The exercise of any specific powers conferred on the Exchange in any other provisions in these Rules does not prejudice or waive the exercise of any power by the Exchange under Rule 201.1(2).
- (4) All decisions of the Exchange are final and binding on all Participating Organisations and Registered Person unless these Rules expressly provides for a right of appeal.
- (5) If any provision of these Rules empowers, authorises or enables the Exchange to do or enforce the doing of any act or thing, the Exchange has all such powers or rights as may be necessary or reasonably incidental to the Exchange doing or enforcing the doing of the act or thing.
- (6) A Participating Organisation and a Registered Person must comply and give effect to any Directives the Exchange issues in exercising the powers under Rule 201.1(2).

201.2 Disapplication of Chapter 15

- (1) The disciplinary proceedings stipulated in Chapter 15 will not apply to any action taken under Rule 201.1(2)(s) or to any action described in any provision of these Rules or Directives as taken by the Exchange 'summarily' or 'automatically' ("the Relevant Rules").
- (2) In an action taken under the Relevant Rules a Participating Organisation, or a Registered Person may make representations to the Exchange to discontinue the action taken. The Exchange may, after considering the representations made, discontinue with the action taken. However such discontinuance is not to be construed as an omission or error of any kind on the part of the Exchange in undertaking the action under the Relevant Rules in the first place.

201.3 Validity of Actions

The Exchange may make amendments including deletions of any provisions of these Rules from time to time ("the Amendments"). Any action proposed to be taken or in the process of being taken or taken by the Exchange in relation to any provisions of these Rules which are effective prior to the Amendments, will not be invalidated by the Amendments even if the above action is taken on or

after the effective date of the Amendments.

201.4 Powers of the Exchange Holding Company

- (1) If any provision of these Rules confers a right or power on the Exchange to do any act or thing, such right or power is also conferred on the Exchange Holding Company to do such act or thing on behalf of the Exchange.
- (2) A Participating Organisation, Registered Person and other person to whom these Rules are directed to must comply with, observe or give effect to any action of the Exchange Holding Company pursuant to Rule 201.4 (1).

201.5 Appeals against decisions of the Exchange

- (1) Any decision of the Exchange is final and binding and a person may only appeal against any action or decision taken or made by the Exchange under these Rules or Directives if the right of appeal is expressly provided under the relevant provisions of these Rules.
- (2) The decision of the Exchange on appeal is final and binding on the person appealing.

201.6 Parties affected by actions taken by the Exchange

- (1) Any action taken under these Rules against a Participating Organisation or Registered Person or effecting Clients of a Participating Organisation ("Affected Persons") is also binding on a proxy, agent, nominee and person acting in concert with the Affected Person.

RULE 202 SUSPENSION OF RULES

202.1 Power to suspend rules

- (1) The Exchange may when any of emergency situation as described under Rule 202.2 happens, suspend any of the provisions of these Rules or make and impose new temporary rules ("Emergency Rules") to ensure the existence or continuance of an orderly and fair market.
- (2) Any Emergency Rules made and imposed by the Exchange is binding on all Participating Organisations, Registered Person and employees for such period and in accordance with the terms and conditions stipulated by the Exchange.
- (3) The Exchange may take any other actions the Exchange deems fit to handle an emergency situation.

202.2 Emergency

- (1) An emergency situation with regard to the stock market includes -
 - (a) a situation that threatens, or may threaten, the integrity or the liquidity of any counter in the stock market or of the stock market;
 - (b) a situation that threatens, or may threaten, the financial integrity of the Exchange or its Participating Organisations;
 - (c) a manipulation or attempted manipulation of, or the creation of a corner situation in, any Securities as described under Rules 703 and 704 respectively;
 - (d) any internal or external factors which are likely to have direct and adverse effect on the Exchange;
 - (e) a situation where the operations of the Exchange are severely and adversely affected by the occurrence of any major incidents such as a fire, power failure or computer malfunction; or
 - (f) any other situation likely to have an adverse impact on the operation of an orderly and fair market.

RULE 203 INDEMNITY

203.1 Liability of the Exchange

- (1) Without prejudice to any immunity or defence available to the following persons by statute or in law, none of the following persons is liable for , on account of or in respect of anything done or omitted to be done, any such statement made or omitted to be made by such persons or on behalf of such persons in good faith in connection with the discharge or performance or purported discharge or performance of any function or duty, or the exercise or intended exercise of any power under these Rules or any applicable law or in respect of any decision made or enforcement action taken or notice of publication in relation to such enforcement action, whether resulting in any loss of profit, costs, damages or damage to reputation or otherwise:-
- (a) the Exchange or the Exchange Holding Company;
 - (b) any person acting on behalf of the Exchange or the Exchange holding company, including:
 - (i) any member of the board of the Exchange or Exchange Holding Company or any member of any committee or sub-committee of the Exchange or Exchange Holding company;
 - (ii) any officer of the Exchange or Exchange Holding Company; or
 - (iii) any agent of, or any person acting under the direction of the Exchange or Exchange Holding Company.

RULE 204 REGISTERS

204.1 General

- (1) The Exchange will keep Registers of Participating Organisations, Registered Persons and of such other persons as may be determined by the Exchange.
- (2) The Registers will contain relevant information relating to the persons mentioned in Rule 204.1(1) as determined by the Exchange.

[End of Chapter]

CHAPTER 3

**PARTICIPATING ORGANISATIONS AND
REGISTERED PERSONS**

RULE 301 PARTICIPATING ORGANISATIONS

301.1 Qualification criteria

- (1) To be eligible for admission as a Participating Organisation, an applicant must:
- (a) be a company or corporation established in Malaysia having as one of the applicant's objects, the carrying on of the business of Dealing in Securities;
 - (b) hold a Capital Markets Services Licence for Dealing in Securities;
 - (c) upon admission as a Participating Organisation, satisfy all the financial requirements set out in Chapter 13 of these Rules;
 - (d) have facilities and personnel adequate for the expeditious and orderly carrying on of the business of trading in securities on the Exchange's stock market; and
 - (e) upon admission as a Participating Organisation, register all the Participating Organisation's Registered Person under these Rules.

301.2 Application procedure

- (1) To become a Participating Organisation, an applicant must:
- (a) apply to the Exchange in accordance with the requirements the Exchange stipulates; and
 - (b) satisfy the qualification criteria stipulated in Rule 301.1(1).
- (2) The Exchange may accept or reject an application to be a Participating Organisation.
- (3) Notwithstanding the applicant meeting the qualification criteria under Rule 301.1(1), the Exchange may reject the applicant's application to be a Participating Organisation if:
- (a) the applicant does not provide information relating to the application as the Exchange requires;
 - (b) any information or document that is furnished by the applicant to the Exchange is false or misleading;
 - (c) the applicant has failed to comply with any other requirement of the Securities Laws;
 - (d) the applicant is the subject of an investigation involving an allegation of fraud or dishonesty, whether in or out of Malaysia;
 - (e) the admission of the applicant is not in the interest of an orderly and fair stock market;

- (f) the Exchange is of the opinion that the admission of the applicant may affect the optimum utilisation of the Exchange's facilities, taking into account risk management and any other considerations.
- (4) If the Exchange accepts an applicant's application to be a Participating Organisation, the applicant will be admitted as a Participating Organisation and the applicant's name will be entered into the Register.
- (5) The Exchange will categorise a Participating Organisation as follows:
 - (a) Investment Bank;
 - (b) Universal Broker;
 - (c) Special Scheme Broker;
 - (d) 1 + 1 Broker; or
 - (e) Standalone Broker.

301.3 Appeals

- (1) If the Exchange rejects an application to be a Participating Organisation under this Rule, the applicant may within 14 days after the applicant is notified of the Exchange's decision, appeal in writing to the Exchange.
- (2) The Exchange may affirm, vary or set aside the decision appealed against.
- (3) The Exchange's decision on appeal is final and binding on the applicant.

301.4 Change of status

- (1) If a Participating Organisation changes the Participating Organisation's status from one category to another based on the categorisation stipulated under Rule 301.2(5), the Participating Organisation must notify the Exchange in the manner the Exchange stipulates.

301.5 Participantship

- (1) Once admitted as a Participating Organisation, a Participating Organisation may:
 - (a) have access to the markets or facilities maintained by the Exchange, as provided in these Rules and the Directives; and
 - (b) describe itself as a Participating Organisation of the Exchange.
- (2) A Participating Organisation is not permitted to transfer the Participating Organisation's participantship in the Exchange to any other person.
- (3) A Participating Organisation will automatically cease to enjoy access to the markets or facilities maintained by the Exchange as described in Rule 301.5(1)(a) if the Participating Organisation:
 - (a) is suspended;
 - (b) no longer holds a Capital Markets Services Licence for Dealing in Securities;
 - (c) defaults in the Participating Organisation's payment or delivery obligation to the Clearing House arising from the purchase or sale of Securities; or

- (d) ceases to be a Participating Organisation.
- (4) A Participating Organisation must immediately notify the Exchange in writing upon becoming aware of any of the circumstances stipulated in Rule 301.5(3).

301.6 Continuing Obligations

- (1) Throughout the term of a Participating Organisation's Participantship:
 - (a) a Participating Organisation must continue to satisfy the qualification criteria;
 - (b) a Participating Organisation must comply with and give effect to the Securities Laws and the Commission's requirements;
 - (c) a Participating Organisation must comply with and give effect to these Rules and Directives as well as to the spirit of these Rules and the Directives whether or not the provisions are directed at the Participating Organisation specifically and to any undertaking given to the Exchange whether before or after admission as a Participating Organisation;
 - (d) a Participating Organisation's memorandum and articles of association must not be inconsistent with any of the provisions of these Rules or the Directives;
 - (e) the Participating Organisation shall register with the Exchange the address(es) from which it carries on its business of dealing in securities and the floor area and location of the premises from which trading is conducted and no change in its aforesaid address(es) or trading area shall be made without the prior written approval of the Exchange;
 - (f) a Participating Organisation must have a registered address in Malaysia and notify the Exchange in writing of any change to the Participating Organisation's registered address 7 days after the change;
 - (g) a Participating Organisation must notify the Exchange in writing of any change to the Participating Organisation's name as registered by the Exchange within 7 days after the change; and
 - (h) a Participating Organisation must not go into voluntary liquidation or apply for any order under Section 176 of the Companies Act without the Exchange's prior written approval.

301.7 Resignation

- (1) If a Participating Organisation intends to resign, the Participating Organisation must:
 - (a) give the Exchange at least 30 days' written notice stating the proposed date of resignation;
 - (b) satisfy the Exchange that the Participating Organisation has taken, or will take, proper and adequate steps before the proposed date of resignation for the orderly winding down of the Participating Organisation's business of trading in securities on the Exchange's stock market including being able to fulfil all the Participating Organisation's obligations to the Exchange and the Participating Organisation's Clients; and
 - (c) agree to stop entering into transactions within the time frame the Exchange stipulates.
- (2) The Exchange may accept or reject the Participating Organisation's resignation.

- (3) If the resignation is accepted, the Exchange will notify all other Participating Organisations of the effective date of resignation.
- (4) The resigning Participating Organisation's name will be removed from the Register on the effective date of resignation.

301.8 Fees

- (1) A Participating Organisation must pay the Exchange all fees and charges the Exchange stipulates in the manner and within the period the Exchange specifies.
- (2) A Participating Organisation that omits to pay the Exchange any fee or charge within the time frame the Exchange specifies is due will be sent a written demand for payment. If the amount due is not paid within the period stipulated in the written demand, the Exchange may summarily suspend, terminate or take any other action the Exchange thinks fit against the Participating Organisation and will notify the Participating Organisation concerned by notice in writing.

301.9 Continuing liability

- (1) A former Participating Organisation,
 - (a) remains subject to disciplinary action for any breach of these Rules committed during the period of the former Participating Organisation's Participantship; and
 - (b) must retain all the former Participating Organisation's records for at least 6 years from the date of cessation and produce such records in a legible form to the Exchange upon demand.
 - (c) all other Rules in these Rules continue to apply in respect of the former Participating Organisation to the extent required to give effect to Rules 301.9(1)(a) and 309.9(1)(b).

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RULE 302 GENERAL PROVISIONS FOR REGISTERED PERSON

302.1 Obligation to register

- (1) A Participating Organisation must register the following persons with the Exchange:
 - (a) Chief Executive Officer;
 - (b) Director;
 - (c) Head of Dealing;
 - (d) Head of Operations;
 - (e) Head of Compliance;
 - (f) Head Group Compliance; and
 - (g) Dealer's Representative.

302.2 Registration procedures

- (1) To register a person under Rule 302.1(1), a Participating Organisation must:
 - (a) submit the relevant documents to the Exchange; and
 - (b) make the submission only in respect of a person that satisfies the relevant qualification criteria applicable for the relevant category of Registered Persons as stipulated in these Rules.
- (2) The Exchange may accept or reject a submission for registration as a Registered Person.
- (3) Notwithstanding the Registered Person meeting the relevant qualification criteria under these Rules, the Exchange may reject a submission for registration as a Registered Person if:
 - (a) information relating to the submission as the Exchange requires is not provided ;
 - (b) any information or document that is furnished to the Exchange is false or misleading;
 - (c) the proposed Registered Person has failed to comply with any other requirement of the Securities Laws;
 - (d) the proposed Registered Person is the subject of an investigation or proceeding involving an allegation of fraud or dishonesty, whether in or out of Malaysia; or
 - (e) it is not in the interest of a fair and orderly market

302.3 Appeals

- (1) If the Exchange rejects a submission for registration under this Rule, the applicant may within 14 days after the applicant is notified of the Exchange's decision, appeal in writing to the Exchange.
- (2) The Exchange may affirm, vary or set aside the decision appealed against.
- (3) The Exchange's decision on appeal is final and binding on the appellant.

302.4 Prohibition on performing functions until registered

- (1) This Rule does not apply to Directors and Chief Executive Officers.
- (2) No person may perform the functions of a Registered Person of a Participating Organisation unless registered with the Exchange as such.

302.5 Obligations

- (1) Throughout the term of a Registered Person's registration, a Registered Person must:
 - (a) continue to satisfy the qualification criteria applicable to that Registered Person;
 - (b) comply with and give effect to the Securities Laws and the Commission's requirements;
 - (c) comply with and give effect to the these Rules and Directives and the spirit of these Rules and Directives whether or not the provisions are directed at the Registered Person specifically and to any undertaking given to the Exchange whether before or after registration as a Registered Person;
 - (d) observe professional conduct, high standards of integrity and fair dealing and reasonable standards of skill, competence and diligence;
 - (e) act honestly and in the best interest of the Client and the Participating Organisation;
 - (f) carry out the Registered Person's duties in a manner that contributes to the maintenance of an orderly and fair stock market;
 - (g) effectively discharge the Registered Person's duties while in office; and
 - (h) not act in a manner that may compromise the Registered Person's function and position.

302.6 Liability of a Registered Person

- (1) A Registered Person is liable for the Participating Organisation's breach of these Rules or the Directives if the Registered Person:
 - (a) causes, aids or abets a breach of these Rules or the Directives by a Participating Organisation; or
 - (b) permits, either knowingly or where the Registered Person had reasonable means of obtaining such knowledge, a Participating Organisation to commit a breach of these Rules or the Directives; or
 - (c) did not exercise all such diligence to prevent the commission of the breach of these Rules or the Directives as the Registered Person ought to have exercised, having regard to the nature of the Registered Person's functions in the Participating Organisation and to all the circumstances.

302.7 Reporting

- (1) If a Registered Person:
 - (a) becomes aware of any matter in Rule 307.6(1) that has not been reported to the Exchange or any breach of any of these Rules or Directives by another Participating Organisation or a Registered Person; or

- (b) has reason to believe that another Participating Organisation or Registered Person has breached, infringed or failed to comply with any of these Rules or Directives,

the Registered Person must report the matter in writing to the Exchange.

- (2) If a Registered Person:

- (a) fails to perform any obligations under these Rules or Directives;
- (b) is subject to any enforcement or disciplinary action by the Commission or any other regulatory authority: or
- (c) becomes aware of any other event or circumstances which may adversely affect the Registered Person's ability to perform any of the Registered Person's obligations under these Rules or Directives;

the Registered Person must immediately report the matter in writing to the Exchange.

302.8 Duty to manage conflicts of interest

- (1) A Registered Person must identify and manage any potential or actual conflicts of interest in relation to the discharge of obligations and functions under the Rules, Directives and Securities Laws.

302.9 Notice of cessation

- (1) A Participating Organisation must notify the Exchange in writing at least 7 days before the effective date of the Registered Person ceasing to hold the relevant office.

302.10 Vacancy of Registered Person

- (1) This Rule 302.10 only applies to a Head of Dealing, Head of Operations, Head of Compliance and Head Group Compliance.
- (2) If a vacancy occurs in the office of a person described in Rule 302.10, the Participating Organisation must fill the vacancy within 3 months from the date the vacancy occurs. In the interim, the Participating Organisation must identify a person and require that person to temporarily assume the responsibility for the functions of the vacated office.
- (3) A person temporarily assuming responsibility for the functions of a vacated office under Rule 302. 10(2):
 - (a) must have the relevant experience and seniority to undertake the relevant functions;
 - (b) is bound by these Rules and Directives except for the requirement for the Commission's approval to be appointed to the relevant vacated office;
 - (c) may only undertake such functions for a period not exceeding 3 months; and
 - (d) will, for so long as the person remains registered with the Exchange under Rule 302.10(4), be considered a Registered Person for the purposes of these Rules.
- (4) A Participating Organisation must register a person temporarily assuming the responsibility for the functions of a vacated office under Rule 302. 10(2) in the manner the Exchange stipulates.

302.11 Automatic de-registration

- (1) A Registered Person will automatically cease to be registered under these Rules if the Registered Person:
 - (a) becomes of unsound mind;
 - (b) is made bankrupt, whether in or out of Malaysia;
 - (c) no longer holds a Capital Markets Services Representative's Licence where the Registered Person is required to hold such licence under these Rules;
 - (d) is convicted of an offence involving fraud or dishonesty; or
 - (e) is convicted of an offence where the maximum sentence for that offence under the relevant law is 3 years or more.
- (2) A Participating Organisation and Registered Person must immediately notify the Exchange in writing upon becoming aware of any of the above circumstances.

302.12 Fees on registration

- (1) A Participating Organisation must pay the Exchange all fees and charges the Exchange stipulates for the registration of a Registered Person in the manner and within the period the Exchange specifies.

302.13 Continuing liability

- (1) A former Registered Person remains subject to disciplinary action for any breach of these Rules committed during the period of the former Registered Person's registration with the Exchange and all other Rules in these Rules, continue to apply in respect of the former Registered Person to the extent required to give effect to this Rule.

302.14 Decisions of the Exchange

- (1) Any decision of the Exchange is final and binding on all Registered Person.
- (2) A Registered Person can only appeal against any decision of the Exchange if these Rules or the Directives expressly provide for such a right.

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RULE 303 CHIEF EXECUTIVE OFFICER

303.1 Obligations

- (1) Throughout the term of the Chief Executive Officer's registration, the Chief Executive Officer is responsible for:
 - (a) all the activities of the Investment Bank in relation to the business of trading in securities on the stock market of the Exchange; and
 - (b) the compliance by the Investment Bank with these Rules and the Directives.

303.2 Engagement in other business

- (1) A Chief Executive Officer of an Investment Bank must not engage in or hold any interest in any other business that might potentially conflict with being a Chief Executive Officer. Before engaging in or holding interest in another business that does not potentially conflict with being a Chief Executive Officer, the Chief Executive Officer must get the Investment Bank's permission.

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RULE 304 HEADS

304.1 Minimum number of Heads

- (1) A Participating Organisation must have at least 3 Heads, namely Head of Dealing, Head of Operations and Head of Compliance. No other person other than the Heads is permitted to discharge the respective functions of the Heads as stipulated in these Rules.

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RULE 305 HEAD OF DEALING

305.1 Requirement

- (1) A Participating Organisation must appoint at least 1 Head of Dealing.
- (2) A Participating Organisation that appoints more than 1 Head of Dealing must:
 - (a) clearly delineate and document the area and scope of responsibility of each Head of Dealing at the time of appointment of a Head of Dealing. In the event there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
 - (b) have every area of the Participating Organisation's business relating to trading in securities on the Exchange's stock market fall under the responsibility of at least 1 Head of Dealing.
- (3) All Heads of Dealing of a Participating Organisation are jointly responsible for any area relating to trading in securities on the Exchange's stock market that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Dealing.

305.2 Qualification criteria

- (1) A Head of Dealing appointed by a Participating Organisation must fulfil the following requirements:
 - (a) approved by the Commission as a head of dealing;
 - (b) holds a Capital Markets Services Representative's Licence for Dealing in Securities; and
 - (c) registered with the Exchange as a Head of Dealing.

305.3 Obligations

- (1) Throughout the term of a Head of Dealing's registration, the Head of Dealing must:
 - (a) continue to satisfy the qualification criteria stated in Rule 305.2(1);
 - (b) be responsible for the activities of the Participating Organisation related to trading in securities on the Exchange's stock market; and
 - (c) supervise and direct compliance of the Rules and Directives by the Participating Organisation, Registered Persons, employees and agents in matters relating to trading in securities on the Exchange's stock market.

305.4 Engagement in other business

- (1) A Head of Dealing must not engage in or hold any interest in any other business that might potentially conflict with being a Head of Dealing. Before engaging in or holding interest in another business that does not potentially conflict with being a Head of Dealing, the Head of Dealing must first get the Participating Organisation's permission.
- (2) In this Rule, "engaging in any business" includes being a director of or a debenture holder in any entity.

305.5 Reporting

- (1) A Head of Dealing must report directly to the Board of Directors of the Participating Organisation.
- (2) Rule 305.5(1) is not applicable to a Head of Dealing of an Investment Bank.

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RULE 306 HEAD OF OPERATIONS

306.1 Requirement

- (1) A Participating Organisation must appoint at least 1 Head of Operations.
- (2) A Participating Organisation that appoints more than 1 Head of Operations must:
 - (a) clearly delineate and document the area and scope of responsibility of each Head of Operations at the time of appointment of a Head of Operations. In the event there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
 - (b) have all the operational activities of the Participating Organisation relating to trading in securities on the Exchanges stock market (“operational activities”) fall under the responsibility of at least 1 Head of Operations;
- (3) All Heads of Operations of a Participating Organisation are jointly responsible for any operational activities of the Participating Organisation that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Operations.

306.2 Qualification criteria

- (1) A Head of Operations appointed by a Participating Organisation must fulfil the following requirements:
 - (a) approved by the Commission as a head of operations;
 - (b) does not hold a Capital Markets Services Representative’s Licence; and
 - (c) registered with the Exchange as a Head of Operations.

306.3 Obligations

- (1) Throughout the term of a Head of Operation’s registration, the Head of Operations must:
 - (a) continue to satisfy the qualification criteria;
 - (b) be responsible for the Participating Organisation’s operational activities relating to trading in securities on the Exchanges stock market; and
 - (c) supervise and direct compliance of the Rules and Directives by the Participating Organisation, Registered Persons, employees and agents in matters relating to the Participating Organisation’s operational activities.

306.4 Engagement in other business

- (1) A Head of Operation must not engage in or hold any interest in any other business that might potentially conflict with being a Head of Operation. Before engaging in or holding interest in another business that does not potentially conflict with being a Head of Operation, the Head of Operation must first get the Participating Organisation’s permission.
- (2) In this Rule, “engaging in any business” includes being a director of or a debenture holder in any entity.

306.5 Reporting

- (1) A Head of Operations must report directly to the Board of Directors of the Participating Organisation.
- (2) Rule 306.5(1) is not applicable to a Head of Operations of an Investment Bank.

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RULE 307 HEAD OF COMPLIANCE

307.1 Requirement

- (1) A Participating Organisation must appoint at least 1 Head of Compliance
- (2) A Participating Organisation that appoints more than 1 Head of Compliance must:
 - (a) clearly delineate and document the area and scope of responsibility of each Head of Compliance at the time of appointment of a Head of Compliance. In the event there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
 - (b) have every area relating to the compliance functions referred to in Rule 307. 3(1)(b) fall under the responsibility of at least 1 Head of Compliance.
- (3) If the compliance functions of a Participating Organisation are undertaken at Group Level in accordance with Rule 607, the Participating Organisation may choose not to appoint a Head of Compliance.
- (4) All Heads of Compliance of a Participating Organisation are jointly responsible for any compliance function referred to in Rule 307. 3(1)(b) that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Compliance.

307.2 Qualification criteria

- (1) A Head of Compliance appointed by a Participating Organisation must fulfil the following requirements:
 - (a) approved by the Commission as a Head of Compliance;
 - (b) does not hold a Capital Markets Services Representative's Licence; and
 - (c) registered with the Exchange as a Head of Compliance.

307.3 Obligations

- (1) Throughout the term of a Head of Compliance's registration, the Head of Compliance must:
 - (a) continue to satisfy the qualification criteria; and
 - (b) be responsible for the following compliance functions ;
 - (i) to supervise and direct compliance of these Rules, the Directives and the Securities Laws by the Participating Organisation and the Participating Organisation's Registered Person, employees and agents and in this respect, to carry out proper checks and reviews to monitor and ensure compliance; and
 - (ii) to advise and guide the Participating Organisation and the Participating Organisation's Registered Person, employees and agents on requirements of these Rules, the Directives and the Securities Laws that the Participating Organisation and the Participating Organisation's Registered Person, employees and agents need to comply with in the conduct of the Participating Organisation's business.

Rule 307.4 Engagement in other business

- (1) A Head of Compliance must not engage in or hold any interest in any other business that might potentially conflict with being a Head of Compliance. Before engaging in or holding interest in another business that does not potentially conflict with being a Head of Compliance, the Head of Compliance must first get the Participating Organisation's permission.
- (2) In this Rule, "engaging in any business" includes being a director of or a debenture holder in any entity.

307.5 Reporting

- (1) A Head of Compliance must report directly to the Board of Directors of the Participating Organisation.
- (2) Rule 307.5(1) is not applicable to a Head of Compliance of an Investment Bank.

307.6 Reporting of breaches or irregularities

- (1) A Head of Compliance must immediately report to the Participating Organisation's Board of Directors and the Exchange if the Head of Compliance becomes aware of any matter that, in the Head of Compliance's opinion, may:
 - (a) constitute a breach of any provision of the Securities Laws;
 - (b) involve the potential default of the Participating Organisation against the Clearing House or other counterparty;
 - (c) result in a significant drop to the financial position of the Participating Organisation ;
 - (d) have significant adverse effect on the Client's assets the Participating Organisation holds;
 - (e) significantly adverse effect on the risk position and financial integrity of the Participating Organisation;
 - (f) result in a regulatory or disciplinary action being taken against the Participating Organisation or any of the Participating Organisation's Registered Person, employees or agents by any other regulatory authority;
 - (g) involve the Participating Organisation's Registered Person, employee or agent of the Participating Organisation in a fraudulent conduct; or
 - (h) adversely affect the Participating Organisation's ability to comply with these Rules.
- (2) In addition to the reporting requirement in Rule 307.6(1), the Head of Compliance must immediately report to the Commission upon becoming aware of any matter under Rule 307. 6(1)(a).
- (3) The Head of Compliance must:
 - (a) within 30 days of reporting to the Board of Directors under Rule 307. 6(1), inform the Exchange (in relation to matters reported under Rule 307. 6(1)) and the Commission (in relation to matters reported under Rule 307. 6(2)) of:
 - (i) the Board of Director's decision in relation to the matter; and

- (ii) the corrective measures and decided courses of action the Board of Directors will take or that have been taken; and
 - (b) thereafter, inform the Exchange and Commission (if applicable) of the completion of the measures and actions taken, if any.
- (4) In the case of an Investment Bank, the Head of Compliance of an Investment Bank must report on matters set out in Rule 307.6(1) to the person or committee to whom the Head of Compliance is required to report to under the Guidelines on Investment Banks. In this regard, reference to the Board of Directors in Rules 307. 6(1) and 307. 6(3) are to be read to include the 'person or committee' a Head of Compliance of an Investment Bank reports to under the Guidelines on Investment Banks.

307.7 Reporting on compliance matters

- (1) A Head of Compliance may bring matters pertaining to compliance to the attention of any of the Heads or other senior management of the Participating Organisation for appropriate action to be taken.
- (2) A Head of Compliance must:
 - (a) report directly to the Participating Organisation's Board of Directors ; and
 - (b) submit monthly written reports to the Participating Organisation's Board of Directors on all matters pertaining to compliance with the Securities Laws, these Rules and the Directives.
- (3) In the case of an Investment Bank, the reporting and monthly written reports referred to in Rule 307. 7(2) must be made to the relevant person or committee to whom the Head of Compliance of an Investment Bank reports to under the Guidelines on Investment Banks.
- (4) The Participating Organisation's Board of Directors or in the case of an Investment Bank, the person or committee to whom the Head of Compliance of an Investment Bank reports to , must deliberate on the written reports and decide on the appropriate action to be taken.
- (5) The written reports referred to in Rule 307. 7(2)(b) must be submitted to the Exchange on a monthly basis.

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RULE 308 HEAD GROUP COMPLIANCE

308.1 Requirement

- (1) If the Participating Organisation's compliance functions referred to in Rule 604 are undertaken at Group Level in accordance with Rule 607, the Participating Organisation must register the Head Group Compliance with the Exchange.
- (2) A Participating Organisation that appoints more than 1 Head Group Compliance must:
 - (a) clearly delineate and document the area and scope of responsibility of each Head Group Compliance at the time of appointment of a Head Group Compliance. In the event there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
 - (b) have every area relating to the compliance functions fall within the responsibility of at least 1 Head Group Compliance.

308.2 Qualification criteria

- (1) A Head Group Compliance appointed by the Participating Organisation must fulfil the following requirements:
 - (a) does not hold a Capital Markets Services Representative's Licence; and
 - (b) registered with the Exchange as a Head Group Compliance.

308.3 Obligations

- (1) Throughout the term of a Head Group Compliance's registration, the Head Group Compliance must:
 - (a) continue to satisfy the qualification criteria; and
 - (b) be responsible for compliance matters as set out under Rule 307.3(1)(b).;

308.4 Engagement in other business

- (1) A Head Group Compliance must not engage in or hold any interest in any other business that might potentially conflict with being a Head Group Compliance. Before engaging in or holding interest in another business that does not potentially conflict with being a Head Group Compliance, the Head Group Compliance must first get the Participating Organisation's permission.
- (2) In this Rule, "engaging in any business" includes being a director of or a debenture holder in any entity.

308.5 Applicability of Rules

- (1) All provisions in these Rules and the Directives applicable to a Head of Compliance (except for Rules 307.2) will be applicable and read to include Head Group Compliance, unless expressly excluded.

RULE 309 DIRECTORS

309.1 Requirement

- (1) A Participating Organisation must register the Participating Organisation's Directors with the Exchange.

309.2 Obligations

- (1) Throughout the term of a Director's registration, the Director is responsible for:
 - (a) all the activities of the Participating Organisation;
 - (b) compliance with these Rules, the Directives and Securities Laws by the Participating Organisation and the Participating Organisation's Registered Person, employees and agents; and
 - (c) satisfying the qualifications the Commission or the Central Bank (for a Director of an Investment Bank) stipulates;

309.3 Engagement in other business

- (1) A Director of a Participating Organisation must not engage in or hold any interest in any other business that might potentially conflict with being a Director of a Participating Organisation.
- (2) Before engaging in or holding any interest in another business that does not potentially conflict with being a Director, the Director must first get the Participating Organisation's permission.
- (3) A Participating Organisation must ensure that the Director is not permitted to hold more than 15 directorships in any other business.
- (4) In this Rule, "engaging in any business" includes being a director of or a debenture holder in any entity.

309.4 Deeming provision

- (1) A Director of a Participating Organisation who was, immediately prior to the Conversion Date, a member of the Exchange Holding Company is deemed a Registered Person after the Conversion Date(s) until the Director ceases to be a Registered Person in accordance with these Rules and shall continue to be bound by these Rules and the Directives..
- (2) A reference to a Director in the Director's former capacity as a member of the Exchange Holding Company in any undertaking, declaration, indemnity or other document will be construed as reference to the Director in the Director's capacity as a Registered Person.

309.5 Liability

- (1) Any action by the Exchange under these Rules against a Director of a Participating Organisation, may be taken against the Director either alone or jointly and severally with another or other Directors.

RULE 310 DEALER'S REPRESENTATIVES

RULE 310.1 Categories

- (1) The categories of Dealer's Representatives are:
 - (a) Commissioned Dealer's Representatives;
 - (b) Salaried Dealer's Representatives; and
 - (c) Proprietary Day Traders.

310.2 Requirement

- (1) A Participating Organisation must register the Participating Organisation's Dealer's Representatives with the Exchange.
- (2) The registration of a Proprietary Day Trader is a privilege extended to a Participating Organisation and the Proprietary Day Trader. As such, the Exchange may reject an application for registration of a Proprietary Day Trader without assigning any reasons for the rejection. Once registered, the Exchange may de-register or suspend a Proprietary Day Trade automatically at any time without assigning any reasons and subject to such terms and conditions the Exchange determines. Rule 302.3 does not apply to a rejection of an application for registration of a Proprietary Day Trader.

310.3 Qualification criteria

- (1) A Dealer's Representative appointed by a Participating Organisation must fulfil the following requirements:
 - (a) holds a Capital Markets Services Representative's Licence for Dealing in Securities; and
 - (b) registered with the Exchange as a Dealer's Representative based on the categories in Rule 310.1(1).
- (2) In addition to the requirements in Rule 310.3(1), a Proprietary Day Trader appointed by a Participating Organisation must also not hold a Capital Markets Services Representative's Licence for Trading in Futures Contracts.

310.4 Obligations

- (1) Throughout the term of a Dealer's Representative's registration with the Exchange, the Dealer's Representative:
 - (a) must continue to satisfy the qualification criteria;
 - (b) must act for only 1 Participating Organisation;
 - (c) must be employed or engaged on a full-time basis by a Participating Organisation;
 - (d) must only operate as a Dealer's Representative from a place approved by the Commission;

- (e) must be of good character and act faithfully for and on behalf of the Participating Organisation in all the Dealer's Representative's dealings;
- (f) must not accept payment from Clients or hold any Client's assets in the Dealer's Representative's name and must ensure that Clients make payments and lodgement of assets directly to the Participating Organisation;
- (g) must not engage in or hold any interest in any other business that might potentially conflict with being a Dealer's Representative. Before engaging in or holding interest in another business that does not potentially conflict with being a Dealer's Representative, the Dealer's Representative must first get the Dealer's Representative's Participating Organisation's permission.

In this Rule, "engaging in any business" includes being a director of or a debenture holder in any entity.

- (h) must not operate as a Dealer's Representative from a particular location on a continuous basis so as to be construed as carrying on a business of Dealing in Securities at that location unless that location is approved by the Exchange or the Commission as a place from where the Dealer's Representative's Participating Organisation may carry on the Participating Organisation's business;
- (i) if the Dealer's Representative trades on Client's behalf, must properly verify the identity of the applicant and the information provided in the applicant's account opening application form. A Dealer's Representative is liable for any loss arising from the Dealer's Representative failing to properly verify the identity of the applicant and the information provided in the applicant's account opening application form;
- (j) if the Dealer's Representative is a Proprietary Day Trader, must only operate the Day Trading Activities Account and no other account; and
- (k) must not undertake trading for the Participating Organisation's Client if the Dealer's Representative undertakes proprietary trading for the Participating Organisation and vice versa.

310.5 Scope of activities

- (1) A Dealer's Representative must comply with the restrictions set out in Schedule 1 in respect of the scope of a Dealer's Representative's activities.

310.6 Remuneration

- (1) A Participating Organisation may fully negotiate with a Dealer's Representative or Proprietary Day Trader on the remuneration to be paid. However a Participating Organisation is prohibited from paying commission to a Salaried Dealer's Representative.
- (2) A Commissioned Dealer's Representative and Proprietary Day Trader must not share the remuneration or commission paid with any person other than with the Commissioned Dealer's Representative's or Proprietary Day Trader's Participating Organisation or any of the Participating Organisation's other Dealer's Representatives.

310.7 Segregation of assets

- (1) A Participating Organisation must segregate and safeguard the DR Security Deposit from:

- (a) the Participating Organisation's assets and securities; and
 - (b) other securities the Participating Organisation holds on behalf of the Participating Organisation's Clients.
- (2) A Participating Organisation must place all cash DR Security Deposits the Participating Organisation receives in a trust account maintained with a Licensed Institution.

310.8 Movement of Dealer's Representative

- (1) A Participating Organisation must notify the Exchange in writing of any transfer of any Dealer's Representative within the different offices of the Participating Organisation.

310.9 Re-designation

- (1) A Participating Organisation must notify the Exchange of a Commissioned Dealer's Representative's re-designation to a Salaried Dealer's Representative or vice versa within 14 days from the effective date of the re-designation.
- (2) A Participating Organisation must apply to the Exchange in the manner the Exchange specifies for a Commissioned Dealer's Representative or a Salaried Dealer's Representative re-designation to a Proprietary Day Trader.
- (3) A Participating Organisation must notify the Exchange of a Proprietary Day Trader's re-designation to either a Commissioned Dealer's Representative or Salaried Dealer's Representative at least 3 days prior to the effective date of the re-designation. The Exchange may disallow the re-designation on the grounds specified in Rule 302.2(3).

310.10 Transfer

- (1) A Participating Organisation desirous of employing or engaging as the Participating Organisation's Dealer's Representative, a Dealer's Representative:
- (a) who is employed or engaged by another Participating Organisation; or
 - (b) who, not more than 6 months prior to the intended date of employment or engagement, was employed or engaged by another Participating Organisation,

must apply to the Exchange for approval to transfer the registration of the Dealer's Representative to the Participating Organisation.

- (2) To obtain approval to transfer the registration of a Dealer's Representative, a Participating Organisation must:
- (a) apply to the Exchange in the manner the Exchange stipulates;
 - (b) pay the transfer fee the Exchange stipulates; and
 - (c) submit a letter of release from the Participating Organisation that the Dealer's Representative is or was employed or engaged with.
- (3) A Participating Organisation must give a letter of release to a Dealer's Representative who requests for such letter within 14 days from the date of the request unless the Dealer's Representative:

- (a) is in material breach of any of these Rules or the Directives; or
- (b) has debt(s) owing to the Participating Organisation.

If there is a dispute on whether a particular breach constitutes a material breach of these Rules or the Directives, the Exchange will decide on such dispute. The Exchange's decision on the matter is final and binding.

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RULE 311 PROTECTION OF PUBLIC, CLIENT AND EXCHANGE'S INTEREST

311.1 Powers of the Exchange

- (1) The Exchange may automatically take such action the Exchange thinks fit against a Participating Organisation or Registered Person to protect the interests of Clients, the public or the Exchange if the Exchange is of the opinion that:
- (a) the manner in which the Participating Organisation or Registered Person conducts the Participating Organisation's business is detrimental to Clients, the public or the Exchange;
 - (b) the Participating Organisation or Registered Person has committed an act or omission that is detrimental to Clients, the public or the Exchange;
 - (c) the financial position or reputation of the Participating Organisation or Registered Person has a detrimental effect on Clients, the public or the Exchange.

[End of Chapter]

CHAPTER 4 MARKET MAKERS

RULE 401 REGISTRATION OF MARKET MAKERS

401.1 Qualification Criteria

- (1) An applicant who intends to apply to be a Market Maker for a Specified Security must fulfil any one of the following requirements:
 - (a) A Participating Organisation;
 - (b) A licensed bank or licensed merchant bank as defined in the Banking and Financial Institutions Act 1989;
 - (c) A Related Corporation of (a) or (b) above, incorporated under Companies Act 1965 and it fulfils the following:
 - (i) has a minimum paid up capital of RM 2 million; and
 - (ii) has at least 2 personnel with at least 5 years experience in the following:
 - (aa) trading in securities as a Dealer's Representative or trading in futures contracts as a Futures Broker's Representative;
 - (bb) trading in treasury related instruments of a financial institution;
 - (cc) trading in securities as a dealer on a Recognised Stock Exchange; or
 - (dd) trading in futures contracts as a dealer on a Specified Exchange as defined in the Futures Exchange Business Rules;
 - (d) A foreign securities broker or foreign derivatives broker in a jurisdiction where the broker is regulated by a regulator who is a signatory to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding ("IOSCO MMOU") or the Declaration on Cooperation and Supervision of International Futures Markets and Clearing Organisations ("BOCA Declaration") respectively ("Foreign Broker") and it fulfils the following:
 - (i) has a minimum paid up capital of equivalent RM 2 million; and
 - (ii) has the following:
 - (aa) it has at least 3 years market making experience; or
 - (bb) it has at least 2 personnel with at least 3 years experience in market making experience and it is related to a company who is also a Foreign Broker which has at least 3 years market making experience; or
 - (e) A Related Corporation of (d) above, incorporated under the Companies Act 1965 and it fulfils the following:
 - (i) has a minimum paid up capital of RM 2 million;
 - (ii) has at least 2 personnel with at least 3 years' experience in market making; and
 - (iii) the Foreign Broker which is its Related Corporation has at least 3 years experience in market making.
- (2) In addition to the requirements in Rule 401.1(1) an applicant as a Market Maker must also fulfil the following requirements:

- (a) have in place facilities and personnel adequate for the expeditious and orderly carrying out of its business of market making; and
- (b) have in place supervisory programme and a system of internal controls in respect of :
 - (i) business of market making;
 - (ii) undertaking of risk management;
 - (iii) management of conflict of interest; and
 - (iv) compliance with these Rules.

401.2 Application Procedure

- (1) An applicant is required to apply as a Market Maker in respect of each Specified Security that the applicant intends to do Market Making for.
- (2) The applicant must comply with application procedure and submit the relevant information and documents as determined by the Exchange.
- (3) Even if the applicant has satisfied all of the qualification criteria set out in Rule 401.1 the Exchange has the discretion to reject an application to register as a Market Maker in circumstances the Exchange deems fit.
- (4) An applicant will be notified in writing of the Exchange's decision of its application.

401.3 Continuing Obligations

- (1) The following conditions shall apply to a Market Maker at all times throughout the term of its registration–
 - (a) the Market Maker must comply with the qualification criteria stated under Rule 401.1;
 - (b) the Market Maker must notify the Exchange immediately of the following, in writing:
 - (i) any change that will disqualify them as a Market Maker based on Rule 401.1;
 - (ii) any change in the place of business of the Market Maker; and
 - (iii) change in name of the Market Maker.
 - (c) the Market Maker comply with and give effect to these Rules and Directives and the spirit of these Rules and Directives whether or not the provisions are directed at the Market Maker specifically.

RULE 402 OBLIGATIONS OF A MARKET MAKER

402.1 Bid and Offer Prices

- (1) A Market Maker for a Specified Security must enter bid and offer prices into the order book in the ATS for the purpose of buying and selling of the Specified Security as follows:
 - (a) with a minimum presence as stipulated by the Exchange;
 - (b) within the maximum spread allowed by the Exchange; and
 - (c) must not be less than the minimum quantity allowed by the Exchange.
- (2) A Market Maker is exempted from entering bid and offer prices as required under Rule 402.1(1) in circumstances deemed fit or allowed by the Exchange.

402.2 Designated Trading Account and Designated Securities Account

- (1) A Market Maker must undertake all Market Making activities through trading accounts and Securities Accounts designated specifically for Market Making activities based on the terms stipulated by the Exchange.

402.3 Conduct by Market Maker

- (1) A Market Maker can only carry out its Market making activities for its proprietary position and not for Clients or its Related Corporations.
- (2) A Market Maker is allowed to carry out Permitted Shortselling as stipulated under Rule 404 in the course of fulfilling its obligations under Rule 402.1(1).
- (3) If a Market Maker is not a Participating Organisation, the Market Maker must enter the bid and offer prices into order book in the ATS through a Participating Organisation.
- (4) A Market Maker is required to notify the Exchange immediately if the Market Maker is unable to fulfil the Market Maker's Market Making obligations for any reason whatsoever and thereafter when the Market Maker is able to resume the Market Maker's obligations under Rule 402.1(1).
- (5) A Market Maker must avoid any act or practice which is likely to :
 - (a) lead to a false or misleading appearance of active trading in any Securities on the stock market of the Exchange or a false or misleading appearance with respect to the market for, or the price of, any such Securities; or
 - (b) directly or indirectly be tantamount to stock market manipulations,and shall not participate in any operation by others which might have the same result.

RULE 403 RESIGNATION

403.1 Resignation

- (1) If a Market Maker wishes to resign as a Market Maker of a Specified Security, the Market Maker must give not less than 30 days prior to the proposed date of resignation a written notice to the Exchange of the Market Maker's intention to resign.
- (2) The Exchange may accept the Market Maker's resignation subject to any conditions imposed by the Exchange on the Market Maker.

403.2 Termination, Suspension or Restriction of Market Making Activity

- (1) The Exchange may automatically suspend or terminate a Market Maker or restrict its Market making activities, upon the happening of all or any of the following events:
 - (a) If the Market Maker has been wound up whether on a voluntary basis or otherwise;
 - (b) if a receiver and manager, provisional liquidator or liquidator has been appointed for the Market Maker;
 - (c) if the Market Maker fails to fulfil any of the requirements in Rule 401.1;
 - (d) if the Market Maker is convicted of any offence in or outside of Malaysia involving dishonesty or fraud or had disciplinary action taken against it for breaches involving dishonesty or fraud; or
 - (e) if the Market Maker continuously breaches its obligations under Rule 402.1(1) for a period determined by the Exchange.
- (2) The Exchange will inform the Market Maker in writing of any suspension or termination or restriction of market making activity under Rule 403.2.

403.3 Continuing Liability

- (1) A Market Maker who has resigned or is terminated by the Exchange, will be bound by these Rules and Directives insofar as they relate to any antecedent breach committed by the Market Maker.
- (2) All other Rules in these Rules will continue to apply in respect of the former Market Maker to the extent required to give effect to Rule 404.3(1).

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RULE 404 PERMITTED SHORTSELLING

404.1 General

- (1) A Market Maker is allowed to execute Permitted Short Selling for an ETF for which it is registered as a Market Maker, in the manner set out in this Rule 404 and the Capital Markets Services (Non-Application of Subsection 98(1))(Exchange Traded Funds) Order 2009.
- (2) All other provisions in these Rules shall apply to Permitted Short Sales, as if they were normal sales of Securities.
- (3) In this Rule 404, ETFs refer to Equity based ETFs which are Specified Securities only.

404.2 Commencement of Permitted Short Selling

- (1) A Market Maker is permitted to commence Permitted Short Selling only if the Market Maker complies with the following requirements:
 - (a) the Market Maker has established Internal Guidelines for Permitted Short Selling;
 - (b) the Market Maker has in place systems and infrastructure that includes front office and back office systems which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Permitted Short Selling in accordance with Rule 404; and
 - (c) the Market Maker notifies the Exchange that it intends to carry out Permitted Short Selling and provides to the Exchange the form stipulated in Appendix 5, 2 market days prior to the commencement of Permitted Short Selling.

404.3 Execution

- (1) A Market Maker must comply with the following conditions prior to executing an order for a Permitted Short Selling:
 - (a) if the Market Maker intends to shortsell ETF units; that 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; and
 - (b) if the Market Maker intends to shortsell the Constituent Securities; that 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.
- (2) If the Market Maker is not an Authorised SBL Participant, it must execute all its borrowings through an Authorised SBL Participant.
- (3) All Permitted Short Selling must be executed in the designated trading accounts and Securities Accounts stipulated in Rule 404.3(5).
- (4) A Market Maker must not execute Permitted Short Selling by way of Direct Business in any situation.
- (5) A Market Maker must execute the following purchases through the designated trading account/s and Securities Accounts as stipulated by the Exchange after a shortsale for ETF units or Constituent Securities is executed:

- (a) a purchase of any of the Constituent Securities or Futures Contracts for the purposes of hedging of the short sale of ETF units within the same Market Day, if the short sale is in relation to ETF units; or
 - (b) a purchase of ETF units or Futures Contracts for the purposes of hedging of the short sale of the Constituent Securities within the same Market Day, if the short sale is in relation to Constituent Securities.
- (6) A Market Maker must procure and retain proper documents for at least 7 years for the purpose of satisfying the Exchange when requested, that the Market Maker has complied with the requirements of Rule 404.3(1) and Rule 404.3(3). The documents must be either in writing, tape recording or electronic form.
- (7) A Market Maker must not short sell in any of the following circumstances:
- (a) in relation to the Constituent Securities, during the period of 21 days immediately following a takeover announcement involving the Issuer of the Constituent Securities; or
 - (b) when expressly directed by the Exchange, during the period where the ETF or its Constituent Securities has been declared, and remains, as Designated Securities under Rule 703.

404.4 Limits for Permitted Short Selling

- (1) A Market Maker must comply with the following limits in relation to Permitted Short Selling:
- (a) that the total value of short positions of ETF units does not exceed the total value of the purchase positions for the Constituent Securities and Futures Contracts purchased for purposes of hedging the shortsale of ETF units, by 10%, when calculated at the end of the Market Day;
 - (b) that the total value of short positions of Constituent Securities does not exceed the total value of the purchase positions for ETF units and the Futures Contracts purchased for purposes of hedging the shortsale of Constituent Securities by 10%, when calculated at the end of the Market Day; and
 - (c) the total quantity of short positions for each Constituent Securities must not exceed the quantity of each Constituent Securities required for the creation of the ETF units by 15%, when calculated at the end of the Market Day.

404.5 Delivery and Settlement

- (1) The Rules relating to delivery and settlement under Chapter 9 shall apply to Permitted Short Selling in the same manner as they apply to normal sales.

404.6 Action by the Exchange

- (1) The Exchange may in the following circumstances take any of the actions enumerated under Rule 404.6(2) automatically against a Market Maker or its Registered Person in relation to Permitted Short Selling:
- (a) if there is a breach or likelihood of breach of any provisions in Rule 404; or
 - (b) if the execution of Permitted Short Selling is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 404.6(1) the following actions may be taken by the Exchange in relation to any or all ETFs or Constituent Securities or against any or all Market Makers:

Chapter 4 – Market Makers

- (a) suspension or cessation of further Permitted Short Selling whether in relation to all, some or a particular ETF or Constituent Securities by the Market Maker;
- (b) imposition of restrictions or conditions on Permitted Short Selling carried out by the Market Maker; or
- (c) any other action deemed fit by the Exchange.

[End of chapter]

CHAPTER 5 CONDUCT OF BUSINESS

RULE 501 GENERAL REQUIREMENTS

501.1 Standard of conduct

- (1) A Participating Organisation must in the conduct of the Participating Organisation's business:-
- (a) adhere to just and equitable principles and act with due skill, care and diligence and with due regard for the integrity of the market; and
 - (b) not through any act or omission, do anything which may result in or has the effect of the market not being orderly and fair.

501.2 Conflicts of interest and risk management

- (1) A Participating Organisation must have in place adequate arrangements to manage:-
- (a) all conflicts of interest that may arise in the conduct of the Participating Organisation's business; and
 - (b) all risks that may arise in the conduct of the Participating Organisation's business.

501.3 Structures, policies, procedures and internal controls

- (1) A Participating Organisation must have in place structures, policies, procedures and internal controls designed to:
- (a) facilitate the supervision of the Participating Organisation's business activities and the conduct of the Participating Organisation's employees and agents;
 - (b) identify, monitor and manage conflicts of interest and risks that may arise in the conduct of the Participating Organisation's business;
 - (c) achieve compliance with these Rules, the Directives, Securities Laws and the Participating Organisation's written policies, procedures and internal controls ;and
 - (d) provide for investor protection.
- (2) A Participating Organisation must consider all relevant factors in determining the adequacy and effectiveness of the written policies, procedures and internal controls as required under Rule 501.3(1) including the:
- (a) size of the Participating Organisation's business;
 - (b) Participating Organisation's financial position;
 - (c) diversity of operations;
 - (d) volume, size and frequency of transactions;
 - (e) degree of risk associated with each area of operation; and
 - (f) amount of control by the Participating Organisation's senior management over day to day operations.

- (3) A Participating Organisation must:
- (a) properly document and regularly review and update the Participating Organisation's written policies, procedures and internal controls to take into account any changes that may occur in the regulatory requirements; and
 - (b) properly disseminate and effectively implement and enforce within the Participating Organisation, the written policies, procedures and internal controls and any updates to such policies, procedures and internal controls.

501.4 Records

- (1) A Participating Organisation must keep proper records to evidence compliance with the requirements in these Rules.

501.5 Business premises

- (1) A Participating Organisation must have:
- (a) business premises that are adequately and properly equipped for the conduct of the Participating Organisation's business; and
 - (b) adequate security and emergency arrangements to provide continuous business operations with minimal disruptions.

501.6 Advertising

- (1) A Participating Organisation's advertising or publicity in relation to the Participating Organisation's business must:
- (a) be accurate and not misleading or ambiguous;
 - (b) not contain claims that are not verifiable;
 - (c) not tend to bring the Exchange or the Exchange's Related Corporations or any other Participating Organisation into disrepute; and
 - (d) contain adequate risk disclosure statements.

501.7 Communication within the Participating Organisation

- (1) A Participating Organisation must promptly disseminate these Rules, Directives and requirements the Exchange and the Commission issue to all the Participating Organisation's Registered Person and relevant employees.

501.8 Disputes

- (1) Any dispute between parties referred to in Rule 501.8(7) may be brought to the Exchange, by notice in writing by either party to the dispute ("Notice of Dispute").
- (2) The parties to a dispute notified to the Exchange under Rule 501.8(1) must not resort to any outside tribunal or a court of law for determination of such dispute for a period of 30 days from the Exchange's receipt of the Notice of Dispute.

- (3) If there is no response from the Exchange within 30 days from the Exchange's receipt of the Notice of Dispute, the parties to the dispute can resort to an outside tribunal or a court of law for determination of such dispute.
- (4) If the Exchange decides to act in any such dispute, the Exchange will so inform the party or parties to the dispute within the period of 30 days from the Exchange's receipt of the Notice of Dispute.
- (5) The Exchange when acting in any dispute may appoint either 1 or 3 arbitrators to adjudicate the dispute if the parties to the dispute fail to reach an agreement for settlement of the matter in dispute.
- (6) Any arbitrator(s) appointed by the Exchange under Rule 501.8(5) will arbitrate the matter in dispute in accordance with the provisions of the Arbitration Act 2005. The award of such arbitrator(s) is final and binding upon the parties to such dispute.
- (7) In this Rule 501.8:
 - (a) "disputes" means disputes arising out of any matter governed by these Rules and Directives between or involving:
 - (i) Market Participants; or
 - (ii) Market Participants and the Exchange.
 - (b) "Market Participants" means Participating Organisations and Dealer's Representatives.

501.9 Statements, information and reports to the Exchange

- (1) Any statement, information or document that a Participating Organisation and Registered Person submits to the Exchange whether before or after registration as a Participating Organisation or a Registered Person in relation to any matter under these Rules or Directives must:
 - (a) be clear, unambiguous and accurate;
 - (b) not contain any material omission; and
 - (c) not be false or misleading.
- (2) If any statement, information or document the Exchange receives from or on behalf of a Participating Organisation or Registered Person does not fulfill the requirements in Rule 501.9(1), the Participating Organisation and the relevant Registered Person will be held responsible for such breach notwithstanding that the statement, information or document was signed or submitted by a person other than the relevant Registered Person.
- (3) A Participating Organisation or Registered Person must promptly notify the Exchange if the Participating Organisation or Registered Person becomes aware that any statement, information or document provided to the Exchange may not fulfill the requirements in Rule 501.9(1).

501.10 Currency

- (1) Unless stated otherwise, all Rules containing references to RM values which relate to transactions in Securities, will also apply to all transactions in Securities denominated in foreign currency. In order to apply the Rules, the foreign currency values must be converted to RM values.

- (2) Unless stated otherwise, all monies payable to the Participating Organisation from the Exchange or from the Participating Organisation to the Exchange pursuant to these Rules or the Directives will be in RM even where the monies payable relate to transactions in Securities denominated in foreign currency.

501.11 Segregation of Client's Securities

A Participating Organisation must ensure that all Clients' securities in its possession are held by its nominee company which is a wholly-owned subsidiary and an Authorised Nominee pursuant to Depository Rules.

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RULE 502 RESOURCES

502.1 Proper performance of business activities

- (1) A Participating Organisation must have adequate and effective resources for the proper performance of the Participating Organisation's business activities.
- (2) A Participating Organisation is responsible for the quality, reliability and integrity of all systems the Participating Organisation uses in the Participating Organisation's business in trading in Securities on the Exchange's stock market.

502.2 Personnel

- (1) A Participating Organisation must only employ or engage Registered Person, employees and agents who are fit and proper with suitable skill and experience with regard to the position and responsibility they hold.

502.3 Trading Clerks

- (1) A Participating Organisation or a Dealer's Representative may appoint a Trading Clerk to assist the Participating Organisation or Dealer's Representative in entering orders into the ATS and in administrative and clerical duties.
- (2) A Participating Organisation and the Dealer's Representative who appointed the Trading Clerk:
 - (a) must ensure that the Trading Clerk does not represent himself as a Dealer's Representative or carry out the functions of a Dealer's Representative; and
 - (b) is liable for all acts and omissions of the Trading Clerk.
- (3) A Participating Organisation must keep a record of each trading clerk, appointed or engaged by the Participating Organisation or the Commissioned Dealer's Representative.

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RULE 503 CLIENTS

503.1 Client information and opening of accounts with Clients

- (1) Before a Participating Organisation opens a trading account for a Client, the Participating Organisation must:
 - (a) obtain all essential information about the Client relevant to the services to be provided; and
 - (b) verify the genuineness and authenticity of the Client and the application to open a trading account with the Participating Organisation.

- (2) If the Client represents that the Client is trading on behalf of another person, the Participating Organisation may open a trading account for the Client only if:
 - (a) the Client is an Authorised Nominee or Exempt Authorised Nominee; and
 - (b) the Participating Organisation brings to the notice of the Client, the Client's obligation under Rule 503.1(8).

- (3) A Participating Organisation must enter into a written agreement with a Client. The written agreement must set out the terms and conditions for the operation of the Client's trading account and must include the Client's obligation to comply with these Rules and Directives, whether these Rules and Directives apply directly or indirectly to the Client.

- (4) A Participating Organisation must:
 - (a) record and maintain up-to-date and relevant information on the Participating Organisation's Clients; and
 - (b) record and maintain relevant information on the Participating Organisation's Client's trading account and trades executed in the Client's trading account.

- (5) A Participating Organisation must clearly identify the Securities Account where the Securities arising from all dealings in the trading account must be credited into or debited from.

- (6) If:
 - (a) the Client is an Authorised Nominee or Exempt Authorised Nominee for the Securities held in the Securities Account; or
 - (b) the Client is not the Beneficial Owner, Authorised Nominee or Exempt Authorised Nominee for the Securities held in the Securities Account,

the Participating Organisation must obtain the Client's confirmation and undertaking in writing that the Beneficial Owner for the Securities in the trading account and Securities Account is the same.

- (7) If the Securities Account holder is not the Client, the Participating Organisation must obtain from the Client, a written authorisation and consent from the Securities Account holder permitting the following:
 - (a) effecting any entry in the Securities Account arising from any trade executed in the Client's trading account; and

- (b) the exercise of any rights by the Participating Organisation, Exchange or Clearing House over the Securities held in the Securities Account arising from any trade executed in the Client's trading account.
- (8) If requested by the Exchange, a Participating Organisation must require a Client to disclose (and the Client must disclose) information and documents in relation to any dealing in Securities in respect of the Client's trading account.
- (9) The information referred to in Rule 503.1(8) includes information whether any dealing in the Client's trading account is carried out on another person's behalf and in such instance, the name of, and particulars sufficient to identify such person. If that person is not the Beneficial Owner of the Securities, the Client must also be required to procure the particulars of the Beneficial Owner of the Securities.

503.2 Doing business with Clients

- (1) A Participating Organisation and Registered Person must, in doing business with and for Clients, act:
 - (a) with due skill, care and diligence;
 - (b) honestly and fairly; and
 - (c) in the best interests of the Participating Organisation's Clients.
- (2) A Participating Organisation and Registered Person must make adequate and accurate disclosure of the risk, benefits and conflicts of interest to the Clients in the Participating Organisation's and Registered Person's dealings with the Clients.
- (3) A Participating Organisation must forward all communication and documents relating to the affairs of the Client directly to the Client unless the Client has authorised in writing for such communication and documents to be sent to a third party. .
- (4) A Participating Organisation must account for and adequately safeguard Client assets.
- (5) A Participating Organisation must, in relation to a complaint from a Client (whether written or otherwise) relating to the Participating Organisation's business:
 - (a) handle the complaint in a timely and appropriate manner; and
 - (b) take steps to investigate and respond promptly to the complaint.
- (6) A Participating Organisation must protect the secrecy of the Client information in the Participating Organisation's possession unless:
 - (a) the Client authorises the disclosure of the information in writing;
 - (b) the law requires the disclosure of the information;
 - (c) the Exchange or any other relevant authority (whether in or outside of Malaysia) requires the disclosure of the information;
 - (d) the information is already available publicly; or

- (e) the information is in the form of a summary or collection of information set out in such manner as does not enable information relating to any particular Client to be ascertained from the information.
- (7) The Exchange may direct a Participating Organisation to refrain from trading for any Client in any of the following circumstances:
 - (a) in relation to a request made under Rule 503.1(8), until the information and document requested is furnished by the Client or where the Client refuses to furnish the same; or
 - (b) where an act or omission by the Client in relation to or arising from any transactions in Securities, causes, aids or facilitates a breach of these Rules or Directives.

503.3 Posting a Client as a Defaulter

- (1) If a Client fails to settle a financial obligation with a Participating Organisation of not less than RM2,000 (“Defaulter”) relating to or in respect of any transaction in securities on the stock market of the Exchange or Recognised Exchange, the Participating Organisation may notify the Exchange to post the Client as a Defaulter.
- (2) A Participating Organisation must comply with the requirements set out in Schedule 2 when notifying the Exchange under Rule 503.3(1).
- (3) The Participating Organisation who notified the Exchange to post the Client as a Defaulter (“reporting Participating Organisation”) and all other Participating Organisations are prohibited from transacting any business for a Defaulter from the date the Defaulter is posted in the list of defaulters except to sell securities in Defaulter’s accounts held with the Participating Organisations to reduce any debt owing to the Participating Organisations and consequently to other Participating Organisations and –
 - (a) there is no dispute by any party with respect to such debt owing;
 - (b) the Participating Organisations have the contractual right to sell the securities and the defaulter being given prior reasonable notice;
 - (c) the proceeds from the sale of the securities must be utilised to reduce the debt owing; and
 - (d) the mark to market value (as defined in Rule 1301.2) of the securities sold cannot exceed the debt owing.
- (4) A Participating Organisation posting the Client as a Defaulter under Rule 503.3(1) and carrying out any sale of securities held in accounts of a Defaulter must indemnify and keep the Exchange indemnified against all suits, actions, claims, demands, proceedings, losses, damages, charges and expenses of whatsoever nature and howsoever arising from, incidental to or in connection with the aforesaid action.
- (5) A Defaulter may be removed by the Exchange from the defaulters list in the following circumstances -
 - (a) if the Participating Organisation who notified the Exchange under Rule 503.3(1) informs the Exchange in writing that the Defaulter has settled the debt owing; or
 - (b) if there is an order of court or an award from arbitration instructing for the Defaulter to be removed from the list of defaulters maintained by the Exchange or that there is no debt owing to the Participating Organisation who notified the Exchange under Rule 503.3(1).

RULE 504 INSURANCE REQUIREMENTS

504.1 Requirement to take out insurance policy

- (1) A Participating Organisation must take out and maintain at all times an insurance policy that is adequate having regard to:
- (a) the nature and extent of the Participating Organisation's business as permitted under the Capital Markets Services Licence and the Commission's policy on permitted activities for stockbroking companies contained in the Commission's Licensing Handbook; and
 - (b) the responsibilities and risks assumed or which may be assumed by the Participating Organisation in connection with those activities.

A Participating Organisation may maintain the above insurance policy at Group Level.

- (2) A Participating Organisation must notify the Exchange that the insurance policy is in place.

504.2 Notification of claims

- (1) A Participating Organisation must notify the Exchange of any claim or potential claim against the insurance policy referred to in Rule 504.1(1) within 2 Market Days from when the Participating Organisation becomes aware of the claim or potential claim.

[End of Chapter]

**CHAPTER 6 ORGANISATION AND STRUCTURE OF
PARTICIPATING ORGANISATIONS**

**RULE 601 PERMITTED BUSINESS OF
PARTICIPATING ORGANISATIONS**

601.1 Permitted Business

- (1) A Participating Organisation may carry out any other business apart from trading in Securities on the stock market of the Exchange if permitted by the Commission or the Central Bank (“Permitted Business”).
- (2) A Participating Organisation must notify the Exchange in writing prior to the commencement of the Permitted Businesses.
- (3) The Exchange may require the Participating Organisation to take such steps as the Exchange thinks fit to manage potential risks and conflicts of interest arising from carrying out both the Permitted Businesses and the Participating Organisation’s business of trading in Securities on the stock market of the Exchange.
- (4) A Participating Organisation may carry out the Permitted Businesses at its Principal Office or Branch Offices.

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RULE 602 BRANCH OFFICE AND ELECTRONIC ACCESS FACILITIES

602.1 Application of Rule 602

- (1) Rule 602 is not applicable to an Investment Bank if the Branch Office or Electronic Access Facility is not carrying out the businesses of trading in Securities in the stock market of the Exchange.
- (2) Rule 602 only applies to any Electronic Access Facilities located outside a Principal Office or Branch Office.
- (3) A Participating Organisation's Branch Office and Electronic Access Facility forms part of the Participating Organisation's business and as such, all the provisions in these Rules apply to the Branch Office and Electronic Access Facility.

602.2 Establishment of Branch Office and Electronic Access Facilities

- (1) A Participating Organisation may establish, maintain and operate Branch Offices and Electronic Access Facilities upon approval of the Exchange subject to the Commission's requirements on Branch Offices and Electronic Access Facilities.
- (2) A Participating Organisation must in relation to every branch appoint 1 person who is engaged on a full time basis with the PO to undertake the following:
 - (i) ensure the proper segregation of duties at the branch office; and
 - (ii) to oversee the administrative activities at the branch office.
- (3) This Rule 602.2(1) is not applicable to an Investment Bank.

602.3 Permitted activities at the Branch Office and Electronic Access Facility

- (1) A Participating Organisation may carry out all Permitted Businesses at the location of a Branch Offices.
- (2) A Participating Organisation is only permitted to carry out activities as permitted by the Exchange at the Electronic Access Facility as determined by the Exchange.

602.4 Conversion

- (1) A Participating Organisation may convert its Electronic Access Facility to a Branch Office or vice versa upon approval of the Exchange.

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RULE 603 BACK OFFICE FUNCTIONS

603.1 Back office system and operations

- (1) A Participating Organisation must operate its own back office system and operations whether at the Principal Office or any of the Branch Office unless the back office systems and operations have been outsourced in accordance with the Guidelines on Back Office Functions. The Guidelines on Back Office Functions are deemed part of these Rules and any breach by the Participating Organisation of the same is a breach of these Rules.
- (2) A Participating Organisation must have a back office system and operations that are capable of the following:
 - (a) timely reporting and transmission of data from a Branch Office to the Principal Office;
 - (b) daily reconciliation of all records of the Principal Office and the Branch Office; and
 - (c) reconciliation of all transactions undertaken by the Branch Office.
- (3) A Participating Organisation may maintain separate locations for the back office system and operations of the Participating Organisation's Principal Office and Branch Office(s). A Participating Organisation must notify the Exchange and the Commission of the location of the back office system and operations.

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RULE 604 COMPLIANCE FUNCTION

604.1 Compliance function

- (1) Every Participating Organisation must carry out compliance function to monitor compliance with these Rules, Directives and the Securities Laws and to provide advice on all the relevant requirements that a Participating Organisation must comply with, in carrying out the Participating Organisation's business.

604.2 Accountability

- (1) A Participating Organisation and the Participating Organisation's Board of Directors are responsible and accountable for compliance with these Rules, the Directives and Securities Laws by the Participating Organisation, the Participating Organisation's Registered Person, employees and agents.
- (2) If there is a breach of these Rules, the Directives and Securities Laws, the Participating Organisation and the Participating Organisation's Board of Directors are liable for such breach whether or not such breach was by or caused by Participating Organisation's Registered Person, employees or agents.

604.3 Reporting

- (1) If a Participating Organisation:
 - (a) becomes aware of any matter in Rule 307. 6(1) that has not been reported to the Exchange or any breach of any of these Rules by another Participating Organisation or a Registered Person; or
 - (b) has reason to believe that another Participating Organisation or a Registered Person has breached or failed to comply with any of these Rules

the Participating Organisation must report the matter immediately in writing to the Exchange.

- (2) If a Participating Organisation:
 - (a) fails to perform any obligations under these Rules or Directives:
 - (b) is subject to any enforcement or disciplinary action by the Commission or any other regulatory authority: or
 - (c) becomes aware of any other event or circumstances which may adversely affect the Participating Organisation's ability to perform any of the obligations under these Rules or Directives;

the Participating Organisation must immediately report the matter in writing to the Exchange.

604.4 Compliance with the Capital Markets and Services Act or Securities Laws

- (1) Where these Rules require a Participating Organisation to comply with a provision of the Capital Markets and Services Act or the Securities Laws:
 - (a) the Exchange may enforce that provision as if it were repeated as a Rule;

- (b) any action taken or determination made by the Exchange is not to be regarded as an action or determination under the Capital Markets and Services Act or the Securities Laws but as an action or determination under these Rules; and
- (c) any action taken or to be taken or determination made or to be made by the Exchange is not affected by any previous, subsequent or pending action or determination by any court, the Commission or any other authority in relation to a breach of that provision.

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**RULE 605 RISK MANAGEMENT
OF PARTICIPATING ORGANISATIONS**

605.1 Risk management functions

- (1) Every Participating Organisation must ensure the proper discharge of the risk management functions for the purpose stipulated under Rule 501.3(1) and actions to mitigate such risks.
- (2) A Participating Organisation must ensure that the risk management functions are reported to the Board of Directors of the Participating Organisation or any other committee as determined by the Board of Directors whose function is to manage and monitor the discharge of the risk management functions of the Participating Organisation.
- (3) If the risk management functions are undertaken or established at Group Level in accordance with Rule 607, all provisions in these Rules relating to risk management functions apply.

605.2 Composition of the committee for risk management

- (1) The Participating Organisation must ensure that members of the Board of Directors or committee stipulated in Rule 605.1(2) comprise persons who are independent, competent, have no conflict of interest in the discharge of their functions and collectively have the relevant skills and experience in the following areas:
 - (a) trading;
 - (b) operations; and
 - (c) compliance
- (2) The Participating Organisation must ensure that the majority of the members of the Board of Directors or committee for the risk management as determined by the Board of Directors of the Participating Organisation must not consist of persons who hold a dealer's representative's licence.

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RULE 606 INTERNAL AUDIT OF PARTICIPATING ORGANISATIONS

606.1 Internal audit functions

- (1) A Participating Organisation must establish and maintain an internal audit function which is independent from all other functions of the Participating Organisation for the purpose of:
 - (a) examining, evaluating and advising the Participating Organisation of the following:
 - (i) the effectiveness and efficiency of the the operations of the Participating Organisation, including its internal system and controls;
 - (ii) reliability and integrity of the Participating Organisation's financial and operating information, including the reporting of such information;
 - (iii) compliance with the rules and laws relating to the business of the Participating Organisation;
 - (iv) compliance with the relevant policies and procedures established by the Participating Organisation; and
 - (vii) adequacy and effectiveness of all other areas in the business of the Participating Organisation that is relevant to the achievement, objectives and obligations of the Participating Organisation.
 - (b) reporting to the Board of Directors or a committee selected by the Board of Directors on the findings of its examinations and evaluations of the areas mentioned in Rule 606.1(1)(a).
 - (c) making appropriate recommendations on the corrective actions to be taken or improvements (if any) based on the findings above; and
 - (d) verifying whether the recommendations made above has been adhered to by the Participating Organisation.
- (2) The Participating Organisation must establish and maintain an audit committee, whether on its own or at the Group Level in accordance with Rule 607. The audit committee is responsible for monitoring and overseeing all matters relating to the discharge of the internal audit functions of the Participating Organisation.
- (3) A Participating Organisation must report all matters in relation to the internal audit to the audit committee.

606.2 Composition of Audit Committee

- (1) The Participating Organisation must ensure that members of the audit committee comprise persons who are independent, competent, have no conflict of interest in the discharge of their functions as members of the audit committee and collectively have the relevant skills and experience in the following areas:
 - (a) accounting;
 - (b) trading;
 - (c) operations;
 - (d) compliance;
 - (e) auditing; and

- (e) financial reporting.

606.3 Internal audit

- (1) Participating Organisation must clearly identify the areas in the business of Participating Organisation that must be covered for the purpose of discharging its internal audit functions under these Rules. These areas must at the minimum include the following:
 - (a) the performance of the management of the Participating Organisation;
 - (b) the efficiency and effectiveness of communication between personnel and supervisors;
 - (c) written policies and procedures on allocation of responsibilities and duties and clear lines of reporting and on credit control and risk management;
 - (d) adequacy of employee training policies and procedures;
 - (e) efficiency and effectiveness of policies and procedures in relation to credit control and risk management;
 - (f) financial and operational information generated and the means used to identify, measure, classify and report such information;
 - (g) internal controls and procedures that are specifically designed to detect or prevent violations;
 - (h) information system and other information technology-related matters;
 - (i) all operational aspects of the Participating Organisation's business; and
 - (j) the financial and accounting records and reports of the Participating Organisation contain accurate, reliable, timely, complete and relevant information and are prepared in compliance with approved accounting standards.
- (2) A Participating Organisation may determine the scope of its annual audit based on the risk assessment undertaken by the Participating Organisation in the areas covered under Rule 606.3(1).
- (3) A Participating Organisation must, in relation to the risk assessment undertaken by it, ensure the following:
 - (a) formulate a clear written risk assessment methodology to be adopted when assessing the risks in the areas covered under Rule 606.3(1);
 - (b) the risk assessment results of the above areas must be clearly identified and documented
- (4) Upon completion of the internal audit, a Participating Organisation must prepare a written report on the findings of the internal audit and table the report to the audit committee. The written report must contain recommendations or corrective actions to be taken, if any.
- (5) A Participating Organisation must report any major findings or frauds uncovered in the course of the internal audit that may affect the Participating Organisation's financial position or its operations, to the Board of Directors and management immediately.

606.4 Audit Committee

- (1) The audit committee referred to in Rule 606.1(2) must meet at least once every quarter in a calendar year.
- (2) The audit committee must present to the Board of Directors of the Participating Organisation amongst others the audit report, its course action or any corrective measures taken, to address any non compliance or irregularities stated in the audit report.
- (3) A Participating Organisation must submit a copy of the minutes of each meeting of the audit committee and a copy of the audit report including its course action or any corrective measures taken, to address any non compliance or irregularities stated in the audit report to the Exchange within 30 days from the date the minutes were adopted by and the audit report was presented to, the Board of Directors of the Participating Organisation.
- (4) In the case where the audit committee is established at the Group Level, such audit committee must report to the Board of Directors of the Participating Organisation on any matters set out under Rule 606.1(1) relating to the Participating Organisation.

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**RULE 607 PERFORMANCE OF SUPERVISORY FUNCTIONS, RISK MANAGEMENT
COMMITTEE AND AUDIT COMMITTEE AT GROUP LEVEL**

607.1 Performance of Supervisory Functions

- (1) A Participating Organisation may have its Supervisory Functions at Group Level and its internal audit functions carried out by an External Party as may be permitted under the Guidelines on Supervisory Functions.
- (2) The Guidelines on Supervisory Functions is deemed part of these Rules and any breach by the Participating Organisations of the Guidelines on Supervisory Functions is a breach of these Rules.

607.2 Risk Management Committee and Audit Committee

- (1) A Participating Organisation may have the relevant committee for the risk management and the audit committee established at the Group Level if it obtains the prior approval of the Exchange.
- (2) If the approval under Rule 607.2(1) is obtained from the Exchange, all provisions set out in the Guidelines on Supervisory Functions are applicable and binding on the Participating Organisation with the following modifications:
 - (a) all references to 'supervisory functions' in the Guidelines on Supervisory Functions are for the purposes of this Rule be read to include the risk management and audit committee functions; and
 - (b) all references to 'market intermediary' and 'dealer' in the Guidelines on Supervisory Functions are be read to include the Participating Organisation herein.
- (3) In making an application for the approval under Rule 607.2(1), a Participating Organisation must comply with the application procedures set out in the Guidelines on Supervisory Functions with the following modifications:
 - (a) all references to 'dealers', 'market intermediary' in the Guidelines on Supervisory Functions include a Participating Organisation stipulated herein; and
 - (b) all references to 'supervisory functions' in the Guidelines on Supervisory Functions include the committee for risk management and the audit committee functions.

607.3 Investment Bank

- (1) The provisions in Rule 607 are not applicable to an Investment Bank.

[End of Chapter]

CHAPTER 7 DEALINGS IN SECURITIES

RULE 701 DEALINGS IN SECURITIES

701.1 General

- (1) The provisions in this Chapter are applicable to On-Market Transactions and Direct Business Transactions whether transacted in Board Lots or Odd Lots.
- (2) A Participating Organisation's connection to the ATS for the purpose of trading in securities on the stock market of the Exchange must be through an access point approved by the Exchange.
- (3) A Participating Organisation must, at all times, take all reasonable security measures to prevent unauthorised access into the ATS.
- (4) A Participating Organisation must not, without the prior written approval of the Exchange -
 - (a) establish or permit the establishment of any form of electronic system capable of routing orders directly from its Clients into ATS;
 - (b) connect to -
 - (i) the ATS or any part of the ATS, directly or indirectly any device, equipment or facilities for any purpose ; or
 - (ii) any device, equipment or facilities which have been approved by the Exchange to be connected to the ATS or any part of the ATS, any additional device, equipment or facilities.
- (5) A Participating Organisation must not carry out any transactions in Securities on "Forward Contract" basis.
- (6) All Records maintained by the Exchange in relation to any trades or any matters entered or reflected in the ATS will prevail as evidence of the truth of the matter over all other Records maintained by the Participating Organisation.

701.2 Quotation and trading in securities

- (1) All Securities admitted for quotation on the stock market of the Exchange will be traded based on the following conditions:
 - (a) on board(s) and classification as determined by the Exchange;
 - (b) in the currency in which the securities is quoted in;
 - (c) in both Board Lots and Odd Lots;
 - (d) FDSS as stipulated under Schedule 3; and
 - (e) on "ex-entitlement basis" (ex dividend, ex bonus, ex interest, ex rights issue, ex all, ex offer) one (1) clear market day before the last date for lodgement or such other period determined by the Exchange.
- (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 Client, must execute the transaction:
 - (a) as either On-Market Transaction or Direct Business Transaction;

CHAPTER 8 TRADING

RULE 801 AUTOMATED TRADING SYSTEM

801.1 General

- (1) All the provisions in this Chapter are only applicable to On-Market Transactions whether traded in Board Lots or Odd Lots.

801.2 Trading days, trading sessions and trading hours

- (1) Trading of Securities shall be carried out in trading sessions, trading hours and trading phases as prescribed by the Exchange.

801.3 Trading status

- (1) The Exchange may prescribe when orders in respect of Securities may be entered, modified and cancelled ("the Trading Status"). Participating Organisations must give effect to the Trading Status.

801.4 Keying-In of Orders

- (1) A Participating Organisation must not allow any person other than an ATS Operator or a DMA Client to enter modify or cancel orders into the order book in the ATS.
- (2) A Participating Organisation is responsible for all orders entered, modified or cancelled into the order book in the ATS by its ATS Operators or DMA Clients.

801.5 Orders

- (1) A Participating Organisation and an ATS Operator must comply with the following for orders entered into ATS:
 - (a) All orders entered into the order book in the ATS must contain such particulars or information as specified by the Exchange;
 - (b) For board lots, the quantity for a single order of Securities entered into the order book in the ATS must not exceed the amount prescribed by the Exchange;
 - (c) The price of orders entered into the order book in the ATS must be based on the Tick size or multiples of the Tick size;
 - (d) Any order entered into the order book in the ATS may be modified or cancelled if the modification or cancellation is prior to the matching of the order and not with the intention to create a misleading impression of market activity;
 - (e) Rule 801.5 (1)(b) is not applicable to orders entered into the order book in the ATS in relation to odd lots; and
 - (f) Rule 801. 5(1)(d) above is not applicable to orders entered into the order book in the ATS in relation to an On-Market Married Transaction.

- (2) A Participating Organisation and ATS Operators must enter orders into the order book in the ATS correctly and accurately, particularly in relation to the stock code, price and volume of the orders.
- (3) A Participating Organisation must ensure that all trades executed and matched in accordance with Rule 801 are delivered and settled in accordance with Chapter 9 of these Rules.

801.6 Types of orders

- (1) The types of orders that may be entered by Participating Organisations into the ATS will be as prescribed by the Exchange.

801.7 Validity condition

- (1) The Exchange will prescribe the duration for which any orders entered into the system remain valid ("Validity Condition"). The Participating Organisation must specify the Validity Condition when entering any order into the ATS.

801.8 Order matching

- (1) Orders will be matched based on the matching algorithm prescribed by the Exchange.
- (2) All orders entered into the ATS and matched in accordance with the provisions stipulated in Rule 801.8(1) are deemed executed except in the following circumstances:-
 - (a) if the matching of the orders results in a breach of the price limits referred to in Rule 801.11; and
 - (b) in any other circumstances stipulated in these Rules or Directives.
- (3) A Participating Organisation is deemed to have entered into a firm and binding contract once the orders are matched and executed in ATS in accordance with Rule 801.8(1) ("Contract"). The Contract can only be cancelled in circumstances provided under Rule 801.8(5).
- (4) A Participating Organisation is prohibited from amending a Contract if:
 - (a) the amendments are on particulars other than the Securities Account number;
 - (b) the amendments are not as a result of an error;
 - (c) the amendments result in a change of the original party who placed the order and for whom the order was supposed to be executed for, if it is not for the error; and
 - (d) the amendments are made later than the time determined by the Exchange.
- (5) (a) The Exchange may cancel a Contract in the following circumstances:-
 - (i) if in the opinion of the Exchange, the Contract executed in the ATS is in violation of these Rules or the Securities Laws;
 - (ii) upon an application made by a Participating Organisation to the Exchange to cancel such a Contract where :-
 - (aa) both the delivery and settlement of such Contract have not been effected; and
 - (bb) the buying and selling Participating Organisations and their respective Clients agreed to the cancellation;

- (iii) erroneous execution of Contracts in the ATS arising from:-
 - (aa) system failure or malfunction in the ATS; or
 - (bb) a mistake by the Exchange in accordance with Rule 801.9.
 - (iv) erroneous execution of Contracts in the ATS arising from a mistake by a Participating Organisation in entering orders in the ATS as provided in Rule 801.10.
- (b) Any Contracts cancelled in accordance with Rule 801.8(5)(a) is irrevocable.
 - (c) If a Participating Organisation is not satisfied with the cancellation made pursuant to Rule 801.8(5)(a), the Participating Organisation may apply to the Exchange for a review of the cancellation. The application for review must be made on the same Market Day of the cancellation of the Contract.
 - (d) Without prejudice to the rights of the Exchange under these Rules and the law, the Exchange may take any action it deems fit arising from the review in Rule 801.8(5)(c) other than revoking the cancellation done.

801.9 System failure or malfunction or mistakes by the Exchange

- (1) For the purpose of this Rule 801.9 a mistake by the Exchange refers to a mistake in the entries made by the Exchange in the ATS.
- (2) If a system failure or malfunction in the ATS or a mistake by the Exchange results in erroneous execution of Contracts in the ATS, the following will apply:-
 - (a) the Exchange will immediately notify the market of the system failure or malfunction in the ATS or the mistake by the Exchange; and
 - (b) the Exchange may suspend trading on the ATS or take any other action the Exchange deems fit.
- (3) The Exchange may cancel the Contracts erroneously executed arising from the system failure or malfunction in the ATS or a mistake by the Exchange if the Exchange is satisfied that it is in the interest of an orderly and fair market.
- (4) The cancellation of the Contracts pursuant to Rule 801.9 (3) will be effected on the same day that the system failure or malfunction in the ATS or the mistake by the Exchange occurred.
- (5) If the Exchange cancels the Contracts pursuant to Rule 801.9(3):-
 - (a) the Exchange will immediately notify the market of the details of the Contracts and the reasons for the cancellation; and
 - (b) where trading has been suspended, trading will resume after the system failure or malfunction in the ATS or the mistake by the Exchange has been rectified.

801.10 Mistakes by the Participating Organisation

- (1) A mistake by a Participating Organisation refers to a mistake in price of an order for board lot(s) entered into the ATS during the main trading phase.

- (2) A Participating Organisation may only apply to the Exchange to cancel a Contract executed arising from a mistake by the Participating Organisation if:-
 - (a) the price at which the Contract was executed falls outside the No Cancellation Range;
 - (b) the Participating Organisation makes the request to the Exchange to cancel the Contract within 15 minutes of the execution of the Contract;
 - (c) the potential Trading Loss if the trade is not cancelled is at least RM10,000.00; and
 - (d) the order entered is a limit order.
- (3) Once a request has been made to the Exchange to cancel a Contract executed resulting from a mistake by a Participating Organisation pursuant to Rule 801.10 (2), the following procedures will apply:-
 - (a) the Exchange will immediately notify the counterparty Participating Organisation of the Contract of the request; and
 - (b) the Exchange will immediately notify the market of the request and the details of the Contract in relation to which the request for cancellation has been made.
- (4) The Exchange may cancel the Contract specifically requested by the Participating Organisation for cancellation and any other Contracts that may have been executed arising from the erroneous Contract executed by the Participating Organisation if:-
 - (a) the Exchange is satisfied that it is in the interest of an orderly and fair market for the Contracts to be cancelled ; and
 - (b) the relevant Participating Organisation complies with all other requirements that may be imposed by the Exchange for the cancellation of the Contracts.
- (5) The cancellation of Contracts pursuant to Rule 801.10 (4) will be effected on the day on which the Contracts were executed.
- (6) If the Exchange cancels Contracts pursuant to Rule 801.10 (5):-
 - (a) the Exchange will immediately notify the counterparty Participating Organisation of its decision ; and
 - (b) the Exchange will immediately notify the market of its decision and the details of the Contracts which will be cancelled.
- (7) The Exchange is not precluded from taking action against the Participating Organisation or the ATS Operator for the breach of Rule 801.5(2) even if the Contract has been cancelled under this Rule.
- (8) The Exchange may instead of cancelling the Contract upon a request being made under Rule 801.10(2), take any other action it deems fit in lieu of cancellation.

801. 11 Price limits

- (1) (a) If a Participating Organisation enters orders for board lots at a price above the Upper Limit Price or below the Lower Limit Price, the orders will not be accepted by the ATS.

- (b) If a matching of an order for board lots in the ATS results in a breach of the Upper Limit Price or Lower Limit Price, the Exchange may take any action it deems appropriate.
 - (c) The Exchange may change the Upper Limit Price and the Lower Limit Price.
 - (d) If an Upper Limit Price or Lower Limit Price is reached in a trading session of a Market Day and is followed by another Upper Limit Price or Lower Limit Price in the next trading session on the same Market Day or the next Market Day, the Exchange may use the Upper Limit Price or the Lower Limit Price as the case may be of the last trading session as the Upper Limit Price or the Lower Limit Price for the next trading session.
- (2)
- (a) If a Participating Organisation enters orders for Odd Lots at a price above the Upper Limit Price or below the Lower Limit Price for Board Lots as stipulated in Rule 801.12(1)(a), the orders will not be accepted by the ATS.
 - (b) In the event a matching of an order for Odd Lots in the ATS results in a breach of the Upper Limit Price or Lower Limit Price, the Exchange may take any action it deems fit. .
 - (c) If the trading price for Board Lots of a particular Securities has been maintained at the Upper Limit Price or the Lower Limit Price pursuant to Rule 801.11 (1) (d), the trading price for Odd lots of that Securities will also be maintained at the said price for the following trading session or sessions for such period as specified by the Exchange.

801.12 On-Market Married Transaction

- (1) A Participating Organisation must comply with the following conditions when executing an On-Market Married Transaction:
 - (a) must only allow buy and sell orders from within the same branch of the same Participating Organisation to be matched;
 - (b) both the buy and sell orders must be entered into the ATS by the same Dealer's Representative;
 - (c) must only execute the On-Market Married Transaction during trading phases specified by the Exchange;
 - (d) must only enter limit orders for On-Market Married Transaction;
 - (e) must not execute the On-Market Married Transaction for Regulated Short Selling, Permitted Short Selling and Day Trading;
 - (f) must not execute the On-Market Married Transaction in Odd lots; and
 - (g) may amend and request for the cancellation of the On-Market Married Transaction in accordance with Rule 801.8.
- (2) An On-Market Transaction must be executed within the price limits determined by the Exchange.

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RULE 802 DIRECT MARKET ACCESS ORDER**802.1 DMA Order**

- (1) For the purpose of this Rule 802, “DMA Order” means a Direct Market Access order.

802.2 General

- (1) A Participating Organisation may provide Direct Market Access if:
 - (a) the Direct Market Access is effected through a DMA Infrastructure which complies with the terms stipulated by the Exchange; and
 - (b) the Direct Market Access is only provided to persons who comply with the requirements stipulated in Rule 802.4.
- (2) For the avoidance of doubt, other than the provisions in this Rule 802, all other provisions in these Rules will also apply to Participating Organisations and Registered Persons when providing Direct Market Access.
- (3) Direct Market Access must only be made available for execution of On-Market Transactions and not Direct Business Transactions.

802.3 DMA Infrastructure

- (1) A Participating Organisation must send all DMA Orders through the DMA Infrastructure in the manner determined by the Exchange.
- (2) A Participating Organisation must obtain the approval of the Exchange prior to the establishment of the DMA Infrastructure or effecting any change to the DMA Infrastructure after the commencement of the operation of the DMA Infrastructure, unless determined otherwise by the Exchange.
- (3) A Participating Organisation must submit to the Exchange at least 2 Market Days prior to the commencement of the operation of the DMA Infrastructure or prior to effecting any changes to the DMA Infrastructure, a written confirmation that the DMA Infrastructure and all the requirements in relation to the functionalities, connectivity, operation and security requirements of the DMA Infrastructure comply with these Rules.
- (4) Even if a Participating Organisation has complied with the requirements in Rules 802.3(2) and (3) above, it is the responsibility of the Participating Organisation to have all other controls and measures in place to comply with all the relevant provisions in these Rules.
- (5) A Participating Organisation is at all times responsible for the use of the DMA Infrastructure.

802.4 Clients

- (1) A Participating Organisation must only make Direct Market Access available to a Client and the persons authorised by the Client to act on behalf of the Client who fulfill the following requirements:
 - (a) having knowledge of the process of entering DMA Orders through the DMA Infrastructure;

- (b) having knowledge of the requirements in these Rules in relation to trading on the stock market of the Exchange; and
 - (c) having knowledge of the relevant laws pertaining to trading on the stock market of the Exchange.
- (2) A Participating Organisation must execute a written agreement with the Clients to whom the Participating Organisation intends to provide Direct Market Access to and the agreement must address the following areas:
- (a) the duties, obligations and rights of the Participating Organisation and Clients in relation to the Direct Market Access; and
 - (b) the Clients' compliance with these Rules.

802.5 DMA Orders

- (1) For the avoidance of doubt, the following Rules are applicable to all DMA Orders:
- (a) the Participating Organisation is deemed to be the principal in relation to all trades effected through Direct Market Access and the Exchange will not recognise the interest of any third party; and
 - (b) all DMA Orders are deemed as orders submitted for execution in the ATS by a Dealer's Representative on behalf of a Client.

802.6 Actions by the Exchange

- (1) The Exchange may, at its absolute discretion and without notice automatically take any of the actions enumerated in Rule 802.6(2) where:
- (a) there is a breach or likelihood of breach of any provisions in Rule 802; or
 - (b) there is a commission or likelihood of a commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 802.6(1), the following actions may be taken by the Exchange:
- (a) suspend or terminate the provision of Direct Market Access by a Participating Organisation; and/or
 - (b) to direct a Participating Organisation to suspend or cease the provision of Direct Market Access by the Participating Organisation to any one or more of the Clients and the persons authorised by the Clients.

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RULE 803 REGULATED SHORT SELLING**803.1 Regulated short selling**

- (1) A Participating Organisation may execute Regulated Short Selling if the same is carried out in accordance with the provisions in this Rule 803 and section 98(4)(c) of the Capital Markets and Services Act.
- (2) A Participating Organisation must not execute Regulated Short Selling if the Client of the Participating Organisation or the person on whose behalf the Client of the Participating Organisation is executing the Regulated Short Selling, is Associated with the body corporate that issued or made available the Approved Securities. For purposes of Rule 704 the word 'Client' includes the Participating Organisation where the Participating Organisation is executing Regulated Short Selling for itself.
- (3) All other provisions in these Rules apply to Regulated Short Sales as if they were normal sales of Securities.
- (4) The following conditions apply to Regulated Short Selling:
 - (a) Regulated Short Selling can be carried out only for Approved Securities;
 - (b) the Exchange has the discretion to declare any of the Securities that meets the criteria as set out in the definition of Approved Securities as Approved Securities and may, after the declaration, declare otherwise, if the Approved Securities no longer meets the criteria as set out in the definition of Approved Securities or in any other circumstances it deems fit;
 - (c) the Exchange determine not to declare a Securities as Approved Securities although the securities fulfils the criteria as set out in the definition of Approved Securities; and
 - (d) the Exchange may, with the prior approval of the Commission, vary the criteria of Approved Securities as set out in the definition of Approved Securities.

803.2 Commencement of Regulated Short Selling

- (1) Participating Organisation may only commence its Regulated Short Selling activities if it complies with the following requirements:
 - (a) the Participating Organisation has established internal guidelines for Regulated Short Selling as stipulated by the Exchange ;
 - (b) the Participating Organisation has in place systems and infrastructure including front office and back office systems which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Regulated Short Selling in accordance with Rule 803; and
 - (c) subject to Rule 803.2(2)(d), the Participating Organisation has submitted a written declaration in the form stipulated in Appendix 4 to the Exchange of its compliance with Rules 803.2(1)(a) and 803.2(1)(b) at least 2 market days prior to the commencement of its Regulated Short Selling activities.
- (2) Inspection or Audit by the Exchange
 - (a) 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 prior to or after the receipt of the declaration as required in Rule 803.2(1)(c) undertake an inspection or audit on a Participating Organisation's compliance with the requirements stipulated under Rules 803. 2(1)(a) and 803. 2(1)(b)

- (b) In determining compliance with Rule 803.2(1)(b), the following apply:
- (i) the Participating Organisation must when requested by the Exchange provide a confirmation in the manner determined by the Exchange, 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 Rule 803; and
 - (ii) the Exchange is entitled to rely on the confirmation provided to the Exchange under rule 803.2(2)(b)(i).
- (c) The Participating Organisation will be given a notice in writing by the Exchange prior to the commencement of any inspection or audit referred to under Rule 803.2(2)(a).
- (d) If a notice under Rule 803.2(2)(c) has been issued to a Participating Organisation which has yet to submit the declaration under Rule 803.2(1)(c) or has submitted the declaration under Rule 803.2(1)(c) but has yet to commence with its Regulated Short Selling activities, the Participating Organisation must not commence its Regulated Short Selling activities until it has complied with the following:
- (i) the inspection or audit referred to in Rule 803.2(2)(a) has been completed;
 - (ii) the corrective or preventive measures and actions referred to in Rules 803.2(2)(e) and 803.2(2)(f), if any, have been duly carried out and completed by the Participating Organisation; and
 - (iii) the submission of the confirmation, if applicable, and the declaration referred to in Rule 803.2(2)(f).
- (e) Upon completion of 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 803.2(1)(a) and 803.2(1)(b). 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 803.3(2)(d), 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.
- (f) If the corrective or preventive measures and actions referred to in Rule 803.3(2)(e) have been duly carried out and completed, the Participating Organisation must confirm in writing to the Exchange of the same. In relation to a Participating Organisation referred to in Rule 803.2(2)(d) which has yet to submit the declaration under Rule 804.2(1)(c), the Participating Organisation must together with the confirmation mentioned herein submit the declaration stipulated under Rule 803.2(1)(c).
- (g) 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 803.3(2)(a), although a Participating Organisation may have duly carried out and completed the corrective or preventive measures and actions referred to in Rules 803.3(2)(e) and 803.3(2)(f).

803.3 Designated trading account and Securities Account

- (1) A Participating Organisation must open a separate trading account designated as 'RSS', in the name of the Participating Organisation if it is executing Regulated Short Selling for itself or in the name of each Client where it is executing Regulated Short Selling for its Clients ("RSS Account").
- (2) A Participating Organisation must only execute Regulated Short Selling and transactions permitted under Rule 803.3(5) in the RSS Account.
- (3) If the Participating Organisation intends to execute Regulated Short Selling in a Clearing Account, the Participating Organisation must open a separate Clearing Account for that purpose and designate that account as 'RSS' together with the designation stipulated in the directives issued by the Exchange relating to Clearing Account. Any reference in these Rules to 'RSS Account' must be read to include a Clearing Account opened to execute Regulated Short Selling. All other provisions in Directive 701.5(1)-002 are applicable to a Clearing Account opened by a Participating Organisation for Regulated Short Selling to the extent that those provisions are not inconsistent with the provisions in this Rule 803:
- (4) A Participating Organisation must, prior to opening a RSS Account:
 - (a) obtain confirmation in writing from the Client that the Client has a SBL Agreement in place; and
 - (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 Organisation to suspend trading for the Client; or
 - (c) if the RSS Account is to be opened in the name of the Participating Organisation execute a SBL Agreement.
- (5) A Participating Organisation may execute purchase of Securities in the RSS Account but only for the following purposes :
 - (a) to contra in full or in part any Regulated Short Sale of an Approved Securities executed in the RSS Account;
 - (b) for redelivery of securities arising from any borrowing of Approved Securities under a SBL Agreement; and
 - (c) for borrowing to execute another regulated short sale of that Approved Securities in accordance with the requirements of Rule 704.
- (6) A Participating Organisation must open a separate Securities Account for each trading account opened pursuant to Rule 803.3(1) and Rule 803.3(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 utilise this Securities Account for the following purposes:
 - (a) settlement of Regulated Short Selling;
 - (b) settlement of purchases as permitted under Rule 803.3(5);
 - (c) to hold Securities for purposes of subsequent redelivery of the Securities arising from the borrowing of Approved Securities under a SBL Agreement; or
 - (d) to hold borrowing of Approved Securities for executing the Regulated Short Sale, provided Rule 706.10(2) is complied with, if the Approved Securities are held in a Securities Account maintained in the name of a Participating Organisation, in the

Participating Organisation's capacity as Authorised Nominee or Exempt Authorised Nominee.

- (7) If a Participating Organisation executes a purchase of Securities in the RSS Account other than for the purposes stipulated in Rule 803.3(5) by reason of mistake, the Participating Organisation is permitted to subsequently sell the Securities so purchased subject to the following conditions:
 - (a) the Head of Dealing must report to the Exchange of the sale made herein not later than the end of the next Market Day from the date of the sale; and
 - (b) the Head of Dealing must, together with the report, provide an explanation as to the cause of the mistake.
- (8) Notwithstanding that the Participating Organisation is permitted sell the Securities purchased by mistake as stipulated under Rule 803.3(7), this does not prejudice the rights of the Exchange to take action against the Participating Organisation for a breach of Rule 803.3(5).
- (9) If the Exchange is not satisfied that the purchase of Securities as stipulated in Rule 803.3(7) arose from a mistake made by the Participating Organisation or if the mistake was caused by reason of a breach of the requirements under the internal guidelines for short selling as stipulated under Rule 803.2(1) the Exchange reserves its rights to take action against the Participating Organisation for breach of Rule 803.3(5).

803.4 Execution

- (1) Upon receiving any request from a Client to effect a sell order, a Participating Organisation must enquire from the Client whether the intended sale is a Regulated Short Sale. If the Client confirms that the sale is a Regulated Short Sale, the Participating Organisation must comply with the provisions in Rule 803.4(2) for the execution of the sell order.
- (2) A Participating Organisation must comply with the following conditions prior to executing an order for a Regulated Short Sale whether for itself or a Client:
 - (a) if the order is executed for the Participating Organisation itself, the Participating Organisation 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;
 - (b) if the order is for a Client, confirmation from the Client, that 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;
 - (c) confirmation from the Client, that 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 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;
 - (d) If the order is executed for the Participating Organisation itself, the Participating Organisation must not be Associated with the body corporate mentioned here;
 - (e) the order price of the Approved Securities to be entered into the ATS is higher than the Last Done Price of the Approved Securities prior to the intended entry of the above order; and
 - (f) the order must be entered into ATS through the screen designated in the ATS for Regulated Short Sale.
- (3) Participating Organisation must not execute Regulated Short Sale for Direct Business.

- (4) All orders for Regulated Short Sale in a Clearing Account must be executed on the same Market Day that the Client has instructed for the order to be executed and cannot be carried forward to the next Market Day even though the order remains unexecuted, whether fully or partially.
- (5) A Participating Organisation must keep documents relating to the requirements on Rules 803.4 (2)(a), (b) and (c) for at least 7 years. The documents must be either in writing, tape recording or electronic form.
- (6) The Head of Dealing is responsible to ensure that no Regulated Short Sale are executed in ATS through a screen other than the screen designated in the ATS for Regulated Short Sale. If any Regulated Short Sale has been executed not through the screen designated in the ATS for Regulated Short Sale, the Head of Dealing must report the same by the next Market Day to the Exchange.
- (7) No Regulated Short Sale can be executed by a Participating Organisation in any of the following circumstances -
 - (a) during the period of 21 days immediately following a takeover announcement involving the Issuer of an approved securities; or
 - (b) when expressly directed by the Exchange, during the period where the Approved Securities has been declared as Designated Securities under Rule 703 .

803.5 Contract note for Regulated Short Sale

- (1) A Participating Organisation must upon execution of a Regulated Short Sale stipulate on the Contract Note issued by the Participating Organisation to the Client, that the sale is a Regulated Short Sale.

803.6 Prohibition on amendments of contracts

- (1) Notwithstanding Rule 801.8(4), no Participating Organisation is permitted to effect any amendments of Contract from a trading account or a Securities Account opened not for execution of a Regulated Short Sale to a trading account or Securities Account opened under Rule 803.3 for execution of Regulated Short Sales.
- (2) A Head of Dealing is responsible to ensure that proper systems and procedures for review and monitoring are in place to ensure that all amendments of Contracts made in accordance with Rule 801.8(4) are not in breach of Rule 803.6(1). In the event of a breach, the Head of Dealing must report the breach to the Exchange by the next market day after the amendments were made.

803.7 Delivery and settlement

- (1) The Rules relating to delivery and settlement under Chapter 9 apply to Regulated Short Sales in the same manner as they apply to normal sales.

803.8 Reporting by Participating Organisation

- (1) Participating Organisations shall report to the Exchange daily or in such other frequency as may be determined by the Exchange, in the format prescribed by the Exchange, the Net Short Position and/or any other information in relation to the Net Short Position as may be required by the Exchange from time to time.

803.9 Limit for regulated short selling

- (1) Without affecting Rule 803.10, the Exchange may suspend any order entry into the order book in the ATS for any further Regulated Short Selling of Approved Securities, in the following circumstances:
- (a) If the quantity of the total short position of an Approved Securities on a particular Market Day is as follows:
 - (i) if the quantity of the total short position of the shares of an Issuer, on a particular market day is at 3% of the outstanding shares of the Issuer on that Market Day. Outstanding shares means the total quantity of shares held by the shareholders of the Issuer including shares held by the Issuer pursuant to a share buy back scheme as provided for in the Listing Requirements; or
 - (ii) if the quantity of the total short position of a class of Securities other than shares of an Issuer (“securities”) on a particular Market Day is at 3% of the quantity of the outstanding Securities on that market day. Outstanding Securities means the total quantity of Securities held by the holders of the Securities; or
 - (b) If the quantity of the total short position of an Approved Securities referred to in Rule 803.9(1)(a)(i) and 803.9(1)(a)(ii) aggregated over a period of time is 10% of the quantity of outstanding shares or Securities.
- (2) The suspension referred to in Rule 803.9(1) may be for the following period:
- (a) In relation to the circumstance described in Rule 803.9(1)(a), the suspension must be for the remaining Market Day from the time the suspension was instituted on that Market Day; and
 - (b) In relation to the circumstance described in Rule 803.9(1)(b), the suspension must be in place until the aggregated quantity falls below 10% of the quantity of outstanding shares or Securities. The fall in the ‘aggregated quantity’ referred to herein would occur when there is a return of the Securities borrowed to the Authorised SBL Participant.
- (3) If a suspension on Regulated Short Selling is imposed on the shares of an Issuer pursuant to Rule 803.9 (1)(a) or Rule 803.9(1)(b), such suspension also applies to the following:
- (a) all Securities referred to in Rule 803.9(1)(a)(ii) although the total short position of the Securities is not in breach of the limit referred to in Rule 803.9(1)(a) or Rule 803.9(1)(b); and
 - (b) all Securities issued by any Issuer if the underlying instrument of the Securities issued, comprise solely the shares of an Issuer in relation to which suspension under Rule 803.9(1)(a) or Rule 803.9(1)(b) has been imposed.
- (4) If the shares or securities referred to under Rules 803.9(1)(a) and Rule 803.9(1)(b) respectively falls within the class of Eligible Securities, the following apply:
- (a) the suspension referred to in Rule 803.9(1)(a), Rule 803.9(1)(b) and Rule 803.9(2) include suspension on the short selling of the Eligible Securities; and
 - (b) the ‘securities’ referred to in Rule 803.9(3) includes Eligible Securities and the suspension referred to in that rule is applicable to the short selling of that Eligible Securities.

803.10 Action by the Exchange

- (1) The Exchange may in the following circumstances take any of the actions enumerated under Rule 803.10 (2) automatically against a Participating Organisation and, its Registered Person or in relation to any or all Approved Securities:
 - (a) if there is a breach or likelihood of breach of any provisions in Rule 803; or
 - (b) if the execution of a Regulated Short Sale may lead or likely to lead to the commission of any of the offences under the Capital Markets and Services Act.

- (2) Pursuant to Rule 803.10(1) the following actions may be taken by the Exchange in relation to any or all Approved Securities and/or against any or all Participating Organisations, registered persons and clients in the manner and for the period determined by the Exchange:
 - (a) suspension or termination of further Regulated Short Selling by the Participating Organisation and/or Registered Person whether for itself or any or all of its Clients;
 - (b) imposition of limits on the Net Short Positions or total short positions that may be held by the Participating Organisation and/or Registered Person whether for itself or any or all of its Clients; or
 - (c) imposition of restrictions or conditions on Regulated Short Selling carried out by the Participating Organisation and/or Registered Person whether for itself or any or all of its Clients.

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RULE 804 TRADING SUSPENSION

804.1 Trading Suspension

- (1) The Exchange may suspend trading of Securities traded on the stock market of the Exchange in the following circumstances:
 - (a) in the event of significant drop in the Exchange's benchmark composite index In this instance the Exchange may suspend all Securities traded on the stock market of the Exchange upon notification to the Commission.
 - (b) if a suspension from trading is imposed pursuant to these Rules or the Listing Requirements. In this instance the Exchange may suspend any or all of Securities traded on the stock market of the Exchange.

[End of Chapter]

- (b) on a Ready Basis; and
 - (c) through ATS only.
- (3) The delivery and settlement of Securities arising from On-Market Transaction and Direct Business Transaction will be in accordance with the requirements of the Clearing House by way of book entries in the Securities Account.
- (4) A Participating Organisation can only sell Securities in Odd Lots if the Securities are designated as 'free' balance in the Securities Account of the seller maintained with the Participating Organisation prior to the entry of the order into the ATS.

701.3 Acting as principal

- (1) A Participating Organisation is deemed to act as a principal for all orders and trades entered and executed in the ATS whether the orders or trades were entered for the Participating Organisation's own account or for the accounts of their Clients.
- (2) A Participating Organisation, must not trade in securities as a principal as defined in Section 97(2) of the Capital Markets and Services Act with a Client without so informing the Client.

701.4 Proprietary trading

- (1) A Participating Organisation must not allow a Dealer's Representative who undertakes proprietary trading for the Participating Organisation to also deal for the Participating Organisation's Clients.
- (2) A Participating Organisation may allow a Dealer's Representative who undertakes proprietary trading for the Participating Organisation to trade for the Participating Organisation's Related Corporation except for Proprietary Day Traders.
- (3) A Participating Organisation must have an audio recording of the conversations of Dealer's Representatives who conduct proprietary trading for the Participating Organisation.

701.5 Trading accounts

- (1) A Participating Organisation can only open and operate the following types of trading accounts:
- (a) Proprietary Account in the name of the Participating Organisation;
 - (b) Client's account in the name of the respective Client; and
 - (c) Authorised Nominees account in the name of the Participating Organisation or its wholly owned nominee company.

701.6 Breakdown or malfunction

- (1) Participating Organisations and Dealer's Representatives must not intentionally take advantage of a situation which arises as a result of a breakdown, malfunction or error in the ATS (committed by the Exchange or by other Participating Organisations) or in any other systems, service or facility of the Exchange ("Systems Malfunction or Error");
- (2) A Participating Organisation who encounters a Systems Malfunction or Error must immediately notify the Exchange; and

- (3) Additionally, a Participating Organisation must take any necessary and appropriate action to mitigate any potential losses arising from the Systems Malfunction or Error immediately after the Participating Organisation knew or should have known that there is a Systems Malfunction or Error.

701.7 Lien on Securities

- (1) A Participating Organisation may, for monies owing to the Participating Organisation by a Client for purchase of any Securities, have a lien on all other Securities held in the Securities Account of the Client maintained with the Participating Organisation, if the Client agrees to the term in writing.
- (2) The requirement for Client's agreement as stipulated in Rule 701.7(1) are not applicable in circumstances stipulated in Rule 701.7(3).
- (3) Pursuant to section 35(3) of the Securities Industry (Central Depositories) Act, a Participating Organisation has a lien over Securities purchased by a Client which has not been paid.

701.8 Reporting of trade dispute

- (1) A Participating Organisation must immediately report to the Exchange all trade disputes involving RM1,000,000 or more (whether the amount is a single or an aggregated amount). Such report must contain details of the trade dispute, the amount in question and the parties involved in the dispute.

701.9 Recognised Stock Exchange

- (1) A Participating Organisation may trade on a Recognised Stock Exchange whether for the Participating Organisation's proprietary position or the Clients'.

701.10 Dealing with or creation of other market

- (1) No Participating Organisation shall in any manner deal with or create any other market for transactions in Securities or interests in Securities other than the stock market of the Exchange.
- (2) A Participating Organisation must not permit dealings in Securities whether for the Participating Organisation's own account or a Client if dealings facilitate dealings in Securities or interest in Securities outside the stock market of the Exchange unless expressly permitted by the Exchange.

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RULE 702 OFF-BALANCE SHEET TRANSACTIONS

702.1 Investment Banks

- (1) All provisions in this Rule 702 do not apply to Participating Organisation that is an Investment Bank.

702.2 Records of Off-Balance Sheet Transactions

- (1) Every Participating Organisation must maintain a Record that sufficiently explains Off-Balance Sheet Transactions entered by it.

702.3 Reporting of Off-Balance Sheet Transactions

- (1) Participating Organisations must lodge with the Exchange a monthly report in the form provided in Appendix 2, by not later than the 5th market day of the immediately following month in respect of the following matters:-
 - (a) any Off-Balance Sheet Transaction entered into by a Participating Organisation during the preceding month;
 - (b) any Off-Balance Sheet Transactions performed or discharged by the Participating Organisation during the preceding month;
 - (c) any Off-Balance Sheet Transactions which remain to be performed or discharged during the preceding month;
 - (d) occurrence of any Adverse Event(s); and
 - (e) any changes to the original terms and conditions of the Off-Balance Sheet Transactions specified in Rule 702.3(1)(a), (b) and (c).

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RULE 703 DESIGNATED SECURITIES

703.1 Designated Securities

- (1) The Exchange -
- (a) may where it is of the opinion that it is desirable to do so to maintain an orderly and fair market and after notifying the Commission of its intention to do so, declare any Securities to be "Designated Securities" for such period as the Exchange thinks fit; or
 - (b) as directed by the Commission, declare any Securities as "Designated Securities" for such period directed by the Commission; **or**

and make that declaration known to the public in such manner as the Exchange decides.

- (2) The Exchange may impose the following conditions on the dealings of Designated Securities:
- (a) a margin of cover for purchases;
 - (b) the outstanding contracts of a Participating Organisation for the Designated Securities at any one time do not exceed 5% of the paid-up capital of the Issuer of the Designated Securities or such other percentage as the Exchange may from time to time direct;
 - (c) a prohibition on any sale of the Designated Securities unless the seller delivers the Designated Securities to the Participating Organisation at the time of entering into the contract sale;
 - (d) prohibition of the use of Margin Financing to purchase the Designated Securities;
 - (e) any other conditions deem fit by the Exchange.
- (3) Any condition imposed by the Exchange under Rule 703.1(2) apply, to all outstanding contracts entered into before or after the date when such Securities were declared as "Designated Securities" as from the date of such declaration.

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RULE 704 CORNER

704.1 Declaration

- (1) The Exchange may declare a corner situation in any Securities (“the Affected Securities”) in the following circumstances:-
 - (a) if it is of the opinion that a single interest or group has acquired such control of a Securities and that the same cannot be obtained for delivery except at prices and on terms dictated by such interest or group;
 - (b) if it is otherwise desirable in the interest of an orderly and fair market; or
 - (c) as directed by the Commission.
- (2) Upon such declaration, the Exchange may impose the following conditions:
 - (a) to postpone the time for delivery of the Affected Securities to such time as fixed by the Exchange or until further action by the Exchange;
 - (b) extend the time for delivery of the Affected Securities;
 - (c) to declare that if the Affected Securities are not delivered on any Contract at or before the time which has been fixed by the Exchange for such delivery such Contract must be settled not by delivery but by payment –
 - (i) in the case of a seller who contracted to sell to the buyer at the price lower than the fair settlement price, by the seller to the buyer, of the difference between the fair settlement price and the Contract price;
 - (ii) in the case of a seller who contracted to sell at a higher price than the fair settlement price, by the buyer to the seller, of the difference between the Contract price and the fair settlement price;
 - (iii) in the case of a buyer who contracted to buy from the seller at a price higher than the fair settlement price, by the buyer to the seller, of the difference between the contract price and the fair settlement price;
 - (iv) in the case of a buyer who contracted to buy from the seller at a price lower than the fair settlement price, by the seller to the buyer, of the difference between the fair settlement price and the contract price.
- (3) The fair settlement price is determined by the Exchange and is binding and conclusive on all parties to any outstanding contract.

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RULE 705 ISLAMIC STOCKBROKING ACTIVITIES

705.1 Approval of the Exchange

- (1) A Participating Organisation must obtain prior approval of the Exchange before carrying out any trading activities based on Islamic Shariah principles.
- (2) The Exchange may grant approval after consulting the Commission.

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RULE 706 SECURITIES BORROWING AND LENDING**706.1 Definitions**

(1) For the purposes of this Rule 706:-

Clearing House Requirements	The requirements of the Clearing House as contained in the Clearing House Rules and any other documents by whatever name in relation to securities borrowing or lending;
Effective Shareholders' Funds	shall have the same meaning assigned to that expression under Rule 1301.2(1);
Eligible Securities	Such securities as may be prescribed by the Clearing House from time to time as being eligible for securities borrowing or lending in accordance with the Clearing House Requirements;
Haircut	The deduction of certain amount of value of the collateral referred to in Rule 706.7;
Income	Any interest, dividends or other distribution of any kind whatsoever with respect to any Eligible Securities.
SBL Negotiated Transaction	Has the same meaning assigned to that expression in the Clearing House Rules.
Securities Borrowing or Lending	The borrowing or lending of Securities as described in Rule 706.2(1).

706.2 General

- (1) A Participating Organisation may only carry out the activities of borrowing or Lending of Securities::
- if permitted by the Clearing House;
 - for Eligible Securities only; and
 - in accordance with the Clearing House Requirements and this Rule 706.
- (2) A Participating Organisation may only undertake Securities Borrowing or Lending whether for the Participating Organisation itself or its Client for purposes allowed by the Clearing House.
- (3) Any sale trade executed by a Participating Organisation arising from a borrowing made in breach of Rule 706.2(2), such sale is deemed to be a Short Sale which is not executed in accordance with these Rules.
- (4) A Participating Organisation must ensure where the Securities Borrowing or Lending involves a Client that the following are complied with:
- that the Participating Organisation executes a written agreement with its Client in respect of the Securities Borrowing or Lending and the terms of the written agreement complies with Rule 706.6. This provision is not applicable where the Securities Borrowing or Lending is a SBL Negotiated Transaction;
 - that collateral is lodged in accordance with Rule 706.7. This provision is not applicable where the Securities Borrowing or Lending is a SBL Negotiated Transaction;

- (c) that if Margin Securities of a Margin Account Client as defined in Rule 706.8 are utilised for lending, the utilisation is subject to Rule 706.8;
- (d) that if Custodial Securities of a Custodial Client as defined in Rule 706.9 are utilised for lending, the utilisation is subject to Rule 706.9; and
- (e) that 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.

706.3 Internal Guidelines and Systems

- (1) Participating Organisation desirous of engaging in Securities Borrowing or Lending activities must formulate a set of internal guidelines for Securities Borrowing or Lending as stipulated by the Exchange.
- (2) Every Participating Organisation must establish, implement and maintain the following:
 - (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 Securities Borrowing or Lending in accordance with Rule 706; and
 - (b) all the policies, procedures, controls and all other requirements set out in the internal guidelines for Securities Borrowing or Lending.

706.4 Commencement of Securities Borrowing or Lending Activities

- (1) A Participating Organisation may only commence its Securities Borrowing or Lending activities if it complies with the following requirements:
 - (a) the Participating Organisation has Effective Shareholders' Funds of not less than RM50,000,000 as at the date of the declaration in Rule 706.4(1)(d) and continues to maintain the same for as long as it is carrying out Securities Borrowing or Lending activities;
 - (b) the Participating Organisation has established internally guidelines for Securities Borrowing and Lending as required in Rule 706.3;
 - (c) the Participating Organisation has in place systems and infrastructure including but not limited to back office systems and infrastructure, which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Securities Borrowing or Lending activities in accordance with Rule 706 and the Clearing House Requirements; and
 - (d) subject to Rule 706.5, the Participating Organisation has submitted a written declaration in a form prescribed by the Exchange of its compliance with Rules 706.4(1)(a), 706.4(1)(b) and 706.4(1)(c) at least 2 market days prior to the commencement of its Securities Borrowing or Lending activities.

706.5 Inspection or Audit by the Exchange

- (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 or prior to or after the receipt of the declaration in Rule 706.4(1)(d) undertake an inspection or audit on the Participating Organisation's

compliance with the requirements stipulated under Rules 706.4(1)(a), 706.4(1)(b) and 706.4(1)(c), in the manner determined by the Exchange.

- (2) In determining compliance with Rule 706.4(1)(c), the following apply:
 - (a) the Exchange is entitled to require the Participating Organisation to provide a confirmation that adequate verification and assessment has been carried out to ensure that its systems and infrastructure includes 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 or Lending in accordance with Rule 706 and the Clearing House Requirements; and
 - (b) the Exchange is entitled to rely on the confirmation provided by the Participating Organisation in Rule 706.5(2)(a).
- (3) The Exchange will give a written notice to the Participating Organisation prior to the commencement of any inspection or audit referred to under Rule 706.5(1).
- (4) If a notice under Rule 706.5(3) has been issued to a Participating Organisation that has yet to submit the declaration under Rule 706.4(1)(d) or has submitted the declaration under Rule 706.4(1)(d) but has yet to commence with its Securities Borrowing or Lending activities, the Participating Organisation must not commence with its Securities Borrowing or Lending activities until the following has been complied with:
 - (a) the inspection or audit referred to in Rule 706.5(1) has been completed;
 - (b) the corrective or preventive measures and actions referred to in Rules 706.5(5) and 706.5(6) (if any) have been duly carried out and completed by the Participating Organisation; and
 - (c) the submission of the confirmation (if applicable) and the declaration referred to in Rule 706.5(6).
- (5) Upon completion of the inspection or audit, the Exchange will notify the Participating Organisation in writing of the findings of the inspection or audit which include findings of any non compliances with Rules 706.4(1)(a), 706.4(1)(b) and 706.4(1)(c) and the corrective or preventive measures and actions (if any) to be taken by the Participating Organisation for the purpose of complying with 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 706.5(4), suspend the carrying out of any further Securities Borrowing or Lending by the Participating Organisation until the corrective or preventive measures and actions (if any) are carried out and completed by the Participating Organisation.
- (6) If the corrective or preventive measures and actions referred to in Rule 706.5(5) have been duly carried out and completed, the Participating Organisation must confirm in writing to the Exchange of the same. In relation to a Participating Organisation referred to in Rule 706.5(4) which has yet to submit the declaration under Rule 706.4(1)(d), the Participating Organisation must together with the confirmation mentioned herein submit the declaration stipulated under Rule 706.4(1)(d).
- (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 706.5(1), notwithstanding that a Participating Organisation may have duly carried out and completed the corrective or preventive measures and actions referred to in Rule 706.5(5) and 706.5(6).

706.6 Written Agreement

- (1) A Participating Organisation must execute a written agreement referred to in Rule 706.2(4)(a) for the Securities Borrowing or Lending of Eligible Securities with its Client prior to the borrowing or lending of the Eligible Securities.
- (2) The terms and conditions stipulated in the written agreement between the Participating Organisation and its Client, with the exception of the fees chargeable or payable in relation to the Securities Borrowing or Lending must be at least on equal terms and conditions as the written agreement executed between the Participating Organisation and the Clearing House in relation to the Securities Borrowing or Lending and includes matters specified below:
 - (a) the party that lends is absolutely entitled to pass full legal and beneficial ownership of the Securities lent free from all liens, charges and encumbrances;
 - (b) subject to Rule 706.7, requirement for deposit of collateral, if any including the management and utilisation of the collateral deposited by the Client;
 - (c) treatment of corporate actions and income in relation to any of the Eligible Securities borrowed or lent and the securities held as collateral;
 - (d) rights and obligations of the Participating Organisation and its Client in relation to the Eligible Securities borrowed or lent;
 - (e) the fees, to be paid for the borrowing and/or lending of the Eligible Securities;
 - (f) the circumstances where the Participating Organisation or its Client are entitled to terminate the agreement entered into for the borrowing or lending of the Eligible Securities; and
 - (g) the rights and remedies of the parties to the agreement in the event of a default by the other party of its obligations under the agreement.
- (3) This Rule is not applicable where the securities borrowing or lending is a SBL Negotiated Transaction.

706.7 Collateral

- (1) A Participating Organisation must in relation to any borrowing of Eligible Securities by a Client ("the Borrowed Securities") obtain collateral from the Client in accordance with this Rule 706.7.
- (2) The Participating Organisation must comply with the following requirements in relation to the collateral required to be deposited by a Client pursuant to Rule 706.7(1):
 - (a) the collateral must only be the types of collateral provided in Directive and is subject to a Haircut. The rate of the Haircut for a particular type of collateral must at least be the same as the rate prescribed by the Clearing House for that collateral in relation its Securities Borrowing or Lending activities. In the absence of any Haircut prescribed by the Clearing House, the Haircut for that collateral must at least be same as the 'discounting' rate provided in the Directive issued by the Exchange for discounting on collateral pursuant to Capital Adequacy Requirements. For the purposes of this Rule 706.7, any

reference made to the value of collateral is taken to mean the value of the collateral based on the valuation prescribed in Rule 706.7(2)(d) after applying the prescribed Haircut under this rule;

- (b) the Client must deposit the collateral prior to the borrowing envisaged in Rule 706.7(1);
 - (c) the value of collateral obtained from the Client, must be at least 105% or such other percentum as may be determined by the Exchange, of the market value of the Borrowed Securities throughout the period the Borrowed Securities are borrowed by the Client; and
 - (d) the value of the Borrowed Securities and the collateral deposited by the Client for the Borrowed Securities must be marked to market on a daily basis based on the valuation stipulated in Rule 708.2(7) However the above valuation may be made on an intra day basis in the following circumstances:
 - (i) unusually rapid or volatile changes in the value of the Securities;
 - (ii) non-existence of active market for the Securities; or
 - (iii) no possibility of immediate liquidation for the Securities.
- (3) If the value of the collateral falls below 105%, of the market value of the Borrowed Securities, a Participating Organisation must comply with the following:
- (a) if the collateral falls below 105% the Participating Organisation must issue a notice to the Client to lodge additional collateral in order to top up the short fall. Pending such topping up, the Client must not be permitted to borrow any additional Securities; and
 - (b) if the value of the collateral falls below 102%, the Participating Organisation must issue a notice to the Client for the return of the Securities borrowed within 3 market days from the date of the notice. In the event the Client fails to return the Securities borrowed, the Participating Organisation must liquidate the collateral. The proceeds from the liquidation must be utilised to purchase the relevant Securities for the purpose of returning the Securities borrowed to the Clearing House.
- (4) A Participating Organisation may allow a Client to withdraw any collateral deposited in relation to the Borrowed Securities, provided that the value of any collateral remaining after the withdrawal is at least 105% of the market value of the Borrowed Securities on the withdrawal date.
- (5) Subject to Rule 706.7(6), all collateral deposited by a Client with the Participating Organisation must be kept in the following manner:
- (a) for collateral other than cash, the collateral is segregated, not co-mingled with the assets of the Participating Organisation and other collateral deposited by other Clients and can be clearly identified as that of the Client;
 - (b) in respect of cash collateral, the cash deposited can be clearly identified from its records as that of the Client; and
 - (c) if the collateral is in respect of securities deposited with the Depository, the collateral is held in a separate Securities Account specifically for the Client.
- (6) A Participating Organisation may only utilise the collateral deposited by its Client for the purpose of providing the collateral required by the Clearing House for the borrowing made or to be made for the Client.

- (7) A Participating Organisation must incorporate the provisions of Rule 706.7 except Rule 706.7(8) into the written agreement referred to in Rule 706.6.
- (8) A Participating Organisation must submit a report to the Exchange on a weekly basis, in respect of all of its Clients whose collateral has fallen below 102% of the market value of the Borrowed Securities for the week, in the format as may be prescribed by the Exchange, on the 1st market day of the following week.
- (9) A Participating Organisation must not onward pledge to any party or utilise any of the collateral lodged by its Clients pursuant to this Rule 706.7 for any reason except as permitted in Rule 706.7(6).
- (10) This Rule is not applicable where the Securities Borrowing or Lending is a SBL Negotiated Transaction.

706.8 Securities in Margin Account

- (1) A Participating Organisation may borrow any Eligible Securities carried in the Margin Account of a Client (“Margin Securities”), for the purpose of carrying out lending activities permitted under the Clearing House Requirements subject to the following requirements:
 - (a) A written agreement referred to in Rule 706.6 is executed between the Participating Organisation and the Client (in this Rule, “Margin Account Client”) to borrow the Margin Securities from the Margin Account Client.
 - (b) A Margin Account Client must at all times be entitled to deal with his Margin Account in the ordinary manner as provided for under the terms of the margin agreement entered into between the Client and the Participating Organisation, notwithstanding:
 - (i) that Margin Securities carried in the Margin Account is used for purposes of Securities Borrowing or Lending; and
 - (ii) any shortfall or gains arising from Securities Borrowing or Lending transactions involving the Margin Securities of the Margin Account Client.
 - (c) A Margin Account Client must be entitled to a portion of the fees earned by the Participating Organisation on that Client’s Margin Securities from the above Securities Borrowing or Lending on such terms as to be mutually agreed between the Participating Organisation and that Client, notwithstanding that the Securities Borrowing or Lending for which the Client’s Margin Securities have been utilised has resulted in any shortfall or gain.
 - (d) A Participating Organisation must allow a Margin Account Client to withdraw or sell the Margin Securities borrowed if reasonable notice is given to the Participating Organisation for such withdrawal or sale and such notice to be given within a specified time as mutually agreed between the Participating Organisation and the Margin Account Client.
 - (e) Notwithstanding that the Margin Securities are borrowed by the Participating Organisation, the Participating Organisation must comply with all the requirements of Rule 708.
 - (f) The Participating Organisation must not utilise more than 50% of the value, at the time of lending, of the Margin Securities in any Client’s margin account.
 - (g) The Participating Organisation must issue a monthly statement to Margin Account Client containing all necessary details in relation to the borrowing

including the quantity of Margin Securities utilised and the fees earned thereon.

- (2) A Participating Organisation must incorporate the requirements stipulated in Rule 706.8(1)(b) into the written agreement referred to in Rule 706.6.

706.9 Securities In Custody

- (1) A Participating Organisation may borrow Eligible Securities which are held in its custody (“Custodial Securities”) for its Clients (“Custodial Clients” and singly, “Custodial Client”) for purposes of carrying out lending activities as permitted under the Clearing House Requirements provided that the Participating Organisation executes a written agreement as referred to in Rule 706.6 between the Participating Organisation and the Custodial Client to borrow the Custodial Securities from the Custodial Client.
- (2) A Participating Organisation must be, at all times, fair, equitable and transparent in the process of selecting the custodial accounts to be utilised for the purposes of Securities Borrowing or Lending.

706.10 Designated Account

- (1) A Participating Organisation must hold all Eligible Securities borrowed or lent pursuant to Securities Borrowing or Lending in the Securities Account(s) prescribed in the Clearing House Requirements and in no other Securities Account(s).
- (2) Where the Eligible Securities borrowed are held in a Securities Account maintained in the name of a Participating Organisation in the Participating Organisation’s capacity as Authorised Nominee or Exempt Authorised Nominee, the Participating Organisation can only hold the Eligible Securities in that Securities Account for a maximum period of 3 days from the date the Eligible Securities is credited into the Securities Account.
- (3) If the Clearing House permits borrowing of Eligible Securities for the purpose of meeting the Participating Organisation’s delivery obligations pursuant to a sale trade erroneously executed by the Participating Organisation, the Participating Organisation must submit to the Exchange a report of all Eligible Securities borrowed for the above purpose on a weekly basis, in the format and manner as may be prescribed by the Exchange from time to time, on the 1st market day of the following week.

706.11 Actions By the Exchange

- (1) The Exchange may in the following circumstances take any of the actions enumerated under Rule 706.11(2) automatically against any or all Participating Organisations or the Registered Person or in relation to any or all Eligible Securities:
 - (a) if there is a breach or likelihood of breach of any provisions in Rule 706; or
 - (b) if the Securities Borrowing or Lending activities likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 706.11(1), the following actions may be taken by the Exchange in relation to any or all Eligible Securities or against any or all Participating Organisations or Registered Person:

- (a) suspension or cessation of further Securities Borrowing or Lending of Eligible Securities by the Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients;
- (b) imposition of limits on the total number or the type of Eligible Securities that may be borrowed or lent by the Participating Organisation or Registered Person whether for itself or any or all of its Clients or by any or all of its Clients; or
- (c) imposition of restriction or conditions on the Securities Borrowing or Lending activities carried out by the Participating Organisation or Registered Person whether for itself or any or all of its Clients or by any or all of its Clients.

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**RULE 707 TRANSACTIONS BY EMPLOYEES, COMMISSIONED DEALER'S
REPRESENTATIVES AND DIRECTORS**

707.1 Opening of Trading Account

- (1) A Participating Organisation must not open a trading account to trade in Securities for employees, Dealer's Representatives or Executive Directors of another Participating Organisation.
- (2) No employee, Dealer's Representative or Executive Director may open a trading account to trade in Securities other than with the Participating Organisation by whom he is employed or engaged.
- (3) A Participating Organisation must require the Participating Organisation's employees, Dealer's Representatives and Executive Directors to trade in Securities through the Participating Organisation.

707.2 Approval

- (1) (a) A Participating Organisation may transact in Securities on account of the Participating Organisation's employees, Dealer's Representatives and Directors if a prior written approval is issued for each transaction by the Participating Organisation. For purposes of this Rule 707.2, a director's account will include all accounts within the director's control.
- (b) A Participating Organisation can only issue approval as stipulated in Rule 707.2(1)(a) if the Participating Organisation is satisfied that the transaction does not conflict with the interests of the Participating Organisation's Clients.

707.3 Transactions by Employees, Directors and Dealer's Representative

- (1) A Participating Organisation must identify and designate Dealer's Representatives who are specifically permitted to undertake transactions in Securities for all its employees, Directors and Dealer's Representative.
- (2) A designated Dealer's Representative can only execute transactions in Securities for employees, Directors or Dealer's Representatives of a Participating Organisation if approval under Rule 707.2(1)(a) is obtained.
- (3) An employee, Director and Dealer's Representatives of a Participating Organisation can only undertake transactions in Securities through a designated Dealer's Representative appointed by the Participating Organisation under Rule 707.3(1).
- (4) A designated Dealer's Representative is prohibited from executing trades for his own account.

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RULE 708 FINANCING

708.1 Types of Financing Allowed

- (1) A Participating Organisation is prohibited from providing financing other than the following types of financing:-
 - (a) to Clients, for subscription or purchase of securities as stated under Rule 708.1(2); and
 - (b) to Related Corporation as stated in Rule 708.4.
- (2) A Participating Organisation can provide the following types of financing to its Clients for subscription or purchase of securities:
 - (a) margin financing, as provided in Rule 708.2;
 - (b) discretionary financing, as provided in Rule 708.3; and
 - (c) any other type of financing.
- (3) In this Rule 708, 'securities' means:
 - (a) the new issue of Securities of an unlisted company for the purpose of qualifying the company for official listing on the Exchange; and
 - (b) the Securities issued or to be issued by a company that is listed on the Exchange.

708.2 Margin financing

- (1) A Participating Organisation may extend Margin Financing to its Clients for the following purpose –
 - (a) subscription and purchase of securities ;and
 - (b) redemption of all or any Outstanding Balance in Margin Accounts of Clients held with other Participating Organisations or persons or entities approved or licensed to provide financing under any written law in Malaysia and the subsequent transfers of the Margin Accounts to the Participating Organisation.
- (2) A Participating Organisation may extend Margin Financing to its Clients for the purpose stipulated under Rule 708.2(1) for a period of 3 months only, with rollover, if necessary.
- (3) The aggregate Outstanding Balances maintained by all Clients of a Participating Organisation must not exceed 200% of the Effective Shareholders' Funds of the Participating Organisation.
- (4) The amount of Margin Financing that a Participating Organisation may extend to any single Client must not be more than 20% of its Effective Shareholders' Funds.
- (5) For Rule 708.2(4), 708.2(5) and 708.2(6), in computing the total amount of margin financing given to any single Client the term "single Client" is defined as follows –
 - (a) Where such single Client is an individual, any Margin Financing given to the individual, spouse of the individual, the partnership of which he is a partner, any partner of the individual, the spouse of the partner and all the companies or corporations over which the individual exercises control, shall be deemed to be Margin Financing extended to a single Client. For this paragraph (a), an

individual is deemed to exercise “control” over a company or corporation if the individual or the individual’s spouse, severally or jointly –

- (i) holds, directly or indirectly, more than 50% of the shares of the company or corporation;
 - (ii) has the power to appoint, or cause to be appointed, a majority of the directors of the company or corporation; or
 - (iii) has the power to make, or cause to be made, decisions in respect of the business or administration of the company or corporation, and to give effect to such decisions, or cause them to be given effect to.
- (b) Where such single Client is a company or corporation, any Margin Financing extended to the company or corporation, its Related Corporation and its Associated Corporation is deemed to be Margin Financing extended to a single Client.
- (6) A Participating Organisation must not extend Margin Financing to the following persons –
- (a) any of its Directors, employees, or Dealer’s Representatives;
 - (b) any firm or corporation in which any of its Directors, employees or Dealer’s Representatives is a director, partner, manager, guarantor or agent other than as a stockbroking agent;
 - (c) any corporation in which any of its Directors, employees or Dealer’s Representatives holds shares except –
 - (i) where none of its Executive Directors, employees or Dealer’s Representatives holds 5% or more of the issued share capital of that corporation;
 - (ii) any corporation, whether listed or not listed on the Exchange, where no Non-Executive Director of the Participating Organisation holds, directly or indirectly 5% or more of the issued share capital of that corporation;
 - (iii) a corporation not listed on the Exchange, where no Non-Executive Director of a Participating Organisations holds shares in his personal capacity;
 - (d) any individual to whom any of its Directors, employees or Dealer’s Representatives has provided a guarantee;
 - (e) any person who is prohibited under Section 94(2) of the Capital Markets and Services Act; and
 - (f) any other person as may be determined by the Minister with prior written notice given to all the Participating Organisations.

For this Rule 708.6, the term “Director”, “employee” and “Dealer’s Representatives” who are Proprietary Day Traders or Salaried Dealer’s Representatives include the spouse, parent and child thereof.

- (7) A Participating Organisation must value any collateral that a Client may deposit into the Clients Margin account and any securities purchased and carried in the Margin Account in the manner determined by the Exchange.

- (8) A Participating Organisation must enter into a written agreement with its Client for any Margin Financing extended to a Client.
- (9) A Participating Organisation may mortgage, pledge, charge, hypothecate or grant security arrangements over a Client's securities and collateral in the Margin Account with no obligations on the Participating Organisation to retain in its possession or control securities of like character if:
 - (i) the aggregate Mark to Market (as defined in Rule 1301.2) value of the securities and collateral of that Client which are mortgaged, pledged, charged, hypothecated or security arrangements granted is not at any time exceed the Outstanding Balance of that Client's Margin Account; and
 - (ii) the Participating Organisation has entered into an agreement with the Client allowing the Participating Organisation to do so.
- (10) A Participating Organisation may utilise any securities in a Client's Margin Account for Securities Borrowing or Lending as provided in Rule 706.
- (11) A Participating Organisation must ensure that the client has Equity of not less than 150% of the Outstanding Balance in the Margin Account within 3 market days following the contract date of the purchases of securities.
- (12) A Participating Organisation shall immediately request its client to top-up the shortfall so as to bring the equity to not less than 150% of the Outstanding Balance whenever the Equity in a Client's Margin Account falls below 150% of the Outstanding Balance.
- (13) The Participating Organisation shall ensure that the topping-up of the Margin by such Client is effected within 3 market days following the date of written notice given by the Participating Organisation. The Participating Organisation shall not permit any new purchases in the Margin Account unless the resulting Equity in the account would be not less than 150% of the Outstanding Balance.
- (14) A Participating Organisation must not allow the Equity in any Client's Margin Account to fall below 130% of the Outstanding Balance.
- (15) Unless the Participating Organisation has agreed to the Client's request or proposal under Rule 708.2(16), the Participating Organisation must carry out the following if the Equity in a Client's Margin Account falls below 130% of the Outstanding Balance, liquidate the Client's Margin Account, including the Securities purchased and carried in such account, so that the Equity is not less than 150% of the Outstanding Balance.
- (16) A Participating Organisation must not liquidate the Client's Margin Account under Rule 708.2(15) if the Participating Organisation agreed to the following:
 - (a) a request made in writing by the Client not to liquidate his Margin Account; and
 - (b) a proposal made by the Client in writing to settle the Outstanding Balance upon terms and conditions agreed to by the Participating Organisation.

in which case, no further Margin Financing can be extended to that Client.

- (17) A Participating Organisation may impose a higher Equity amount than that prescribed in this Rule 708.2(11) and Rule 708.2(14) if prior written notice is given to the Client.
- (18) A Participating Organisation must not extend credit facilities to a Client beyond the approved limit that is set out in the written agreement between the Participating Organisation and its Client.
- (19) In assessing whether the credit facilities exceed the approved limit, the Participating Organisation must include all charges, rollover fees, interest and other charges

incurred by the Client for which no actual payment has been made by the Client and the charges are debited towards the Outstanding Balance of the Client and financed by the Participating Organisation, until actual payment by the Client.

- (20) For computing the value of Equity in a Margin Account, the securities and other collaterals in such account must be valued based on the valuation determined by the Exchange in Rule 708.2(7). All transactions done on the same day must be combined on a transaction date basis and the total cost of purchase or the net proceeds of sale, including any commission charges, interest expenses and all other related expenses, must be taken into account for computing Margin requirements.
- (21) A Participating Organisation must provide for additional Margin and imposition of haircuts on any collateral and securities purchased and carried in Margin accounts on the occurrence of any of the following –
 - (a) unusually rapid or volatile changes in value of the securities;
 - (b) non-existence of active market for the securities;
 - (c) suspension of the securities from trading on a market. If the suspension is more than 3 Market Days, the haircut must be 100%; or
 - (d) no possibility of immediate liquidation for the securities.
- (22) A Client may only withdraw from his Margin Account cash and any collateral for the time being deposited into his Margin Account provided that the value of the Equity in the said Margin Account does not fall below 150% of the Outstanding Balance.
- (23) Every Participating Organisation must notify the Exchange of the Margin Financing extended to the Clients on a monthly basis in accordance with the format prescribed in the Appendix 3 not later than the 10th day of each month.

708.3 Discretionary Financing

- (1) Notwithstanding Rule 905, a Participating Organisation may allow a buying Client to effect payment of its outstanding purchase position for an On-Market Transaction between the T+3 and the T+7 (“Discretionary Financing”) if :
 - (a) a Participating Organisation has allowed the Client to open and operate a DF Account after evaluating the suitability of the Client to be given Discretionary Financing facility;
 - (b) the Client is a Retail Client (with or without a Margin Account) and excludes a person stipulated under Rule 708.2(6);
 - (c) the terms and conditions for the opening and operation of DF Account are in writing and the consented to by the Client; and
 - (d) the Client has notified the Participating Organisation not later than T+3 that Discretionary Financing is required in relation to the particular On-Market Transaction and the Participating Organisation accepts the utilisation of Discretionary Financing for that transaction.
- (2) If a Participating Organisation does not receive any notification in accordance with Rule 708. 3 (1)(d) the Participating Organisation can deem that the timing for payment of the outstanding purchase position in relation to an On-Market Transaction done on a Contract Date by a DF Account Holder is in accordance with Rule 905.

- (3) A DF Account Holder who utilised the Discretionary Financing must effect settlement of the outstanding purchase position of an On-Market Transaction not later than 12.30 p.m. on T+7.
- (4) If a DF Account Holder fails to effect settlement of an outstanding purchase position in relation to an On-Market Transaction as stated in Rule 708. 3(3), the Participating Organisation must institute a selling out at any time after 12.30 pm on T+7 but not later than T+8 without giving notice to the Client. However a Participating Organisation may still accept payment from the Client at any time prior to a selling-out being carried out.
- (5) A Participating Organisation may permit a DF Account Holder to sell any Securities bought on T, at any time after the time of purchase but prior to 12.30 pm on T+7 . Such sale is deemed to be a sale to close off the purchase position and such close-off is referred to as “contra”. Accordingly all provisions in 905.2 on contra (except provisions relating to the timing for contra) are applicable to the Participating Organisation.
- (6) A Participating Organisation may charge a DF Account Holder a fee for providing Discretionary Financing (“DF Fees”). The rate of DF Fees is on a fully negotiable basis between the Participating Organisation and the DF Account Holder and the Participating Organisation can share DF Fees with the Commissioned Dealer’s Representative.
- (7) A Participating Organisation must ensure that the back office system of the Participating Organisation is capable of identifying all DF Accounts opened and all Discretionary Financing granted to Clients.

708.4 Financing to Related Corporation

- (1) Subject to any restriction or prohibition under any law, a Participating Organisation may extend financing to any related corporation of the Participating Organisation for any purpose if the Participating Organisation has effective implementation of policies and procedures to control and manage risk exposure when carrying out financing activities.
- (2) The Participating Organisation must ensure that the policies and procedures in Rule 708.4(1) must be duly endorsed by the Participating Organisation’s Board of Directors.

[End of Chapter]

CHAPTER 9 DELIVERY AND SETTLEMENT

RULE 901 GENERAL

901.1 Scope

- (1) The provisions in this Chapter are applicable to On-Market Transactions.

RULE 902 DELIVERY OF SECURITIES

902.1 Ready Basis Contracts

- (1) If a Participating Organisation is a seller in a Contract, the Participating Organisation must have the quantity of Securities sold in the Contract as Tradeable Balance in the Securities Account used for the sale which is maintained with the Participating Organisation, not later than the day and time stipulated in Schedule 3.
- (2) If a Participating Organisation is a buyer in a Contract, the Securities in the Contract will be delivered by the Clearing House at the day and time stipulated in Schedule 3 if the Participating Organisation who is the seller in the Contract complies with the requirements of the Clearing House Rules in relation to delivery and settlement of the Contract.
- (3) A Participating Organisation may make partial delivery of Securities but in board lots only. In this case, Participating Organisation's delivery obligation is fulfilled only to the extent of the number of Securities that are actually delivered.

902.2 Securities with Multiple Quotations

- (1) Participating Organisations are not allowed to do cross delivery of Securities for Securities with separate quotations.

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CHAPTER 10 DIRECT BUSINESS TRANSACTIONS

RULE 1001 GENERAL

1001.1 General

- (1) A Direct Business Transaction is permitted on the following conditions:-
- (a) the Direct Business Transaction is reported to the Exchange in accordance with Rule 1002.2;
 - (b) the delivery and settlement of Securities arising from Direct Business Transaction will be by way of book entries in the Securities Account in accordance with the requirements of the Clearing House and based on FDSS as stipulated in Schedule 4;
 - (c) the Direct Business Transaction results in a change of the beneficial owner of the Securities; and
 - (d) the prior approval of the Exchange is obtained for a Direct Business Transaction stated below:
 - (i) involving quantity of less than 50,000 units; and
 - (ii) if at the time of reporting of the Direct Business Transaction pursuant to Rule 1002.2, the price of such transaction triggers the obligations stated in Rules 1002.5(2) and Rule 1003.1(2),

except where such transaction is executed to fulfill an order that cannot be completed through On-Market Transaction or to rectify an On-Market Transaction that has erroneously been executed.

- (2) A Participating Organisation must apply to the Exchange for the prior approval as stated in Rule 1001.1(1)(d) in the following manner:
- (a) at least 3 markets days prior to the reporting of the Direct Business Transaction under Rule 1002.2; and
 - (b) provide the information as stated in Rule 1002.5(2)(a) and the document as stated in Rule 1002.5(2)(b).
- (3) If an approval has been given for the Direct Business Transaction stipulated under Rule 1001.1(1)(d), the Participating Organisation will not be subjected to the requirements in Rule 1002.5(2) except in relation to the retention period of documents as stated in Rule 1002.5(2)(c).
- (4) The computation of VWAP, where VWAP is referred to in this Chapter 9, will not include On-Market Married Transactions.

1001.2 Prohibition

- (1) No Direct Business Transaction can be reported to the Exchange in relation to Securities where a trading halt is imposed pursuant the release of a material announcement by an Issuer under the Listing Requirements ("trading halt") or suspension from trading is imposed pursuant to these Rules or the Listing Requirements ("suspension").

CHAPTER 11 COMMISSION AND OTHER FEES AND CHARGES

RULE 1101 DEFINITIONS

1101.1 Definitions

(1) In this Chapter, unless the context otherwise requires:

Cash Upfront Full payment by the buying Client to the buying Client's Participating Organisation for the purchase of Securities on the same day the Securities are purchased. Full payment 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 on the same day the Securities are purchased.

Contract Value (a) The total value of Securities of the same counter a Client purchases or sells in a Market Day; or
(b) if the Client instructs for the transaction described in paragraph (a) above to be reflected in more than one contract, the value of Securities for each contract.

The value of Securities is determined with reference to the price at which the Securities were purchased or sold.

Intraday Trade The buying and subsequent selling (whether or not of the entire amount bought) of Securities of the same counter within the same Market Day.

Minimum Fixed Commission The following minimum fixed commission:

- (a) for trade other than Retail Trade
 - (i) on transactions in loan instruments RM2.00;
 - (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 (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 (a) above, whichever is higher;
 - (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 (a) above, whichever is higher.

Online Routed Trade	Trade arising from an order routed by a Client to the Participating Organisation through electronic order routing system for submission into ATS and includes an order routed through Direct Market Access.
Retail Trade	<p>Trades or transactions other than trades or transactions by or on behalf of:</p> <ul style="list-style-type: none">(a) life insurance companies;(b) general insurance companies;(c) superannuation or employees provident funds;(d) banks, including merchant banks and co-operative banks established or licensed to operate in Malaysia under the laws of Malaysia or elsewhere under the laws of the jurisdiction concerned;(e) a wholly-owned subsidiary of the institutions under paragraph (d) above;(f) finance companies;(g) asset management companies and unit trust management companies;(h) trust companies or institutions;(i) co-operatives established under statute;(j) central, state or local government-owned or linked funds;(k) members or member companies of recognised stock exchanges;(l) securities dealers who are not members of such recognised stock exchanges but who are authorised to carry out the business of dealing in securities by the relevant authorities in jurisdictions of the recognised stock exchange; and(m) any other institutions or types of as determined from time to time by the Committee.

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RULE 1102 COMMISSION

1102.1 Rates

- (1) A Participating Organisation must charge the Participating Organisation's Client, commission for every buy and sell trade executed for the Client, at the rate set out in Schedule 7.
- (2) If a Participating Organisation acts for both the seller and the buyer in a transaction, the Participating Organisation must charge both the seller and the buyer commission at the rate set out in Schedule 7.
- (3) A Participating Organisation and a Dealer's Representative must not:
 - (a) share any commission the Participating Organisation or Dealer's Representative receives in connection with a trade executed for a Client with any person except as provided in Rule 310.6(3); and
 - (b) give any rebate on the commission that results in the Client paying less than the minimum commission set out in Schedule 7.
- (4) A Participating Organisation must charge commission on trades executed for Clients in the Recognised Stock Exchanges at the rates stated in Schedule 7 or the rates applied by the Recognised Stock Exchanges whichever is higher.

1102.2 Net contracts prohibited

- (1) A Participating Organisation must not set off a Client's buy Contract against the same Client's sell Contract or vice versa for the purpose of calculating the Contract Value set out in Schedule 7.

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RULE 1103 OTHER FEES AND CHARGES

1103.1 Levy by Commission

- (1) In this Rule 1103, a "Transaction" means a purchase or sale of:
 - (a) Securities recorded on the Exchange; or
 - (b) Securities notified to the Exchange in accordance with these Rules.
- (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 8.

1103.2 Clearing fees

- (1) A Participating Organisation must pay to the Clearing House, clearing fees as the Clearing House determines.

[End of Chapter]

1001.3 Delivery and settlement

- (1) Notwithstanding any provisions in the Clearing House Rules, a Participating Organisation must ensure that a Direct Business Transaction reported under Rule 1002.2 is delivered and settled in full based on the day and time stipulated in this Rule 1001.3.
- (2) If a Participating Organisation is a seller in a Direct Business Transaction, the Participating Organisation must deliver the Securities in full by having the quantity of Securities sold in the Direct Business Transaction as Tradeable Balance in the Securities Account of the seller not later than the day and time stipulated in Schedule 4.
- (3) If a Participating Organisation is a buyer in a Direct Business Transaction, the Securities in the Direct Business Transaction will be delivered to the buyer's Securities Account by the Clearing House at the day and time stipulated in Schedule 4, if both the selling and the buying Participating Organisation complies with the requirements in the Clearing House Rules on delivery and settlement of Direct Business Transactions.
- (4) If a Participating Organisation is a seller in a Direct Business Transaction, the Participating Organisation must settle the payment received for the Direct Business Transaction to the selling Client by the day and time stipulated in Schedule 4.
- (5) If a Participating Organisation is a buyer in a Direct Business Transaction, the Participating Organisation must receive the payment in full from the buying Client by the day and time stipulated in Schedule 4, if Securities is delivered in accordance with Rule 1001.3(2).
- (6) A PO's obligation to deliver and settle in full as stipulated in Rule 1001.3(2) and Rule 1001.3(5) is not waived even if the Clearing House clears and settles a Direct Business Transaction partially.

1001.4 Selling Out

- (1) If a buying Client fails to pay a Participating Organisation in accordance with Rule 1001.3, the Participating Organisation must institute a selling-out within the day and time stipulated in Schedule 4 against the Client.
- (2) A Participating Organisation may still accept payment from a Client who failed to pay for the Client's purchases at any time prior to a selling-out being carried out.

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RULE 1002 MODE OF DIRECT BUSINESS TRANSACTIONS

1002.1 Conduct of Direct Business Transactions

- (1) A Participating Organisation is deemed to act as a principal in respect of a Direct Business Transaction reported to the Exchange and the Exchange does not recognise the interest of any third party.

1002.2 Reporting of Direct Business Transactions

- (1) A Participating Organisation must report a Direct Business Transaction to the Exchange as set out below:-
 - (a) enter the details of the Direct Business Transaction as required by the Exchange into the ATS;
 - (b) the buying and selling Participating Organisations must enter the exact details of the Direct Business Transaction into the ATS;
 - (c) the reporting of a Direct Business Transaction to the Exchange will not be accepted if one Participating Organisation fails to enter the corresponding information of the Direct Business Transaction;
 - (d) the reporting of a Direct Business Transaction to the Exchange is confirmed on the ATS immediately after the second Participating Organisation enters the corresponding information of the Direct Business Transaction into the ATS; and
 - (e) the reporting of a Direct Business Transaction to the Exchange will be confirmed on the ATS as soon as the second Participating Organisation enters the corresponding information of the Direct Business Transaction into the ATS within the time frame stipulated by the Exchange.

1002.3 Accuracy of reports

- (1) A Participating Organisation is responsible for the accuracy and correctness of all information on Direct Business Transactions reported to the Exchange.

1002.4 Trading days, trading session and trading hours

- (1) The reporting of all Direct Business Transactions by a Participating Organisation to the Exchange is from 8.30 a.m. to 5.15 p.m. every day from Monday to Friday, except on any day that has been gazetted as a public holiday and other day on which the stock market of the Exchange is officially closed by the Exchange.

1002.5 Price of Securities

- (1) Direct Business Transactions can be transacted at any price as agreed between parties.
- (2) If the price of a Direct Business Transaction reported to the Exchange falls within the price stipulated in Schedule 5, a Participating Organisation must comply with the following:

- (a) submit the following information to the Exchange in writing by 12.30 pm on the next Market Day after Direct Business Transaction was reported to the Exchange:
 - (i) the details of the buyer and seller;
 - (ii) the number of Securities involved and the price;
 - (iii) the basis on which the price of the Direct Business Transaction was agreed; and
 - (iv) the reason for the Direct Business Transaction.

- (b) ensure that the Client executes the declaration in the format provided in Appendix 6; and

- (c) maintain the following documents for at least 5 years:
 - (i) the declaration executed by the Client in the format prescribed in Appendix 6;
 - (ii) the written agreement evidencing the Direct Business Transaction; and
 - (iii) any other relevant documents in relation to the information referred to in Rule 1002.5(2)(a).

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RULE 1003 THE FIRST DAY OF TRADING OF SECURITIES UPLIFTED FROM TRADING HALT OR SUSPENSION, LISTED AND QUOTED AND TRADING EX-ENTITLEMENT OR AFTER A CORPORATE ACTION

1003.1 Reporting of Direct Business Transaction

- (1) No Direct Business Transaction can be reported under Rule 1002.2 during the first hour of the first trading session of the following Securities:
 - (a) Securities on the first day upon upliftment of the Securities from trading halt or suspension;
 - (b) Securities on the first day of listing and quotation of the Securities on the Exchange; and
 - (c) Securities on the first day of trading the Securities on ex-entitlement basis or after a corporate action.
- (2) The Participating Organisation must comply with the obligations in Rule 1002.5(2) for a Direct Business Transaction transacted on the Securities mentioned in Rule 1003.1(1) if the Direct Business Transaction was transacted at the price stipulated in Schedule 6.
- (3) In relation to Direct Business Transactions involving Securities which are imposed with a trading halt, reporting under Rule 1002.2 and the VWAP to be used to discharge the obligations mentioned in Rule 1003.1(2) are set in the table below:

	Time of Release of Material Announcement	Trading Halt Period	When Direct Business Transactions can be reported under Rule 1002.2	VWAP to be used to discharge the obligations under Rule 1003.1(2)
(1)	Before the commencement of trading at 9.00am	9.00am to 10.00am	After 11.00am	VWAP of On-Market Trading ("OMT") session from 10.00am to 11.00am
(2)	9.00am until 10.30am	1 hour from the time the material announcement is released	1 hour after OMT session commences	VWAP of 1 hour of OMT Session

(3)	10.31am until 11.00am	1 hour from the time the material announcement is released	}	}
(4)	11.01 a.m. and before 12.30 pm	From the time the material announcement is released until 12.30 pm		
(5)	12.30pm until 1.30pm	No trading halt will be Imposed		
(6)	1.31pm until 2.30pm	2.30pm to 3.30pm	After 4.30pm	VWAP of OMT session from 3.30pm to 4.30pm
(7)	2.31pm until 3.00pm	1 hour from the time the material announcement is released	1 hour after OMT session commences	VWAP of 1 hour of OMT Session
(8)	3.01pm until 3.30pm	1 hour from the time the material announcement is released	}	}
(9)	3.31pm and before 5.00pm	From the time the material announcement is released until 5.00pm		

- (4) The Participating Organisation must ensure that it complies with the obligations in Rule 1002.5(2) for a Direct Business Transaction involving the Securities mentioned in Rule 1003.1(3), in the following circumstances:
- (a) if the price at which the Direct Business Transaction is transacted is either more than 15% or less than 15% of the VWAP referred to in Rule 1003.1(3) (“OMT VWAP”); or

- (b) if the price at which the Direct Business Transaction is transacted is either more than 15% or less than 15% of the Reference Price, where there is no OMT VWAP.

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RULE 1004 AMENDMENTS AND CANCELLATION OF DIRECT BUSINESS TRANSACTIONS

1004.1 Amendments and cancellation

- (1) A Direct Business Transaction that is reported to the Exchange in accordance with Rule 1002.2(1) is a firm contract and cannot be cancelled.
- (2) A Participating Organisation may only amend details of a Direct Business Transaction reported to the Exchange in accordance with Rule 1002.2(1) provided that:
 - (a) the amendment is arising from a keying-in error by a Participating Organisation; and
 - (b) the amendment is effected not later than 5.15 p.m. on the day the Direct Business Transaction is reported.
- (3) Participating Organisations must submit a report of the amendments effected under Rule 1004 (2) to the Exchange before the commencement of trading on the next Market Day.

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RULE 1005 FAILURE TO DELIVER OR TO MAKE PAYMENT FOR A DIRECT BUSINESS TRANSACTION

1005.1 Action by the Exchange

- (1) Even if the Clearing House allows for partial delivery and settlement of a Direct Business Transaction, this does not prejudice the rights of the Exchange to take action against the selling Participating Organisation for any failure to deliver Securities in full in accordance with Rule 1001.3(2).
- (2) The Exchange may take action against the buying Participating Organisation for any failure to settle the amount due for a Direct Business Transaction in accordance with the Clearing House Rules.

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RULE 1006

SECURITIES COMMISSION LEVY

1006.1 Claim

- (1) Participating Organisations must pay to, or claim from, the Securities Commission the difference on the levy imposed by the Securities Commission arising from the failure of a buying or selling Participating Organisation in accordance with Rule 1005.

[End of Chapter]

RULE 903 FAILED CONTRACTS OF BOARD LOTS

903.1 Automatic Buying-In

- (1) If a Participating Organisation fails to deliver Securities traded in board lots in accordance with Rule 902.1(1), the Exchange will commence buying-in against the Participating Organisation without any notice given, at the date and time stipulated in Schedule 3 as instructed by the Clearing House. The Exchange will conduct the buying-in in accordance with the procedures set in Rule 903.2 and the bidding price for such buying-in will be as instructed by the Clearing House.
- (2) For the avoidance of doubt, if buying-in is carried out, the buyer in the failed Contract is not prohibited from selling the Securities and any person who further buys the same Securities is also not prohibited from selling the Securities, subject to Rule 903.3(1) and Rule 904.1.
- (3) The Exchange may only withdraw or suspend any buying-in if instructed by the Clearing House.
- (4) Where buying-in is withdrawn based on Rule 903.1(3), the settlement obligations of the defaulting Participating Organisation will be as stated in the Clearing House Rules.

903.2 Buying-In Procedures

- (1) The Exchange will publish the name, quantity and bidding price of the Securities for buying-in in the ATS half an hour before the commencement of the buying-in on a Market Day.
- (2) The Exchange will conduct buying-in through ATS based on the period determined by the Clearing House and if the buying-in is not executed or executed fully during that period, the buying-in may be continued on the following Market Days as instructed by the Clearing House.
- (3) A Participating Organisation can only enter an order to sell to the buying-in if the relevant Securities appear as "free" in the Securities Account of the seller.
- (4) The Exchange will match orders entered into the ATS to sell to the buying-in on a "first come first served" basis. If the balance of the Securities appear as "free" in the Securities Accounts of the seller differs from the quantity in the sell order, the matching for such orders for buying-in is for the lesser of those two quantities.
- (5) The Exchange may proceed with buying-in even if a trading suspension is imposed on Securities of a listed Issuer pursuant to these Rules or Listing Requirements.
- (6) A selling Participating Organisation in a buying-in contract must make payment received from the Clearing House pursuant to the buying-in, to the selling Client in the buying-in contract not later than 12.30 p.m on the next Market Day following the date of the buying-in contract.
- (7) The Securities obtained pursuant to a buying-in will be delivered to the following Securities Account on the date of the buying-in itself:
 - (a) the buyer in the failed Contract; or
 - (b) if the buyer in the failed Contract has sold the Securities, to the ultimate buyer of the Securities.
- (8) Securities sold by a seller to any buying-in between the period the Securities were traded on "ex entitlement" basis up to the Lodgement Date (inclusive) will be on a "cum entitlement" basis.
- (9) A defaulting Participating Organisation against whom buying-in is carried out must not charge brokerage for the buying-in against the selling Client in the failed Contract.

- (10) The selling client in the failed Contract must make payment to the defaulting Participating Organisation against whom buying-in is carried out not later than 12.30 pm on the next Market Day following the date of the buying-in contract.
- (11) The Clearing House may charge a levy on the defaulting Participating Organisation against whom a buying-in is carried out. If such levy is charged, the defaulting Participating Organisation may recover such levy paid from the seller of the failed Contract.

903.3 Cash Settlement

- (1) If buying-in is not successful by T+8, the buying-in will be withdrawn if instructed by the Clearing House. The Contract will then be settled by payment of cash for the quantity not done through the buying-in, in accordance with the Clearing House Rules, to the person below based on the cash settlement amount determined by the Clearing House:
 - (a) the buyer in the failed Contract; or
 - (b) if the buyer in the failed Contract has further sold the Securities subsequent to the purchase, the ultimate buyer of the Securities.
- (2) In order to facilitate the settlement of cash to the buyer as stipulated in Rule 903. 3(1), the buying Participating Organisation may be directed by the Clearing House not to further sell the Securities and the Participating Organisation must ensure that it gives effect to such direction.

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RULE 904 FAILED CONTRACTS OF ODD LOTS

904.1 Cash settlement

- (1) If a Participating Organisation fails to deliver Securities traded in odd lots in accordance with the Clearing House Rules, the Contract will be settled by payment of cash to the person below based on the cash settlement amount determined by the Clearing House:-
 - (a) the buyer in the failed Contract; or
 - (b) if the buyer in the failed Contract has further sold the Securities subsequent to the purchase, the ultimate buyer of the Securities.
- (2) In order to facilitate the settlement of cash to the buyers as stipulated in Rule 904.1(1) the buying Participating Organisation may be directed by the Clearing House to not further sell the Securities and the Participating Organisation must ensure that it gives effect to such direction.

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RULE 905 SETTLEMENT OF PAYMENT

905.1 Settlement between a Participating Organisation and Client

- (1) If a Participating Organisation is a seller in a Contract, the Participating Organisation must settle the payment received for the Contract to the selling Client by the day and time stipulated in Schedule 3.
- (2) If a Participating Organisation is a buyer in a Contract, the Participating Organisation must receive the payment from the buying Client by the day and time stipulated in Schedule 3 notwithstanding that the seller may not have delivered the Securities in accordance with Rule 902.1(1).
- (3) Notwithstanding Rule 905.1(2), a buying Client may sell Securities for which he has not paid at any time before 12.30 p.m. on the 3rd market day following the Contract Date (T+3) and such sale is deemed to be a sale to close-off the buying Client's purchase position in respect of that Securities and such close-off is referred to as "contra".

905.2 Contra

- (1) A Participating Organisation may permit a Client to "contra" provided the following are complied with:
 - (a) a Participating Organisation must have guidelines for "contra" transaction:
 - (b) a Participating Organisation must notify the Clients of the guidelines prior to doing "contra";
 - (c) in allowing for a Client to contra, a Participating Organisation must take into account of the Client's financial ability to pay for losses (if any) arising from the contra;
 - (d) contra may only be effected not later than the time and date stipulated under Rule 905.1(3); and
 - (e) sales of Securities made pursuant to a selling out under Rule 906 is not considered a "contra".
- (2) Participating Organisations may impose charges on the Clients for "contra"
- (3) Any difference resulting from a "contra" must be settled between the Participating Organisation and the Client not later than the 5th market day following the date of such "contra".

905.3 Set-off

- (1) Other than a "contra" as provided under Rule 905.2, a selling Participating Organisation must not set-off the payment due to selling Clients arising from a sale of Contract against the Clients' outstanding purchase position, whether due for payment or not, unless the Clients have agreed in writing with the Participating Organisation to allow for such set-off to be carried out.

RULE 906 SELLING-OUT

906.1 Default in payment

- (1) A Participating Organisation must institute a selling-out within the day and time stipulated in Schedule 3 against a Client who fails to pay for the Client's purchases by the time stipulated in Schedule 3.
- (2) A Participating Organisation may still accept payment from a Client who failed to pay for the Client's purchases at any time prior to a selling-out being carried out.

906.2 Notice not required

- (1) A Participating Organisation need not give prior notice of a selling-out to the defaulting Clients.

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RULE 907 CLAIMS AND ENTITLEMENTS ARISING OUT OF FAILURE TO DELIVER

907.1 Securities transacted on “Cum Entitlements” basis

- (1) If -
- (a) Securities are bought "cum entitlements" by a buyer;
 - (b) there are insufficient or no Tradeable Balance of such Securities in the seller's Securities Account by such time and day stipulated in Rule 902.1(1); and
 - (c) as a result of which, the buyer is not registered in the Record of Depositors as at Lodgement Date,

the buying Participating Organisation may claim on the entitlements will be in accordance with the Clearing House Rules.

- (2) A buying Participating Organisation must inform the buying Client of the claims on the entitlements that are allowed by the Clearing House and the procedures for the claims.
- (3) A buying Participating Organisation must submit any claims requested by the Client within the time frame stipulated by the Clearing House.

907.2 Securities transacted on “Ex Entitlement” basis

- (1) If a buying Participating Organisation who transacted on “ex entitlement” basis obtains the entitlement, the Clearing House will undertake appropriate actions to reinstate the entitlements to the seller who sold the Securities on “ex entitlement” basis.
- (2) A selling Participating Organisation must inform the selling Client of the claims on the entitlements that are allowed by the Clearing House and the procedures for the claims.
- (3) A selling Participating Organisation must submit any claims requested by the Client within the time frame stipulated by the Clearing House.

907.3 Sale of rights

- (1) The claims on rights will be made in accordance with the Clearing House Rules if:
- (a) the rights are bought by a buyer;
 - (b) there are insufficient or no Tradeable Balance of such rights in the seller's Securities Account by such time and day stipulated in Rule 902.1(1);
 - (c) as a result of which the buyer is not registered in the Register of Depositors as at Lodgement Date; and
 - (d) the rights have expired.
- (2) A buying Participating Organisation must inform the buying Client of the claims on the rights that are allowed by the Clearing House and the procedures for the claims.
- (3) A buying Participating Organisation must submit any claims requested by the Client within the time frame stipulated by the Clearing House.

[End of Chapter]

**CHAPTER 12 ACCOUNTING, AUDIT AND FINANCIAL REPORTING
REQUIREMENTS**

RULE 1201 ACCOUNTS AND FINANCIAL REPORTING

1201.1 Accounts

- (1) A Participating Organisation must keep up-to-date accounting and other books and records. The accounting and other books and records must:
- (a) comply with the Exchange's requirements; and
 - (b) be kept for a period of not less than 7 years from the date the records are first prepared.

1201.2 Financial reporting statements

- (1) A Participating Organisation must submit to the Exchange all financial reporting statements the Exchange specifies within the period specified. The financial reporting statements must comply with the Exchange's requirements

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RULE 1202 STATUTORY AUDIT

1202.1 Annual statutory audit and Annual Report

- (1) A Participating Organisation must have an auditor to audit accounts relating to the Participating Organisation's business for each financial year in accordance with the Companies Act and Capital Markets and Services Act ("Statutory Auditor").
- (2) A Participating Organisation must submit to the Exchange the accounts audited by the Statutory Auditor as stipulated in Rule 1202.1(1) ("Annual Statutory Audit Report") and an Annual Report within 3 months after the close of the financial year. The Annual Statutory Audit Report and Annual Report must comply with the Exchange's requirements.
- (3) The Annual Statutory Audit Report must contain the Statutory Auditor's opinion on whether the Participating Organisation has complied with the relevant requirements in these Rules and laws on the Participating Organisation's financial position and treatment of Client's assets.
- (4) A Participating Organisation must, within 2 months from commencing business as a Participating Organisation, inform the Exchange in writing of:
 - (a) the date of the Participating Organisation's financial year end; and
 - (b) the name of the Statutory Auditor who will furnish the Annual Report.
- (5) A Participating Organisation must inform the Exchange in writing of any change to the financial year end or the Statutory Auditor of the Participating Organisation.

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RULE 1203 SUSPENSION OF INTEREST AND PROVISIONS FOR BAD AND DOUBTFUL DEBTS

1203.1 Directives

- (1) A Participating Organisation must comply with the Exchange's Directives which sets out the minimum requirements on:
 - (a) the treatment of interest charged by the Participating Organisation to a Client; and
 - (b) the impairment provisions for bad and doubtful debts irrespective of whether such debts have been assigned.

1203.2 Duty to disclose

- (1) A Participating Organisation must ensure that the relevant information on suspension of interest and provision for bad and doubtful debts are disclosed in the Participating Organisation's audited financial statements.

[End Of Chapter]

CHAPTER 13 CAPITAL REQUIREMENTS

RULE 1301 GENERAL

1301.1 Investment Banks

- (1) An Investment Bank must comply with the capital adequacy requirements the Central Bank stipulates. The Central Bank’s capital adequacy requirements will form part of these Rules. In relation to the capital requirements stipulated in Chapter 13, only Rules 1302.1 and 1303.2 are applicable to an Investment Bank.

1301.2 Definitions

- (1) The following terms have the following meanings in this Chapter unless the context requires otherwise.

Term	Meaning
Capital Adequacy Ratio	<p>The ratio linking the Participating Organisation’s Liquid Capital to total risks faced, calculated as follows:</p> $\frac{\text{Liquid Capital}}{\text{Total Risk Requirement}}$
Core Capital	The level of financial resources or capital maintained in a readily realisable form to meet the Participating Organisation’s Operational Risk Requirement, calculated in accordance with the Directives issued by the Exchange.
Counterparty	A person or Client with or for whom a Participating Organisation carries on, or intends to carry on, any Dealings in Securities.
Counterparty Risk	The risk of a Counterparty defaulting on the Counterparty’s financial obligation to a Participating Organisation.
Counterparty Risk Requirement or CRR	The amount necessary to accommodate a given level of the Participating Organisation’s Counterparty Risk, calculated in the manner the Exchange determines.
Debt	Borrowed funds that must be repaid by the borrower to the lender.
Debt Securities	Securities listed or unlisted of which the underlying asset comprises of debt and includes FI Securities.
Derivatives	Derivatives products traded either on an Exchange or OTC.
DF Account	Same meaning as in the Exchange’s Directives on provision of discretionary financing by a Participating Organisation to the Participating Organisation’s Clients.
Effective Shareholders’ Funds	The Participating Organisation’s last audited shareholders’ funds less unaudited losses.
Exchange Traded	An instrument evidencing rights, futures or Options, Debt

Derivative	Securities or securities which are Exchange Traded where the value of the instrument is dependent on the sum of its underlying investment.
Equity Securities	Securities other than Debt Securities.
Exchange Traded	Traded or listed on a Recognised Stock Exchange.
FI Securities	Fixed income securities including Malaysian Government Securities, Malaysian Treasury Bills, Government Investment Issues, Cagamas Instruments, commercial papers, medium term notes and private debt securities but excludes Debt Securities that are listed on the Exchange.
Hybrid Securities	A combination of conventional securities and embedded derivatives that may consist of virtually any combination of 2 or more financial instruments building blocks. For example, a combination of bond or note, swap, forward or future, or Option.
Large Exposure Risk	The risks a Participating Organisation is exposed to from a proportionally large exposure to: <ul style="list-style-type: none"> (a) a particular Client or Counterparty; (b) a single Issuer of Debt Securities; (c) a single equity.
Large Exposure Risk Requirement	The amount necessary to accommodate a given level of the Participating Organisation's Large Exposure Risk, calculated in the manner the Exchange determines.
Liquid Capital	The Participating Organisation's financial resources or liquid capital maintained in a readily realisable form to meet the Participating Organisation's Total Risk Requirement, calculated in the manner the Exchange determines.
Liquid Margin	The amount in excess of a Participating Organisation's Liquid Capital after deducting the Total Risk Requirement.
Margin Financing On-Pledged Risk	The risks a Participating Organisation is exposed to from Onward Pledged MFF Collateral.
Margin Securities	Same meaning as in Rule 706.8.
Mark to Market	In relation to securities, to value the securities based on the closing price of the securities on a Market Day.
Minimum Operational Risk Requirement	The absolute minimum amount necessary to accommodate the Operational Risk of a Participating Organisation set out in Rule 1305.3.
Onward Lent Margin Securities	Margin Securities that a Participating Organisation onward lends to a third party under Securities Borrowing and Lending.
Onward Pledged MFF Collateral	Securities the Participating Organisation holds as collateral under a Margin Financing Facility that the Participating Organisation onward pledges to a third party as security for a Debt the Participating Organisation owes to the third party.
Operational Risk	The risks a Participating Organisation is exposed to from inadequate management of operational risk and includes risk of

	fraud, operational or settlement failure and shortage of liquid resources.
Operational Risk Requirement	The amount necessary to accommodate a given level of the Participating Organisation's Operational Risk set out in Rule 1305.2(1).
Position Risk	The risks a Participating Organisation is exposed to from securities held by the Participating Organisation as principal and includes Margin Financing On-Pledged Risk.
Position Risk Requirement or PRR	The amount necessary to accommodate a given level of the Participating Organisation's Position Risk, calculated in the manner the Exchange determines.
Related or Associated Person	In relation to a Participating Organisation: <ul style="list-style-type: none">(a) the Participating Organisation's Related Corporations;(b) the Participating Organisation's Associated Corporations; and(c) a director of the Participating Organisation or person considered connected with the director under Section 122A of the Companies Act.
Risk Weighted Capital Ratio	Same meaning as in the guidelines on Investment Banks issued by the Central Bank and Commission.
Securities Borrowing and Lending	Same meaning as in Rule 706.1(1).
Securities Borrowed or Securities Lent	Any securities borrowed or securities lent under Securities Borrowing and Lending. If the securities borrowed or securities lent 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, Securities Borrowed or Securities Lent means: <ul style="list-style-type: none">(a) in the case of a subdivision or consolidation, the securities into which the Securities Borrowed or Securities Lent have been subdivided or consolidated;(b) in the case of a bonus issue, the Securities Borrowed or Securities Lent (as applicable) together with the securities allotted by way of the bonus issue; and(c) in the case of any event similar to any of the events mentioned, the Securities Borrowed or Securities Lent, 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 Borrowed or Securities Lent resulting from such event.
Total Risk Requirement	The sum of the Participating Organisation's: <ul style="list-style-type: none">(a) Operational Risk Requirement;(b) Position Risk Requirement(c) Counterparty Risk Requirement;

- (d) Large Exposure Risk Requirement; and
- (e) Underwriting Risk Requirement.

Underwriting Risk

The risks a Participating Organisation is exposed to from the Participating Organisation's contingent binding commitment to acquire securities at a certain price and time.

Underwriting Risk
Requirement or URR

The amount necessary to accommodate a given level of the Participating Organisation's Underwriting Risk, calculated in the manner the Exchange determines.

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RULE 1302 CAPITAL REQUIREMENTS

1302.1 Minimum paid-up capital and minimum shareholders' funds unimpaired by losses

- (1) The minimum paid-up capital and minimum shareholders' funds unimpaired by losses that must be maintained by:
- (a) an Investment Bank is as the Central Bank stipulates;
 - (b) a Universal Broker is RM100 million; and
 - (c) any other Participating Organisation is RM20 million.

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RULE 1303 CAPITAL ADEQUACY REQUIREMENTS

1303.1 Obligations of a Participating Organisation

- (1) A Participating Organisation must ensure that:
 - (a) the Participating Organisation's Capital Adequacy Ratio is at all times more than 1.2; and
 - (b) the Participating Organisation's Core Capital is at all times more than the Participating Organisation's Operational Risk Requirement.
- (2) If a Participating Organisation's Capital Adequacy Ratio is equal to or less than 1.2 or a Participating Organisation's Core Capital is equal to or less than the Participating Organisation's Operational Risk Requirement, the Participating Organisation must undertake the following actions:
 - (a) immediately inform the Exchange;
 - (b) immediately devise and take corrective measures to increase the Participating Organisation's Capital Adequacy Ratio to more than 1.2;
 - (c) as soon as reasonably practicable or immediately upon the Exchange's request, inform the Exchange of the corrective measures intended to be taken or that have been taken; and
 - (d) inform the Exchange immediately after all corrective measures have been taken.
- (3) A Participating Organisation must:
 - (a) calculate and monitor the Participating Organisation's Capital Adequacy Ratio on a daily basis; and
 - (b) submit to the Exchange the relevant information and records relating to the Participating Organisation's Capital Adequacy Ratio in accordance with the requirements of the Exchange.
- (4) A Participating Organisation must submit to the Exchange a return on the Participating Organisation's Liquid Capital, Total Risk Requirement, Liquid Margin and Capital Adequacy Ratio in the form the Exchange requires.

1303.2 Obligations of an Investment Bank

- (1) An Investment Bank must:
 - (a) ensure that the Investment Bank maintains the minimum level of Risk Weighted Capital Ratio the Central Bank stipulates; and
 - (b) calculate and monitor the Investment Bank's Risk Weighted Capital Ratio on a daily basis.
- (2) An Investment Bank with a Risk Weighted Capital Ratio at the minimum level or less than what is required by the Central Bank must:
 - (a) immediately inform the Exchange;
 - (b) immediately devise and take corrective measures to increase the Investment Bank's Risk Weighted Capital Ratio to above the minimum level;

- (c) as soon as reasonably practicable or immediately upon the Exchange’s request inform the Exchange of the corrective measures intended to be taken or that have been taken; and
- (d) inform the Exchange immediately after all corrective measures have been taken.

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RULE 1304 LIQUID CAPITAL

1304.1 General principle

- (1) A Participating Organisation must, in calculating the Participating Organisation's Liquid Capital, deduct all fixed or non-liquid assets. In this Rule:
 - (a) "liquid assets" means securities or other current assets that have a ready market, or that are capable of realisation within 30 days;
 - (b) in relation to an asset, "ready market" means a market where the asset can be realised without materially and adversely affecting that asset's value.

1304.2 Computation of Liquid Capital

- (1) A Participating Organisation must calculate the Participating Organisation's Liquid Capital in the manner the Exchange determines.

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RULE 1305 OPERATIONAL RISK

1305.1 General principle

- (1) A Participating Organisation must ensure that the Participating Organisation's Operational Risk Requirement is less than the Participating Organisation's Core Capital.

1305.2 Computation of Operational Risk Requirement

- (1) A Participating Organisation's Operational Risk Requirement must be the greater of:
 - (a) the applicable Minimum Operational Risk Requirement; or
 - (b) 25% of the Participating Organisation's annual expenditure requirement based on the last auditor's report lodged with the Exchange for the preceding 12 months.
- (2) The Exchange may require a Participating Organisation to increase the Participating Organisation's Operational Risk Requirement if the Exchange is not satisfied that the internal controls of the Participating Organisation are adequate.

1305.3 Minimum Operational Risk Requirement

- (1) A Universal Broker must maintain a Minimum Operational Risk Requirement of RM10 million.
- (2) A Non-Universal Broker must maintain a Minimum Operational Risk Requirement of RM5 million.

1305.4 Annual Expenditure Requirement

- (1) A Participating Organisation must calculate the Participating Organisation's annual expenditure requirement in the manner the Exchange determines.

1305.5 Adjustment

- (1) The Exchange may require a Participating Organisation to adjust the Participating Organisation's annual expenditure requirement if:
 - (a) there has been a significant change in the circumstances or activities of the Participating Organisation; or
 - (b) a material proportion of an expenditure was incurred or accrued by third parties where such expenditure is known by the Participating Organisation but was not fully charged to the Participating Organisation.

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RULE 1306 POSITION RISK

1306.1 General Principle

- (1) A Participating Organisation must calculate the Participating Organisation's Position Risk Requirement for the securities listed below.
 - (a) All securities held by the Participating Organisation as principal, including those held pursuant to the Participating Organisation's intra-day activities;
 - (b) All Securities Borrowed or Securities Lent for the Participating Organisation as principal;
 - (c) All securities other than Margin Securities held by the Participating Organisation that have been onward lent by the Participating Organisation as principal for the purpose of Securities Borrowing and Lending;
 - (d) All Onward Pledged MFF Collateral; and
 - (e) All Onward Lent Margin Securities.

1306.2 Position Risk Requirement for equity and Exchange Traded Derivatives instruments

- (1) A Participating Organisation must calculate the Position Risk Requirement for the Participating Organisation's equity and Exchange Traded Derivative positions in the manner the Exchange determines.

1306.3 Position Risk Requirement for Debt Securities

- (1) A Participating Organisation must calculate the Position Risk Requirement for Debt Securities in the manner the Exchange determines.

1306.4 Position Risk Requirement for other instruments

- (1) A Participating Organisation intending to take a position in an instrument for which no treatment is specified under this Chapter must, at least 15 Market Days before the implementation or effective date of the instrument, seek the Exchange's direction on the calculation to applicable to the instrument.
- (2) A Participating Organisation must, for that instrument, apply a Position Risk Requirement of 100% of the Mark to Market value of the instrument until the Exchange determines the appropriate calculation.

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RULE 1307 COUNTERPARTY RISK

1307.1 General Principle

- (1) A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement for all Counterparty exposures arising from:
 - (a) unsettled agency (including those under DF Accounts);
 - (b) Debt, contra losses and other amounts due;
 - (c) free deliveries;
 - (d) Securities Borrowing and Lending transactions;
 - (e) derivatives transactions;
 - (f) sub-underwriting arrangements;
 - (g) Margin Financing Facilities; and
 - (h) other exposures the Exchange determines.

1307.2 Computation of Counterparty Risk Requirement

- (1) A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement in the manner the Exchange determines.

1307.3 Exceptional instruments

- (1) If a Participating Organisation:
 - (a) cannot classify an item or product under any of the items in Rule 1307.1(1) or it is in doubt as to the classification of an item specified in the said Rule 1307.1(1); or
 - (b) is of the opinion that the item or product is not of a standard form,

the Participating Organisation must, at least 15 Market Days before the implementation or effective date of the item or product, seek the Exchange's direction on the calculation applicable to the item or product.
- (2) A Participating Organisation must, for that item or product, apply a Counterparty Risk Requirement of 100% of the Mark to Market value of the item or product net of any collateral held.
- (3) The Participating Organisation must ensure that the collateral the Participating Organisation holds satisfies the conditions in Directive 1303-001, the Exchange specifies and deduct the applicable discounts the Exchange stipulates.

1307.4 Collateral

- (1) A Participating Organisation may use collateral or security including collateral placed by the Participating Organisation's Commissioned Dealer's Representative to reduce the Participating Organisation's Counterparty exposure in the manner the Exchange determines.
- (2) A Participating Organisation must discount the value of collateral held in the following forms in the manner the Exchange determines:

- (a) in a form other than a Ringgit cash deposit; and
 - (b) in a form of Debt Securities.
- (3) A Participating Organisation must reconcile all collateral held by the Participating Organisation at least once a month.

1307.5 Hedging

- (1) A Participating Organisation may hedge the Counter Party Risk Requirement of an equity position against a derivative position as determined by the Exchange.
- (2) The hedging may only be used to the extent that value of the equity underlying the derivative position matches the value of the equity position.
- (3) The Counterparty Risk Requirement for hedging positions shall where applicable, be determined in the manner the Exchange stipulates.

1307.6 Additional Counterparty Risk Requirement

- (1) If the Exchange thinks that a Participating Organisation is exposed to a potential material loss in relation to any unsettled transaction, the Exchange may require the Participating Organisation to provide acceptable evidence of the Client's commitment to meet the Client's obligations on the due date of that commitment.
- (2) Acceptable evidence of a Client's commitment to meet the Client's obligations on the due date may take the form of a documentary confirmation of the transactions concerned supported by:
 - (a) acceptable evidence of financial standing;
 - (b) the provision of adequate security; or
 - (c) the provision of acceptable guarantees.
- (3) In the absence of acceptable evidence, the Exchange may amongst other things, require a Participating Organisation to increase the Participating Organisation's Counterparty Risk Requirement by an amount not exceeding the Participating Organisation's exposure to loss. The Participating Organisation's exposure to loss is the difference between the amount of the Client's obligations and the amount of any assets available to meet the obligations.

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RULE 1308 LARGE EXPOSURE RISK

1308.1 General principles

- (1) A Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement for the Participating Organisation's:
 - (a) exposure to a single Client or Counterparty;
 - (b) direct exposure to Debt Securities; and
 - (c) direct exposure to a single equity,for all amounts arising in the normal course of trading in Equity Securities, Debt Securities or Exchange Traded Derivatives in accordance with the provisions set out under this Rule 1308.
- (2) A Participating Organisation must calculate the Participating Organisation's Large Exposure Risk to a Hybrid Security or such other instrument for which no treatment is specified under this Rule 1308 in the manner the Exchange determines.

1308.2 Exposure to a single Client or Counterparty

- (1) A Participating Organisation has a Large Exposure Risk in relation to a single Client or Counterparty if the sum of the Participating Organisation's Counterparty exposure to the Client or Counterparty calculated in the manner the Exchange determines exceeds 10% of the Participating Organisation's Effective Shareholders' Funds.
- (2) A Participating Organisation's Large Exposure Risk Requirement to a single Client or Counterparty is equal to the amount calculated to be the Counterparty Risk Requirement for the Client or Counterparty.
- (3) A Participating Organisation's Large Exposure Risk Requirement to a single Client as to the Participating Organisation's activities in Debt Securities must be calculated in the manner the Exchange determines.
- (4) A Participating Organisation must not bear a Large Exposure Risk to any one particular Client or Counterparty of more than 30% of the Participating Organisation's Effective Shareholders' Funds.
- (5) A Participating Organisation must report to the Exchange promptly all the Participating Organisation's Large Exposure Risk relating to a Client or Counterparty.
- (6) In this Rule 1308.2:
 - (a) "single Client or Counterparty" includes:
 - (i) if the single Client or Counterparty is an individual, the individual, the spouse of the individual, the partnership of which the individual is a partner, any partner of the individual, the spouse of the partner and all the companies or corporations over which the individual exercises control; and
 - (ii) if the single Client or Counterparty is a corporation, the corporation and the corporation's Related Corporations and Associated Corporations.

- (b) an individual exercises "control" over a company or corporation if the individual or the individual's spouse, severally or jointly:
 - (i) holds, directly or indirectly, more than 50% of the shares of the corporation,
 - (ii) has the power to appoint, or cause to be appointed, a majority of the directors of the company or corporation; or
 - (iii) has the power to make, cause to be made, decisions in respect of the business or administration of the company or corporation, and to give effect to such decisions, or cause them to be given effect to.

1308.3 Direct exposure to Debt Securities

- (1) A Participating Organisation has a Large Exposure Risk as to an Issuer of Debt Securities if the total amount of Debt Securities held against the Issuer exceeds 15% of the Participating Organisation's Effective Shareholders' Funds.
- (2) A Participating Organisation's Large Exposure Risk Requirement for the exposure to Debt Securities is equal to the Position Risk Requirement for Debt Securities calculated in the manner the Exchange determines.
- (3) A Participating Organisation must not bear a Large Exposure Risk to a Debt Securities of more than 30% of the Participating Organisation's Effective Shareholders' Funds.
- (4) A Participating Organisation must report to the Exchange promptly all the Participating Organisation's Large Exposure Risk relating to Debt Securities.

1308.4 Exposure to a single equity

- (1) A Participating Organisation has a Large Exposure Risk to a single equity if the Participating Organisation has:
 - (a) a net position or exposure (either long or short) that exceeds 10% of the total issue of the equity; or
 - (b) a net position or exposure that exceeds 15% of the Participating Organisation's Effective Shareholders' Funds.
- (2) A Participating Organisation must calculate the Participating Organisation's net position or exposure to a single equity in the manner the Exchange determines.
- (3) A Participating Organisation must aggregate the Participating Organisation's exposures to a single equity referred to in Rule 1208.4(5). A Participating Organisation's aggregated Large Exposure Risk to a single equity must not exceed 250% of the Participating Organisation's Effective Shareholders' Funds.
- (4) A Participating Organisation must report to the Exchange promptly all the Participating Organisation's Large Exposure Risk relating to a single equity.

- (5) In this Rule 1308.4, "single equity" includes:
- (a) 30% of the value of the collateral pledged by debtors or Margin Accounts (including interest) if the collateral is used to secure the exposure;
 - (b) 30% of the value of the collateral underlying loans and advances if the collateral is used to secure the exposure;
 - (c) investment in the stock accounts or proprietary positions;
 - (d) the net purchase contract value of single equity aggregated from Clients' accounts arising from transactions under a Ready Basis Contract, if the transaction has not been paid for; and
 - (e) the net purchase contract value of single equity underlying Clients' accounts arising from transactions under a DF Account if the transaction has not been paid for.

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RULE 1309 UNDERWRITING RISK

1309.1 General principle

- (1) A Participating Organisation has an Underwriting Risk if the Participating Organisation enters into a binding commitment to take up securities at a predetermined price and time.

1309.2 Computation

- (1) A Participating Organisation must calculate the Participating Organisation's Underwriting Risk Requirement in the manner the Exchange determines.

1309.3 Register of underwriting commitments

- (1) A Participating Organisation must maintain a register of all the Participating Organisation's underwriting commitments. The register must contain the following information:
- (a) the description of the securities;
 - (b) the quantity and price of the Participating Organisation's underwriting commitment;
 - (c) the quantity and price of the Participating Organisation's underwriting commitment that has been sub-underwritten; and
 - (d) the date the underwritten commitment is discharged.

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RULE 1310 GEARING RATIO

1310.1 Definition

- (1) The following terms have the following meanings in this Rule 1210 unless the context requires otherwise.

Term	Meaning
Core Capital	Same meaning as in Rule 1301.2(1).
Effective Shareholders' Funds	Same meaning as in Rule 1301.2(1).
Gearing Ratio	The ratio linking a Participating Organisation's Utilised Level and the Participating Organisation's Effective Shareholders' Funds, calculated as follows: $\frac{\text{Utilised Level}}{\text{Effective Shareholders' Funds}}$
Subordinated Debt	The approved subordinated debt that fulfils the requirements the Exchange determines.
Utilised Level	The aggregate amount of borrowings a Participating Organisation has already utilised.

1310.2 Gearing Ratio

- (1) A Participating Organisation must ensure that the Participating Organisation's Gearing Ratio does not exceed 2.5 times.
- (2) A Participating Organisation's Subordinated Debt is excluded from the Gearing Ratio if the Subordinated Debt does not exceed 50% of the Participating Organisation's paid up capital unimpaired by losses.
- (3) The Gearing Ratio stipulated above does not apply to:
- (a) a Universal Broker if the Universal Broker maintains at all times a Core Capital of not less than RM500 million; and
 - (b) an Investment Bank if the Investment Bank maintains at all times the Investment Bank's minimum capital funds unimpaired by losses of not less than RM2,000,000,000.00 on a banking group basis or, for an Investment Bank which does not form part of a banking group, minimum capital funds of RM500,000,000.00, as referred to in the Guidelines on Investment Banks.

[End Of Chapter]

CHAPTER 14 INSPECTION AND INVESTIGATION

RULE 1401 Inspection

1401.1 Definition

- (1) In this Rule 1401, “Relevant Person” includes the Participating Organisation’s Registered Person, agent and employee.

1401.2 Exchange's right to inspection

- (1) The Exchange may conduct an inspection on the affairs of a Participating Organisation or Registered Person at any time.
- (2) A Participating Organisation and Relevant Person must:
 - (a) give or procure for the Exchange all information, books and records the Exchange requests and allow the Exchange to take copies and extracts of such books and records; and
 - (b) give the Exchange access to the relevant premises for the Exchange to conduct an inspection under this Rule.
- (3) A Participating Organisation and Relevant Person:
 - (a) must not hinder or obstruct the Exchange during the inspection; and
 - (b) must give the Exchange all assistance the Exchange reasonably requires to conduct the inspection.

1401.3 Inspection cost

- (1) The Exchange may require the Participating Organisation concerned to pay the Exchange a fee for carrying out the inspection.

1401.4 Reporting

- (1) The Exchange will notify the Participating Organisation concerned of the findings of the Exchange’s inspection.
- (2) A Participating Organisation must table the Exchange’s findings to the Participating Organisation’s Board of Directors as soon as possible.
- (3) A Participating Organisation must within 1 month from the Board of Directors’ meeting referred to in Rule 1401.4(2):
 - (a) take corrective measures to address the Exchange’s findings; and
 - (b) notify the Exchange in writing of the Participating Organisation’s Board of Director’s decided course of action and corrective measures taken (if any) to address the Exchange’s findings.

1401.5 Provision of audit report to the Exchange

- (1) The Exchange may, by notice to the Participating Organisation or Registered Person, require the Participating Organisation to provide a report from an independent auditor or other expert approved by the Exchange expressing an opinion as to:
 - (a) the performance by the Participating Organisation or Registered Person of the Participating Organisation’s or Registered Person’s obligations under these Rules;

- (b) the Participating Organisation's or Registered Person's capacity to continue to meet the requirements for admission as a Participating Organisation or registration as a Registered Person; or
 - (c) any other matter necessary to assist the Exchange in the discharge of the Exchange's functions under these Rules.
- (2) The Participating Organisation that is required to provide the report referred to in Rule 1401.5(1) must bear the costs in connection with obtaining the report.

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RULE 1402 INVESTIGATION

1402.1 Definition

- (1) In this Rule 1402 “Relevant Person” includes the Participating Organisation’s Registered Person, agent and employee.

1402.2 Power of investigation

- (1) The Exchange may at any time conduct an investigation into the affairs of a Participating Organisation or Registered Person.
- (2) The Exchange is empowered to:
- (a) require a Participating Organisation or Relevant Person to attend before the Exchange at any time and to give such information that is relevant to the investigation;
 - (b) record statements from the persons referred to in Rule 1402.2(2)(a). A recorded statement may be used in disciplinary proceedings against a Participating Organisation or Relevant Person (including the person making such statement);
 - (c) require a Registered Person or a Participating Organisation to procure the attendance of any Relevant Person, agent and consultant before the Exchange and to give or procure such information relevant to the investigation;
 - (d) require the Relevant Person to give or procure for the Exchange information, books or records that may be relevant to the investigation. The production of information, books or records includes requiring the Relevant Person to make copies or the Exchange taking extracts of the same;
 - (e) enter the Participating Organisation’s or Relevant Person’s premises to seize, detain or take possession of any property, book or records found at the Participating Organisation’s or Relevant Person’s premises or in possession, custody or control of a Relevant Person that may be relevant to the investigation;
 - (f) impose such requirement on the Relevant Person that the Exchange thinks reasonably necessary to facilitate the investigation; or
 - (g) in addition to any action taken by the Exchange, require a Registered Person or Participating Organisation to take appropriate action against the Relevant Person if the Relevant Person caused the Registered Person or the Participating Organisation to violate the Securities Laws, the Depository Rules, the Clearing House Rules, these Rules or the Directives.
- (3) A Participating Organisation and Relevant Person:
- (a) must not hinder or obstruct the Exchange during the investigation;
 - (b) must give the Exchange all assistance the Exchange reasonably requires to conduct the investigation; and
 - (c) must comply and give effect to any Directives the Exchange issues in exercising the powers under Rule 1402.2(2).

1402.3 Investigation cost

- (1) The Exchange may require the Participating Organisation concerned to reimburse the Exchange all costs the Exchange incurs in connection with an investigation.

RULE 1403 CONFIDENTIALITY

1403.1 Confidentiality of findings

- (1) The Exchange will keep the findings and results of all inspections and investigations under this Chapter confidential and will only disclose the findings and results to a third party for enforcement purposes or as the Exchange deems fit.

[End Of Chapter]

CHAPTER 15 DISCIPLINARY ACTIONS

(THIS CHAPTER HAS BEEN ISSUED FOR PUBLIC CONSULTATION UNDER THE EXPEDITED PROCEEDING CONSULTATION PAPER. NO COMMENTS ARE REQUIRED FOR THIS CHAPTER)

CHAPTER 16 COMPENSATION FUND

RULE 1601 ESTABLISHMENT AND ADMINISTRATION OF COMPENSATION FUND

1601.1 Establishment of Compensation Fund

- (1) The Exchange will, pursuant to the requirement under Section 141 of the Capital Markets and Services Act, establish and maintain a Compensation Fund.

1601.2 Administration of Compensation Fund

- (1) The Exchange will administer and manage the Compensation Fund in accordance with Part IV of the Capital Markets and Services Act and the Capital Markets and Services Regulations 2007 ("the said Regulations").

1601.3 Contribution by Participating Organisation

- (1) A Participating Organisation must -
 - (i) contribute a sum in the amount as stipulated in the Capital Markets and Services Act to the Compensation Fund; and
 - (ii) thereafter, on or before the 31st day of December every year, contribute a sum in the amount as stipulated in the Capital Markets and Services Act to the Compensation Fund.
- (2) Contributions made to Participating Organisations will not be refundable.
- (3) The Exchange may vary the amount and manner of the contributions payable by Participating Organisations to the Compensation Fund.

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RULE 1602 CLAIMS OUT OF COMPENSATION FUND

1602.1 Entitlement to claim

- (1) Any person ("the Claimant") suffering a loss in the manner as referred to in Section 152 of the Capital Markets and Services Act ("Claimable Loss") will be entitled to claim from the Compensation Fund.

1602.2 Procedures for claim

- (1) If a claim is made for compensation pursuant to Rule 1602.1 and in accordance with the said Regulations, the Exchange may publish, a notice specifying a date, not being earlier than 3 months after the publication of the notice or such other longer period as may be specified in the notice, on which or before which date claims for compensation in relation to the person specified in the notice may be made.
- (2) The notice in Rule 1602.2(1) will be published in 2 daily newspapers, one in the National Language and the other in the English Language, that are published and circulated in Malaysia.
- (3) A claim for compensation from the Compensation Fund in respect of any Claimable Loss must be made by notice in writing to the Exchange ("Notice of Claim") as follows -
 - (a) where a notice under Rule 1602.2(1) has been published, on or before the period stated in the notice; or
 - (b) where no notice pursuant to Rule 1602.2(1) has been published, within 6 months after the Claimant becomes aware of the circumstances referred to in Section 152 of the Capital Markets and Services Act.
- (4) The Exchange will not accept or consider any claim that are not made in accordance with Rule 1602.2(3).

1602.3 Powers of the Exchange in respect of claims

- (1) The Exchange will determine the claim under this Chapter within 6 months from the date of the Notice of Claim, or such longer period as the Exchange decides.
- (2) Subject to Part IV of the Capital Markets and Services Act and the said Regulations, the Exchange will, after due inquiry, determine the following matters:-
 - (a) whether the claim should be allowed, partially allowed, disallowed or impose such conditions as it thinks fit;
 - (b) if the claim is allowed or partially allowed, to specify:-
 - (i) the total amount of compensation payable;
 - (ii) the amount of reasonable costs and disbursements payable; and
 - (iii) the time of payment of the amounts referred to in Rule 1602.3(2)(b)(i) and (ii); and
 - (c) if the claim is disallowed or partially allowed, the reasons for the disallowance or partial allowance.
- (3) The Exchange will notify the Claimant in writing of its determination on a claim ("Notice of Determination").

- (4) The Exchange may at any time require a Claimant or any other person to provide information or to produce any books, documents or statement of evidence or summon and examine witness which it considers material for the purpose of -
- (a) supporting a claim for compensation from the Compensation Fund;
 - (b) exercising its powers against a Participating Organisation; or
 - (c) enabling civil or criminal proceedings to be taken against the Participating Organisation or a person in respect of a defalcation or fraudulent misuse of money or other property.
- (5) The Exchange may disallow the claim of the Claimant who fails, within 1 month or such longer period as the Exchange may allow, to provide information or to produce any books, documents or statement of evidence as required by the Exchange pursuant to the claim under this Chapter, if it is satisfied that the information, securities, documents or statements of evidence are in the possession of or are available to the Claimant.
- (7) In this Rule 1602, the word "books" includes any register, accounts, and accounting records or other record of information or document that are compiled, recorded or stored.

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RULE 1603 RIGHT OF APPEAL

1603.1 Right of appeal

- (1) A person who is aggrieved by a determination of the Exchange under Rule 1502.4 may, within 1 month of receipt of a Notice of Determination, appeal against such determination to the Commission whose decision will be final.

[End Of Chapter]

APPENDIX 1 - RISK DISCLOSURE STATEMENT ON SECURITIES BORROWING

1. This statement is provided to you in accordance with Rule 706.2(4)(e) of the Rules of Bursa Malaysia Securities Berhad.
2. The purpose of this statement is to inform you that the risk of loss in borrowing securities for the purposes permitted under the Rules of Bursa Malaysian Securities Bhd, which can be substantial. You should therefore assess if borrowing securities is suitable for you in light of your financial circumstances. In deciding whether to borrow securities you should be aware of the following:-
 - (a) where the return of securities to the lender, which securities is equivalent to the securities borrowed, is by way of purchase on the market, the buy price of the securities may be substantially higher than the price of the securities at the time of borrowing;
 - (b) under certain conditions, it may be difficult to buy back securities equivalent to the securities borrowed;
 - (c) the lender may recall on the securities borrowed at any time which necessitates the buying back of securities equivalent to the securities borrowed; and
 - (d) the securities borrowed may no longer be eligible for borrowing in the future and as such the lender may recall on all of that securities borrowed by all borrowers which may necessitate the buying back of the securities equivalent to that securities borrowed, by all borrowers. This 'buying back' thereof may result in the buy price of those securities to go up significantly.
3. This brief statement cannot disclose all the risks and other aspects of borrowing of securities. You should therefore carefully study the terms, conditions, the rules and regulations pertaining to borrowing of securities before engaging in this activity. If you are in doubt in relation to any aspect of this statement, you should consult your Participating Organisation.

**ACKNOWLEDGEMENT OF RECEIPT OF THIS
RISK DISCLOSURE STATEMENT**

I acknowledge that I have received a copy of the RISK DISCLOSURE STATEMENT ON SECURITIES BORROWING and understand its contents which have been explained to me by the Participating Organisation.

Signature : _____
Full name : _____
Date : _____

**APPENDIX 2 - DECLARATION ON OFF-BALANCE SHEET TRANSACTIONS
[RULE 702.3]**

PARTICIPATING ORGANISATION: _____

We, for and on behalf of the Participating Organisation, to the best of our knowledge and belief, and having made appropriate enquiries on other directors and officers of _____
_____ (name of the Participating Organisation), hereby make the following representations:-

- (i) The Participating Organisation *has in the month of _____, entered into Off-Balance Sheet Transaction(s) as specified in the attachment(s) / *has not undertaken any Off-Balance Sheet Transaction in the month of _____;
- (ii) that the Off-Balance Sheet Transaction(s) entered into by the Participating Organisation prior to the month of _____, which remain to be performed or discharged are as specified in the attachment(s) / *does not have Off-Balance Sheet Transaction(s) entered into previous to the month of _____ which remain to be performed or discharged;
- (iii) that all Adverse Event(s) in relation to the Participating Organisation's entry into the Off-Balance Sheet Transaction(s) specified in (i) and (ii) above is(are) appended to the attachment herein; and
- (iv) that all changes, amendments, variations or supplements to the terms and conditions of the Off-Balance Sheet Transaction(s) are reported herein as required under Rule 702.3(1)(e) and is (are) appended to the attachment herein.

Authorised signatory
OR, in the case of a Universal Broker: -

Date: _____

* Delete if not applicable

APPENDIX 2
[Rule 702.3]

OFF-BALANCE SHEET TRANSACTIONS
MONTH OF: _____

PARTICIPATING ORGANISATION: _____

No	Date of Transaction / Agreement	Nature of Transaction	Name of Securities (if applicable)	Quantity	Value (RM)	Counterparty	Transaction Period	Nature of Financial Arrangement and Financier (if applicable)

- Note: 1. Report(s) on Adverse Events in relation to the abovementioned Off-Balance Sheet Transaction(s) must be appended to this attachment.
2. Report(s) relating to any changes, amendments, variations or supplements to the terms and conditions of the abovementioned Off-Balance Sheet Transaction(s) must be appended to this attachment.

**APPENDIX 3
[RULE708.2(23)]**

**MONTHLY RETURNS ON CREDIT FACILITIES
EXTENDED IN RELATION TO MARGIN ACCOUNT**

To: Bursa Malaysia Securities Berhad
Participants Supervision Division
Level 12, Exchange Square
Bukit Kewangan
50200Kuala Lumpur

Name of Participating Organisation:-

Report on Margin Accounts
as at last market day
for the month of 20.....

Name of client (a)	*1 Approved limit RM (b)	*2 Outstanding balance RM (c)	*3 Value of equity RM (d)	*4 (d/c) x 100 (e)	(b/g x 100) (f)
TOTAL					

RM

(g) Participating Organisation's Effective Shareholders Funds of which
.....

(h) Paid-up capital

(i) Published reserves

(j) Total of (c) = _____ times

(g)

Authorised signature:

.....

Name:

.....

Designation:

.....

Date:

.....

- Note: 1* "Approved limit" refers to the maximum amount of margin financing permitted to be utilised by the client.
2* "Outstanding balance" is as defined under Rule 101.1 of the Rules.
3* "Equity" is as defined under Rule 101.1 of the Rules.

**APPENDIX 4 – DECLARATION ON COMPLIANCE FOR REGULATED SHORT SELLING
[803.2(1)(c)]**

To: Bursa Malaysia Securities Berhad

DECLARATION ON COMPLIANCE

Pursuant to the requirements of Rule 803.2(1)(c), we [name of Participating Organisation] hereby declare as follows:

1. that we have formulated a set of the Internal Guidelines for Short Selling which have been approved by the board of directors;
2. the Internal Guidelines for Short Selling have been brought to the notice of the relevant employees and registered persons who have read and understood the contents therein;
3. that the Internal Guidelines for Short Selling comply with the requirements set out in Rule 803.2(1)(c);
4. that all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out securities borrowing and lending activities and regulated short selling activities in accordance with these Rules; and

Dated this [] day of [] [year].

Signed : Authorised signatory
Date :

APPENDIX 5 – NOTIFICATION REQUIRED IN ORDER TO CARRY OUT MARKET MAKING AND PERMITTED SHORT SELLING AND DECLARATION REQUIRED FOR PERMITTED SHORT SELLING

[RULE402.2(1), RULE 404.2(1)(c) AND RULE404.3(5)]

To: Bursa Malaysia Securities Berhad

PART A

NOTIFICATION REQUIRED FOR MARKET MAKING

Pursuant to the requirements of Rule 402.2(1) we [name of Market Maker] hereby provide notification as follows:

Name of Market Maker	
Designated Trading account/s	
Designated CDS account numbers:	
The date of opening of accounts:	

Dated this [] day of [] [year].

Signed : [Authorised Signatory]

Date :

PART B

Pursuant to the requirements of Rule 404.3(5) we [name of Market Maker] hereby provide notification as follows:

Futures accounts numbers:	
The date of opening of accounts:	

DECLARATION ON COMPLIANCE

Pursuant to the requirements of Rule 404.2(1)(c) we [name of Market Maker] hereby provide notification as follows:

1. that we have formulated the internal guidelines for permitted short selling which have been approved by the board of directors;
2. that the internal guidelines for permitted short selling comply with the requirements set out in Rule 404.2(1)(a) respectively; and
3. that all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out permitted short selling activities in accordance with these Rules.

Dated this [] day of [] [year]

Signed : [Authorised Signatory]Date :

SCHEDULE 1
[Rule 310.5(1)]

DEALER'S REPRESENTATIVE'S SCOPE OF ACTIVITIES

	Permitted Activities	Prohibited Activities
(a) Commissioned Dealer's Representative	<ul style="list-style-type: none"> ▪ Trading on behalf of Clients only ▪ Any other activity the Commission permits 	<ul style="list-style-type: none"> ▪ Proprietary trading for the Commissioned Dealer's Representative's Participating Organisation ▪ Day Trading
(b) Salaried Dealer's Representative	<ul style="list-style-type: none"> ▪ Proprietary trading for the Salaried Dealer's Representative's Participating Organisation (only if not trading on behalf of Clients). Includes trades executed for the Participating Organisation's Related Corporations referred to in Rule [6] ▪ Trading on behalf of Clients (only if not doing proprietary trading for the Salaried Dealer's Representative's Participating Organisation) ▪ Any other activity the Commission permits 	<ul style="list-style-type: none"> ▪ Trading on behalf of Clients (if doing proprietary trading for the Salaried Dealer's Representative's Participating Organisation). This prohibition does not extend to trades executed for the Participating Organisation's Related Corporations referred to in Rule [6] ▪ Proprietary trading for the Salaried Dealer's Representative's Participating Organisation (if trading on behalf of Clients) ▪ Day Trading
(c) Proprietary Day Trader	<ul style="list-style-type: none"> ▪ Day Trading ▪ Any other activity the Commission permits 	<ul style="list-style-type: none"> ▪ Proprietary trading for the Proprietary Day Trader's Participating Organisation other than Day Trading ▪ Trading on behalf of Clients ▪ Acting as a Future's Broker's Representative

SCHEDULE 2
[Rule 503]

DECLARATION ON DEFAULTERS

1. For the purpose of posting a Client as a Defaulter under Rule 503.3(1) , a Participating Organisation must declare to the Exchange that the Participating Organisation has complied with the procedures mentioned below-
 - (a) issued a written notice of demand to the Client by giving at least fourteen (14) days notice to settle the debt as mentioned under Rule 503.3(1).
 - (b) The said notice of demand must contain the following matters -
 - (i) Total amount of the debt owing;
 - (ii) A formal demand to the Client to settle or regularise the alleged debt owing; and
 - (iii) To inform the Client that his failure to respond to the notice of demand may result in Client being posted as a Defaulter by the Exchange and to further inform the Client of the consequences of being posted as Defaulter);
 - (c) If the Client responds to the Participating Organisations' demand with dispute on the debt owing, the Participating Organisations must first enquire into it before notifying the Exchange pursuant to Rule 503.3(1). If the dispute cannot be resolved, the Participating Organisation cannot notify the Exchange to post Client as a Defaulter.
 - (d) If the Client fails to respond in writing to the demand made by the Participating Organisations within the specified period or does not dispute the debt owing after due process as mentioned in para (c), the Participating Organisations may notify the Exchange to post the Client as a Defaulter pursuant to Rule 503.3(1).

2. A Participating Organisation must submit the following document and information -
 - (i) an undertaking from the Participating Organisations to grant an absolute indemnity in favour of the Exchange as a result of the Exchange posting the Client as a Defaulter under Rule 503.3; and
 - (ii) detail particulars of the Client including the name of the Dealer's Representative concerned; and

[End Of Schedule]

SCHEDULE 3 [Chapter 9]

DELIVERY AND SETTLEMENT TIME FOR ON MARKET TRANSACTION

Type of Contract	Tradeable Balance in seller's account (Rule 902.1(1))	Payment to selling Client (Rule 905.1(1))	Delivery to buying Client (Rule 902.1(2))	Payment by buying Client (Rule 905.1(2))	Selling-out (Rule 906.1(1))
Ready Basis	T+2 by 4.00 p.m	T+3, not later than 12.30 p.m	T+3, not later than 9.00 a.m	Not later than 12.30 p.m on T+3	T+3, from 12.30 p.m until T+4

SCHEDULE 4
[Rule 1001.3]

DELIVERY AND SETTLEMENT TIME FOR DIRECT BUSINESS TRANSACTIONS

Delivery selling PO	by	Payment to selling Client	to	Delivery to buying Client	to	Payment by buying Client	by	Selling Out
Not later than T+2 by 4.00 pm		T+3, not later than 12.30 pm		T+3, not later than 12.00 p.m		Not later than 12.30 pm on T+3		T+3, from 12.30 p.m until T+4

SCHEDULE 5
[Rule 1002.5(2)]

PRICES OF SECURITIES TRANSACTED IN DIRECT BUSINESS TRANSACTIONS

Price of securities	Transaction price
RM1 or more	more than 15% or less than 15% of PVWAP
less than RM1	more than 15 sen or less than 15 sen of PVWAP

* PVWAP means the VWAP of the Securities on the preceding Market Day or, if no trade in respect of the Securities was effected on the preceding Market Day, the VWAP of the Securities on the last Market Day in which trades were conducted.

SCHEDULE 6
[Rule 1003.1(2)]

PRICES OF SECURITIES TRANSACTED IN DIRECT BUSINESS TRANSACTIONS FOR THE FIRST DAY OF TRADING OF SECURITIES UPLIFTED FROM TRADING HALT OR SUSPENSION, LISTED AND QUOTED AND TRADING EX-ENTITLEMENT OR AFTER A CORPORATE ACTION

Transaction Price	
When there are trades on the first trading session	When there are no trades in the first trading session
more than 15% or less than 15% of the VWAP of the first trading session	more than 15% or less than 15% of the Reference Price

**SCHEDULE 7
[Rule 1102.1(3)]**

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)	ABFMY1 trades: Direct Business Transactions of ABFMY1 trades All other ABFMY1 trades (including ABFMY1 Intraday Trades)	Negotiable subject to the minimum commission Negotiable subject to the maximum commission	RM12.00 Not applicable	Not applicable 0.3% of the Contract Value or RM12.00, whichever is higher
(d)	Direct Business Transactions other than Direct Business Transactions (c) above	Negotiable subject to the minimum commission	Minimum Fixed Commission	Not applicable
(f)	All other trades in Securities not specifically mentioned in the items set out above in this table executed in Board Lots	Negotiable subject to the minimum and maximum commission	Minimum Fixed Commission	0.7% of the Contract Value
(g)	All other trades in Securities not specifically mentioned in the items set out above in this table executed in less than a Board Lot	Fully negotiable	Not applicable	Not applicable

*For transactions in Securities denominated in foreign currency, the commission rate will be stipulated by the Exchange in Directives.

**SCHEDULE 8
[Rule 1103.1]**

SC Levy

		SC Levy to be paid from or by:	Proportion
(a)	If both commission and clearing fee are payable on the Transaction:	The clearing fee payable to the Clearing House under the Clearing House Rules	Half of the SC Levy being 0.0075% of the price of the Transaction*
		The commission payable by the buyer or the seller to the buyer's or seller's Participating Organisation	Half of the SC Levy being 0.0075% of the price of the Transaction
(b)	If only commission is payable on the Transaction:	The commission payable by the buyer or the seller to the buyer's or seller's Participating Organisation	The entire SC Levy being 0.015% of the price of the Transaction
(c)	If only clearing fee is payable on the Transaction:	The clearing fee payable to the Clearing House under the Clearing House Rules	Half of the SC Levy being 0.0075% of the price of the Transaction*
		The buyer's or the seller's Participating Organisation	Half of the SC Levy being 0.0075% of the price of the Transaction
(d)	If neither commission nor clearing fee is payable on the Transaction:	The buyer's and the seller's Participating Organisation	The entire SC Levy being 0.015% of the price of the Transaction

*If the clearing fee is subject to a ceiling, there will be corresponding ceiling on the SC Levy payable from the clearing fee as the Securities Commission (Levy on Securities Transactions) Order 1995 stipulates.