

DIRECTIVES ON SUBMISSION OF PERIODIC REPORTS	No. 2.01(2)-004
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Relevant to : Rule 2.01(2)(k)
 Introduced with effect from : 2 May 2013
 Amended : 27 February 2017 vide R/R 3 of 2017 , R/R 4 of 2017 and 12 December 2017 vide R/R 11 of 2017, 1 March 2018 vide R/R 3 of 2018
 POs' Circular No(s). : R/R 10 of 2011
 Refer also to Directive No(s). : N/A

1. Rule 2.01(2)(k)

- (1) Rule 2.01(2)(k) empowers the Exchange to require the Participating Organisations or Registered Persons to provide reports, information, Documents, Books and Records to the Exchange in relation to any matter under these Rules or Directives.
- (2) Pursuant to the above Rule, the Exchange requires the Participating Organisations to submit periodic reports to the Exchange, the details of which are set out below.

1.1 Reporting Requirements

- (1) The Participating Organisation must submit the periodic reports prescribed in the Schedule of this Directive ("Schedule") to the Exchange:
 - (a) in the format prescribed in the appendices to the Schedule ("Templates");
 - (b) via the Exchange's File Information Exchange System ("FIX System"); and
 - (c) not later than the times and days stipulated in the Schedule.
- (2) A Participating Organisation and the relevant Heads must ensure that all periodic reports transmitted via the FIX System ("Periodic Reports"), are reviewed by the relevant authorised officer and the reports are factual, accurate, comprehensive and not misleading. In this respect, the respective Heads will be held accountable for the Periodic Reports submitted notwithstanding that the Reports may be submitted by a person other than the Heads.
- (3) If a Participating Organisation is, for any reason whatsoever, unable to transmit by the stipulated times all or any of the Periodic Reports via the FIX System, the Participating Organisation must submit the duly completed and printed hard copy of such Periodic Report by way of facsimile, courier or by hand no later than the times and days set out in the Schedule for the duration of its inability to transmit electronically via the FIX System.
- (4) If having submitted the Periodic Reports via the FIX System a Participating Organisation amends any of the Periodic Reports for any reason whatsoever, the Participating Organisation must re-submit the duly amended Periodic Report by way of facsimile not later than the times and days set out in the Schedule, and deliver the hard copy of the amended Periodic Report by courier or by hand as soon as possible.
- (5) The Exchange may at any time prescribe any other periodic reports to be submitted via the FIX System or vary the times, frequency and manner for submission of any Periodic Report prescribed in the Schedule.
- (6) The Participating Organisation must comply with the operational procedures and guidelines on the use of the FIX System as may be prescribed from time to time.

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[End of Directive]

Schedule

No.	Name of Report	Appendix	Frequency	Timing of submission via FIX transmission	Timing of submission of reports pursuant to paragraphs 1.1(3) and 1.1(4) of the Directive
1.	Market Positions of Participating Organisations	Appendix 1a	Weekly (WK.xls)	Weekly report By 5.30 p.m., of the first Market Day of the week following the date of the report	Weekly report By 8.30 p.m., of the first Market Day of the week following the date of the report
2.	Margin Account Positions of Participating Organisations	Appendix 1b			
3.	Clients' Trust Monies, Commissioned Dealer's Representatives'/ Salaried Dealer's Representatives' Deposits and Overpledging of Shares	Appendix 1c			
4.	Investment, Proprietary Day Trader (PDT) & Error or Mistake Accounts of Participating Organisations	Appendix 1d			
5.	Securities Borrowing & Lending/ ISSBNT – List of Clients with collateral below 102%	Appendix 1e			
6.	[Deleted]	[Deleted]			
7.	Additional Explanatory Notes (<i>for report item no. 1 to 5</i>)	Appendix 1f			
8.	Gearing Ratio, Margin Financing and Shareholders' Funds	Appendix 2a	Monthly (MTH.xls)	By 5.30 p.m., not later than 10 Market Days from the last day of the reporting month	By 8.30 p.m., not later than 10 Market Days from the last day of the reporting month
9.	Maintenance of Margin Accounts – Equity Value <130% of the Outstanding Balance	Appendix 2b			
10.	Interest In Suspense and Provision for Bad & Doubtful Debts	Appendix 2c			

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No.	Name of Report	Appendix	Frequency	Timing of submission via FIX transmission	Timing of submission of reports pursuant to paragraphs 1.1(3) and 1.1(4) of the Directive
11.	Additional Explanatory Notes <i>(for report item no. 8 to 10)</i>	Appendix 2d			
12.	Profit & Loss Statement Of Participating Organisations	Appendix 3a	Quarterly (QTR.xls)	Quarterly report By 5.30 p.m., on the last Market Day of the fifth week, following the reporting quarter	Quarterly report By 8.30 p.m., on the last Market Day of the fifth week, following the reporting quarter
13.	Additional Explanatory Notes <i>(for report item no. 12)</i>	Appendix 3b			
14.	Failure to Deliver (Buying-in without notice)	Appendix 4	As and when there is a buying-in without notice (Bia.xls)	By 12.30 p.m. on the buying-in day (T+3)	By 3.30 p.m. on the buying-in day (T+3)
15.	Failure to Deliver (Manual Buying-in)	Appendix 5	As and when there is a manual buying-in (Bim.xls)	By 5.30 p.m. on the buying-in day	By 8.30 p.m. on the buying-in day
16.	Securities Borrowing & Lending/ ISSBNT for potential failed trades	Appendix 6	As and when SBL/ISSBNT is utilised for potential failed trades	By 5.30 p.m. on the next Market Day	By 5.30 p.m. on the next Market Day

[End of Schedule]

Appendix 1a

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
MARKET POSITIONS OF PARTICIPATING ORGANISATIONS
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>> Position As At : month/date/year (last market day of the week)

i) **Clients' accounts (excluding Discretionary Financing & Margin Accounts)**

Transaction	Days Outstanding			Total at cost RM	Total at marked to market value RM
	T to T+3	T+4 to T+8	T+9 and beyond		
	RM	RM	RM		
Outstanding Purchases	0.00	0.00	0.00	0.00	0.00
Contra Losses	0.00	0.00	0.00	0.00	Not applicable
Outstanding Sales	0.00	0.00	0.00	0.00	Not applicable
Contra Gains	0.00	0.00	0.00	0.00	Not applicable
Net Balance	0.00	0.00	0.00	0.00	Not applicable

For the purpose of reporting, the above should include "Clearing Accounts" and "Short-Selling Position" for clients.

ii) **Clients' accounts classified under Discretionary Financing (excluding Margin Accounts)**

Transaction	Days Outstanding				Total at cost RM	Total at marked to market value RM
	T to T+3	T+4 to T+7	T+8 to T+12	T+13 and beyond		
	RM	RM	RM	RM		
Outstanding Purchases	0.00	0.00	0.00	0.00	0.00	0.00
Contra Losses	0.00	0.00	0.00	0.00	0.00	Not applicable
Outstanding Sales	0.00	0.00	0.00	0.00	0.00	Not applicable
Contra Gains	0.00	0.00	0.00	0.00	0.00	Not applicable
Net Balance	0.00	0.00	0.00	0.00	0.00	Not applicable

iii) **Margin Accounts, Clearing Accounts And Short-Selling Positions**

Transaction	Days Outstanding				Total at cost RM
	T	T+1	T+2	T+3 and beyond	
	RM	RM	RM	RM	
Outstanding Purchases In Clearing Accounts	0.00	0.00	0.00	0.00	0.00
Outstanding Sales In Clearing Accounts	0.00	0.00	0.00	0.00	0.00
Outstanding Net Short-Selling Position	0.00	0.00	0.00	0.00	0.00
Outstanding Purchases In Margin Accounts	0.00	Not applicable	Not applicable	Not applicable	Not applicable
Outstanding Sales In Margin Accounts	0.00	Not applicable	Not applicable	Not applicable	Not applicable

[End of Appendix 1a]

Appendix 1b

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
MARGIN ACCOUNT POSITIONS OF PARTICIPATING ORGANISATIONS
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>

Position As month/date/year
At : (last market day of the week)

Percentage of Equity Value Over Outstanding Balance	No. of Accounts	Approved Limit RM	Outstanding Balance RM	Value of Equity RM
<130%	0	0.00	0.00	0.00
130%-150%	0	0.00	0.00	0.00
>150%	0	0.00	0.00	0.00
TOTAL	0	0.00	0.00	0.00

[End of Appendix 1b]

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Appendix 1c

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
CLIENTS' TRUST MONIES, COMMISSIONED DEALER'S REPRESENTATIVES'/SALARIED DEALER'S
REPRESENTATIVES'
DEPOSITS AND OVERPLEDGING OF SHARES
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position As At : month/date/year
(last market day of the week)

1. CLIENTS' TRUST ACCOUNT	No. of Clients	Total amount	Remarks
		RM	
Clients' monies not banked into trust account		0	
2. COMMISSIONED DEALER'S REPRESENTATIVES' / SALARIED DEALER'S REPRESENTATIVES' NET DEPOSITS	No. of Commissioned dealer's representatives / Salaried dealer's representatives	Total amount	Remarks
		RM	
Amount or commissioned dealer's representatives / salaried dealer's representatives' net deposits (note 1) not deposited into trust account (to compute on the basis of each commissioned dealer's representatives /dealer's representative) (note 1 :- cash deposits less contra losses and other relevant charges)		0	
3. OVERPLEDGING OF SHARES	No. of Clients	Total amount	Remarks
		RM	
Amount of margin clients' securities (at market value) mortgaged, pledged or hypothecated by Participating Organisation to Participating Organisation's financiers in excess of the corresponding client's outstanding balance in the client's margin account (to compute on the basis of client by client)		0	

[End of Appendix 1c]

Appendix 1d

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
INVESTMENT, PDT AND ERROR OR MISTAKE ACCOUNTS OF PARTICIPATING ORGANISATIONS
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
 Position As At : month/date/year
 (last market day of the week)

Company's Investment In Quoted Shares (Shares Listed on Bursa Malaysia and Recognised Stock Exchanges)

COST				Marked To Market Value As At End Of The Week RM
Position As At Beginning Of The Week RM	Acquisition During The Week RM	Disposal During The Week RM	Position As At End Of The Week RM	
0.00	0.00	0.00	0.00	0.00

Trades of PDTs

COST				Marked To Market Value As At End Of The Week RM
Position As At Beginning Of The Week RM	Acquisition During The Week RM	Disposal During The Week RM	Position As At End Of The Week RM	
0.00	0.00	0.00	0.00	0.00

Company's Other Investments (eg. Money market instruments, Unit Trust & Private Debt Securities)

COST				Marked To Market Value As At End Of The Week RM
Position As At Beginning Of The Week RM	Acquisition During The Week RM	Disposal During The Week RM	Position As At End Of The Week RM	
0.00	0.00	0.00	0.00	0.00

Company's Error or Mistake Account

COST				Marked To Market Value As At End Of The Week RM
Position As At Beginning Of The Week RM	Addition During The Week RM	Disposal During The Week RM	Position As At End Of The Week RM	
0.00	0.00	0.00	0.00	0.00

[End of Appendix 1d]

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Appendix 1e

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
SECURITIES BORROWING & LENDING - (CLA and SBLNT where the PO is the Approved Borrower))/ ISSBNT
(where the PO is the Approved User)
(LIST OF CLIENTS WITH COLLATERAL BELOW 102%)
(Weekly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position as at : month/date/year
(last market day of the week)

No	Name of Client	Value of borrowing/ purchase pursuant to ISSBNT	Value of collateral (after haircut)	Ratio	Actions Taken
1				#DIV/0!	
2				#DIV/0!	
3				#DIV/0!	
4				#DIV/0!	
5				#DIV/0!	
6				#DIV/0!	
7				#DIV/0!	
8				#DIV/0!	
9				#DIV/0!	
10				#DIV/0!	

[End of Appendix 1e]

Appendix 1f

SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD
(Weekly Submission)

Participating Organisation : <<insert name of Participating Organisation>>
 For the reporting week ending : month/date/year

Additional Explanatory Notes (if any)

	ISSUES	ADDITIONAL EXPLANATORY NOTES
1	Clients' accounts (excluding discretionary financing & margin accounts)	
2	Clients' accounts classified under discretionary financing	
3	Margin Accounts, Clearing Accounts And Short-Selling Positions	
4	Margin Account Positions	
5	Clients' Trust Monies	
6	Commissioned Dealer's Representatives'/ Salaried Dealer's Representatives' Net Deposits	
7	Overpledging Of Shares	
8	Company's Investment, PDT and Error Or Mistake Accounts	
9	Securities Borrowing & Lending / ISSBNT - List of clients with collateral below 102%	
10	Others	

[End of Appendix 1f]

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
GEARING RATIO, ~~MARGIN FINANCING~~
AND SHAREHOLDERS' FUNDS
(Monthly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position as at : month/date/year
(as at last reporting date of the month)

1. **GEARING RATIO**

Utilised Level	Effective Shareholders' Funds	Gearing Ratio
(a) RM	(b) RM	(c=a/b) times
0.00	0.00	#DIV/0!

2. **MARGIN FINANCING – Limit Of Outstanding Balance [Deleted]**

Total Outstanding Balance	Effective Shareholders' Funds	Total Outstanding Balance / Effective Shareholders' Funds
(a) RM	(b) RM	c=(a/b)x100% %
0.00	0.00	#DIV/0!

3. **SHAREHOLDERS' FUNDS - Investment Banks Only**

Shareholders' Funds (note 1)
RM
0.00 (note 2)

Note 1 - Reference extracted from Investment Bank Guidelines

5.0 Minimum capital requirement as stipulated in the IB Guidelines

5.1 Pursuant to Section 14 of BAFIA, investment banks that are part of banking groups will be required to comply with the minimum capital funds unimpaired by losses requirement of RM2 billion on a banking group basis, while investment banks that are not part of banking groups will be required to comply with a minimum capital funds requirement of RM500 million.

Note 2 - The requirement is to report the shareholders' funds for the previous month. For example for monthly submission for the month of November 2011, the information of the shareholders' funds should be as at 31 October 2011.

[End of Appendix 2a]

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
 MAINTENANCE OF MARGIN ACCOUNTS OF PARTICIPATING ORGANISATIONS
 (Monthly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position As At : month/date/year
 (last market day of the month)

List of Margin Accounts with Equity Value < 130% of Outstanding Balance

No	Name of Clients	Approved Limit RM	Outstanding Balance RM	Value of Equity RM	Percentage (%) of Equity Value over Outstanding Balance
1		0.00	0.00	0.00	#DIV/0!
2		0.00	0.00	0.00	#DIV/0!
3		0.00	0.00	0.00	#DIV/0!
4		0.00	0.00	0.00	#DIV/0!
5		0.00	0.00	0.00	#DIV/0!
6		0.00	0.00	0.00	#DIV/0!
7		0.00	0.00	0.00	#DIV/0!
8		0.00	0.00	0.00	#DIV/0!
9		0.00	0.00	0.00	#DIV/0!
10		0.00	0.00	0.00	#DIV/0!
11		0.00	0.00	0.00	#DIV/0!
12		0.00	0.00	0.00	#DIV/0!
13		0.00	0.00	0.00	#DIV/0!
14		0.00	0.00	0.00	#DIV/0!
15		0.00	0.00	0.00	#DIV/0!
16		0.00	0.00	0.00	#DIV/0!
17		0.00	0.00	0.00	#DIV/0!
18		0.00	0.00	0.00	#DIV/0!
19		0.00	0.00	0.00	#DIV/0!
20		0.00	0.00	0.00	#DIV/0!
21		0.00	0.00	0.00	#DIV/0!
22		0.00	0.00	0.00	#DIV/0!
	Total	0.00	0.00	0.00	#DIV/0!

[End of Appendix 2b]

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
INTEREST-IN-SUSPENSE AND PROVISION FOR BAD & DOUBTFUL DEBTS
(Monthly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
Position as at : month/date/year
(As at last reporting date of the month)

INTEREST-IN-SUSPENSE	Opening balance	Addition	Reversal	Written-off	Closing balance
ITEM	(RM)	(RM)	(RM)	(RM)	(RM)
Contra Losses	0.00	0.00	0.00	0.00	0.00
Overdue Purchase Contracts	0.00	0.00	0.00	0.00	0.00
Margin Accounts	0.00	0.00	0.00	0.00	0.00
Others <i>(if any)</i>	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00

IMPAIRMENT PROVISION	Opening balance	Addition	Reversal	Written-off	Closing balance
ITEM	(RM)	(RM)	(RM)	(RM)	(RM)
Contra Losses	0.00	0.00	0.00	0.00	0.00
Overdue Purchase Contracts	0.00	0.00	0.00	0.00	0.00
Margin Accounts	0.00	0.00	0.00	0.00	0.00
Others <i>(if any for e.g. collective impairment etc)</i>	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00

[End of Appendix 2c]

SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD
(Monthly Submission)

Participating Organisation : <<insert name of Participating Organisation>>

Position As At : month/date/year

(As at last reporting date of the month)

Additional Explanatory Notes (if any)

	ISSUES	ADDITIONAL EXPLANATORY NOTES
1	Gearing Ratio	
2	Margin Financing – Limit of Outstanding Balance	
32	Shareholders' Funds - Investment Banks Only	
43	Margin Accounts with Equity Value <130% of Outstanding Balance	
54	Interest in Suspense / Provision	
65	Others	

[End of Appendix 2d]

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
PROFIT & LOSS STATEMENT OF PARTICIPATING ORGANISATIONS
(Quarterly Submission)**

Participating Organisation: <<insert name of Participating Organisation>>
For the quarter ending on: month/date/year

Item	Retail A RM	Institutional B RM	Inter-broker C RM	Others D RM	Total E = A + B + C + D RM
VALUE OF TRADES DONE					
1. Online routed trades	0.00	0.00	0.00	0.00	0.00
2. Other trades	0.00	0.00	0.00	0.00	0.00
3. Trades in Recognised Stock Exchanges	0.00	0.00	0.00	0.00	0.00
TOTAL VALUE OF SECURITIES TRADES DONE (1+2+3)	0.00	0.00	0.00	0.00	0.00
NUMBER OF DERIVATIVES CONTRACTS					
4. Online routed trades	0.00	0.00	0.00	0.00	0.00
5. Other trades	0.00	0.00	0.00	0.00	0.00
6. Trades in Specified Exchanges	0.00	0.00	0.00	0.00	0.00
TOTAL NO. OF DERIVATIVES CONTRACTS DONE (4+5+6)	0.00	0.00	0.00	0.00	0.00
REVENUE					
Gross brokerage for equities:					
1. Online routed trades	0.00	0.00	0.00	0.00	0.00
2. Offline	0.00	0.00	0.00	0.00	0.00
Total Gross Brokerage for equities	0.00	0.00	0.00	0.00	0.00

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Less : Commission/incentives/salary/bonus to dealer's representatives:					
1. Online routed trades	0.00	0.00	0.00	0.00	0.00
2. Offline	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00
Net brokerage for equities:					
1. Online routed trades	0.00	0.00	0.00	0.00	0.00
2. Offline	0.00	0.00	0.00	0.00	0.00
Total Net Brokerage for equities	0.00	0.00	0.00	0.00	0.00
Gross brokerage for derivatives	0.00	0.00	0.00	0.00	0.00
Less : Commission/incentives/salary/bonus to futures broker's representatives	0.00	0.00	0.00	0.00	0.00
Net brokerage for derivatives	0.00	0.00	0.00	0.00	0.00
Total Net Brokerage					0.00
Interest Income:					
Placement & Deposit				0.00	
Share margin financing (SMF)				0.00	
Loans & advance (excluding SMF)				0.00	
Financial instruments				0.00	
Interest on amount due from holding / related company				0.00	
Other interest income				0.00	
Sub Total				0.00	
Interest expense:					
Interbank borrowing & deposit				0.00	
Loans & advances				0.00	
Other interest expense				0.00	
Sub Total				0.00	
Net interest income					0.00
Fee Income:					
Advisory & arranger (Corporate Finance related)				0.00	
Underwriting & Placement				0.00	
Other (specify if more than 5% of total operating income)				0.00	
Total Fee Income					0.00
Proprietary:					
Net gain/(loss) from proprietary day trading (PDT)				0.00	
Net gain/(loss) from quoted shares (excluding PDT)				0.00	
Net gain/(loss) from other financial instruments / diminution in value of investment				0.00	
Total Proprietary					0.00

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
PROFIT & LOSS STATEMENT OF PARTICIPATING ORGANISATIONS
(Quarterly Submission)**

Participating Organisation : <<insert name of Participating Organisation>>
For the quarter ending on : month/date/year

Additional Explanatory Notes - Other Revenue & Expenses

	Name of Other Revenue (if more than 5% of total revenue)	RM
1		0.00
2		0.00
3		0.00
4		0.00
5		0.00
6		0.00
7		0.00
8		0.00
9		0.00
10		0.00
11		0.00
12		0.00
	Total	0.00

	Name of Other Expenses (if more than 5% of total expenses)	RM
1		0.00
2		0.00
3		0.00
4		0.00
5		0.00
6		0.00
7		0.00
8		0.00
9		0.00
10		0.00
11		0.00
12		0.00
	Total	0.00

[End of Appendix 3b]

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
FAILURE TO DELIVER (BUYING-IN WITHOUT NOTICE)**

Participating Organisation : <<insert name of Participating Organisation>>
Reporting date : month/date/year

CONTRACT DATE	BUYING-IN DATE	COUNTER	NAME OF DEFAULTING CLIENT	CDS A/C NO.	DEALER'S REPRESENTATIVE'S NAME	TOTAL NO. THAT FAILED TO DELIVER	CONTRACT PRICE	REASONS FOR FAILING TO DELIVER

[End of Appendix 4]

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
FAILURE TO DELIVER (MANUAL BUYING-IN)**

Participating Organisation : <<insert name of Participating Organisation>>
Reporting date : month/date/year

CONTRACT DATE	BUYING-IN DATE	COUNTER	NAME OF DEFAULTING CLIENT	CDS A/C NO.	DEALER'S REPRESENTATIVE'S NAME	TOTAL NO. THAT FAILED TO DELIVER	CONTRACT PRICE	REASONS FOR FAILING TO DELIVER

[End of Appendix 5]

Appendix 6

**SUBMISSION TO BURSA MALAYSIA SECURITIES BERHAD ON
SECURITIES BORROWING & LENDING / ISSBNT FOR POTENTIAL FAILED TRADES**

Participating Organisation : <<insert name of Participating Organisation>>
For the reporting day ending on : month/date/year

Date of Borrowing / Date of Purchase pursuant to ISSBNT	Contract Date	Counter / (Stock Code)	Quantity	Contract Price	Name of Client / (CDS A/C No)	Dealer's Representative's Name	Remarks

[End of Appendix 6]

DIRECTIVES ON READINESS AUDIT - SELF ASSESSMENT APPROACH, DECLARATORY APPROACH AND GREEN LANE	No. 2.01(2)-006
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Relevant to : Rule 2.01(2)(o)
 Introduced with effect from : 2 May 2013
 Amended : 5 April 2013 vide R/R 5 of 2013, ~~and~~ 12 December 2017 vide R/R 11 of 2017 and 1 March 2018 vide R/R 3 of 2018
 POs' Circular No(s). : R/R 4 of 2013, R/R 2 of 2009
 Refer also to Directive No(s). : N/A

1. Rule 2.01(2)(o)

- (1) Rule 2.01(2)(o) provides that in exercising its powers the Exchange may undertake a readiness audit on a Participating Organisation or require a Participating Organisation to carry out its own readiness audit, with the scope, criteria and manner to be determined by the Exchange.
- (2) Pursuant to the above Rule, a Participating Organisation must undertake a readiness audit in the circumstances prescribed below and in the manner set out below.

2. Circumstances in which a readiness audit is required to be undertaken by a Participating Organisation

- (1) An applicant wishing to commence new activities requiring the approval of the Securities Commission ("Commission") and the Exchange must first undertake a readiness audit in accordance with these Directives. These activities are:
- (a) the commencement of operations as a new Participating Organisation (Principal Office); and
- (b) the commencement of operations as a Universal Broker.
- (2) An applicant wishing to commence new activities requiring the Exchange's approval only must also first undertake a readiness audit in accordance with these Directives. These activities are:
- (a) ~~the establishment of new/additional trading floor;~~[Deleted]
- (b) the relocation ~~of business premises~~ or change of business address of its Principal Office (applicable to Principal Office and Branch Office)¹;
- (c) ~~the opening of a new Branch Office of a Participating Organisation;~~[Deleted]
- (d) ~~the opening of a new Electronic Access Facility;~~[Deleted]
- (e) ~~the conversion of an Electronic Access Facility to a Branch Office or vice versa;~~[Deleted]
- (f) the offering of Margin Financing facilities; and
- (g) the commencement of proprietary trading.
- (3) Except where paragraph 4 applies, the Exchange will, upon receiving an application for approval from a Participating Organisation to commence a new activity and upon due

¹ For the avoidance of doubt, the relocation of business ~~premises address~~ includes a redesignation between a Principal Office and a Branch Office i.e. where the Principal Office is redesignated as a Branch Office or the Branch Office is redesignated as the Principal Office.

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consideration, give an approval-in-principle setting out the relevant conditions that need to be complied with by the Participating Organisation prior to commencement of the activity. The Exchange will indicate whether the Participating Organisation is required, in relation to the readiness audit, to follow the self assessment approach ("SAA") or the declaratory approach ("DA").

- (4) The requirement to follow either the SAA or DA is assessed based on the following principles:
- (a) Operating as a new Participating Organisation or Universal Broker
- The SAA will apply to readiness audits required for approval to commence operations as a new Participating Organisation or a Universal Broker.
- (b) ~~Opening of a New Branch Office By a Participating Organisation [Deleted]~~
- ~~(i) The SAA will apply to readiness audits required for approval to open the first 3 Branch Offices.~~
- ~~(ii) The DA will apply to readiness audits required for approval to open subsequent Branch Offices.~~
- (c) All other activities of Participating Organisation
- (i) The SAA will apply to readiness audits required for approval to commence an activity for the first time.
- (ii) The DA will apply to readiness audits required for approval of subsequent applications of the same nature.
- (5) Notwithstanding items (a), ~~(b)~~ and (c) in paragraph 2(4) above, the Exchange may at any time or under any circumstance it deems fit, require the Participating Organisation to adhere to the SAA in place of the DA.

3. Requirements for SAA or DA

In following the SAA or DA in respect of its readiness audit, a Participating Organisation must comply with the requirements set out below.

3.1 Self Assessment Approach (SAA)

- (1) A Participating Organisation must comply with the requirements set out in the following appendices to this Directive, in relation to the SAA:

No.	Type Of Document	Appendix
1.	Procedures for submission and approval in respect of SAA	1
2.	Declaration of readiness for SAA	2

3.2 Declaratory Approach (DA)

- (1) A Participating Organisation must comply with the requirements set out in the following appendices to this Directive, in relation to the DA:

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No.	Type Of Document	Appendix
1.	Procedures for submission and approval in respect of DA	3
2.	Declaration of readiness for DA	4

3.3 Non-application of directives

This directive is not applicable to readiness audits or inspection by the Exchange in respect of Securities Borrowing & Lending, ISSBNT and Regulated Short Selling activities, for which the relevant provisions of the Rules continue to apply.

4. Green Lane Policy

- (1) The Exchange will allow a Participating Organisation to commence certain activities without waiting for the Exchange to issue its approval-in-principle under paragraph 2(3) above (“Green Lane Policy”) if:
 - (a) the Participating Organisation is assessed as being eligible under paragraph 4.1 below (“Eligible Participating Organisation”);
 - (b) the activity falls within the types of activities prescribed under paragraph 4.2 below and meets the criteria prescribed under paragraph 4.3 below; and
 - (c) the Eligible Participating Organisation completes the readiness audit in accordance with the requirements stipulated in paragraph 1(4) of Appendix 1 and paragraph 4 of Appendix 3, and notifies the Exchange in the form attached as Appendix 5 before the commencement of the relevant activity.
- (2) The Eligible Participating Organisation that complies with the requirements of subparagraph 4(1)(c) above is deemed to have been given the Exchange’s approval to carry out the said activity pursuant to these Rules.
- (3) Notwithstanding paragraph 4(1) above, the Exchange may, at any time or under any circumstance it deems fit, in respect of a Participating Organisation proceeding under paragraph 4(1) above, require the Participating Organisation to adhere to the SAA or DA, instead of providing the notification to the Exchange that is referred to under paragraph 4(1)(c).

4.1 Eligibility of a Participating Organisation

- (1) The Exchange will assess a Participating Organisation to determine whether it may be considered as an Eligible Participating Organisation for a particular activity. In making this assessment, the Exchange may take into consideration, among others, whether:
 - (a) the Participating Organisation is familiar with the requirements applicable to the proposed activity, having undertaken the said activity previously;
 - (b) the Exchange has noted any unsatisfactory supervisory controls or governance or compliance culture issues in the Participating Organisation’s front, middle or back office activities whether as part of its off-site or on-site supervision activities or otherwise;

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- (c) the Exchange or the Commission has any serious regulatory concern about the Participating Organisation; and
 - (d) where the Participating Organisation is also a participant of another subsidiary of Bursa Malaysia Berhad ("other participantship"), the Exchange has noted any unsatisfactory supervisory controls or governance or compliance culture issues in the Participating Organisation's activities vis-à-vis such other participantship(s).
- (2) The Exchange will notify a Participating Organisation upon determination that it is an Eligible Participating Organisation for a particular activity and where there is any subsequent change to its status. The Exchange's assessment is final and binding on the Participating Organisation concerned.
- (3) A Participating Organisation that has not fulfilled the criterion under paragraph 4.1(1)(b) or (c) may still be considered as an Eligible Participating Organisation if it addresses the weaknesses and breaches or serious regulatory concerns, to the satisfaction of the Exchange.

4.2 Activities

Subject to paragraph 4.3, the Exchange may apply the Green Lane Policy to the following types of activities:

- (a) ~~the establishment of new/additional trading floor; [Deleted]~~
- (b) the relocation ~~of business premises~~ or change of business address of its Principal Office (applicable to Principal Office and Branch Office)²;
- (c) ~~the opening of a new Branch Office of a Participating Organisation; [Deleted]~~
- (d) ~~the opening of a new Electronic Access Facility; [Deleted]~~
- (e) ~~the conversion of an Electronic Access Facility to a Branch Office or vice versa; [Deleted]~~
- (f) the offering of Margin Financing facilities; and
- (g) the commencement of proprietary trading.

4.3 Criteria for activities falling within Green Lane Policy

The Exchange may apply the Green Lane Policy to the activities in paragraph 4.2 ~~in the following manner:~~

- ~~(a) in relation to the opening of a new Branch Office of a Participating Organisation, the Green Lane Policy will apply to readiness audits required for approval to open the Participating Organisation's 5th Branch Office onwards; and~~

² For avoidance of doubt, the relocation of business ~~premises address~~ includes a redesignation between a Principal Office and a Branch Office i.e. the Principal Office is redesignated as a Branch Office and the Branch Office is redesignated as the Principal Office.

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(b) ~~in relation to the other activities, the Green Lane Policy will apply in relation~~ to readiness audits required for approval to commence an activity of the same nature for which approval had previously been granted by the Exchange.

[End of Directive]

Appendix 1

SAA PROCEDURES ON SUBMISSION AND REVIEW OF APPLICATIONS FROM PARTICIPATING ORGANISATIONS ON NEW ACTIVITIES

1. Procedures For Submission and Approval in respect of SAA

- (1) The Participating Organisation intending to commence an activity is required to formally inform the Exchange in writing setting out the type of activity for which the approval is required.
- (2) The Exchange will upon due consideration give its Approval-In-Principle ("AIP") to the Participating Organisation.
- (3) Upon receipt of the AIP from the Exchange, the Participating Organisation shall commence to demonstrate its readiness to the Exchange. This will include making the necessary arrangements and commissioning of the relevant infrastructure that are needed to commence the proposed activity.
- (4) The Participating Organisation would then be required to carry out an independent readiness audit and complete the relevant checklists as prescribed by the Exchange or the Commission. The review shall be carried out by a party that is independent of trading and operations of the Participating Organisation, for example, internal audit or external audit.
- (5) A formal application will then be made by the Participating Organisation to the Exchange setting out the level of readiness, the intended commencement date together with all relevant supporting documents and the report produced from the independent readiness audit. The Exchange may seek additional clarification or documents where necessary to ensure the completeness of the readiness audit process.
- (6) If the proposed activity only requires the approval of the Exchange, it will then review the application made together with the supporting documents and communicate the outcome of the review and issue its approval directly to the Participating Organisation.
- (7) Where the proposed activity also requires the approval of the Commission, the Exchange will review the submission made by the Participating Organisation and forward the same together with the Exchange's recommendation to the Commission for its further consideration and approval.

2. Documentation Requirements for New Activities

The following documents are required:

- Relevant checklist in the prescribed form for each type of new activity.
- Final report of the independent readiness audit carried out by the Participating Organisation.
- Extract of board resolutions / minutes of meeting where applicable.
- Extract of relevant sections of operations manual.

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- Copies of relevant agreements entered into by Participating Organisation in connection with the proposed activity.
- Diagrams of new office layout where applicable.
- Results of infrastructure testing where required by the Exchange.
- Any other documents in support of the application or expressly required to be submitted by the Exchange.

Note:-

The Participation Organisation is required to submit complete documentation and checklist together with the required declaration to the Exchange at least 4 weeks prior to the intended commencement date of the proposed activity. The Participating Organisation should also ensure that all the relevant requirements of the checklist(s) wherein applicable has been complied with prior to the submission to the Exchange.

[End of Appendix 1]

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Appendix 2

DECLARATION OF READINESS FOR THE SELF ASSESSMENT APPROACH

To: Head
 Participants Supervision Division
 Regulation
 BURSA MALAYSIA BERHAD
 12th Floor, Exchange Square
 Bukit Kewangan
 50200 Kuala Lumpur

[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]

DECLARATION ON COMPLIANCE FOR PURPOSES OF READINESS TO COMMENCE OPERATIONS

We refer to our application to commence the operation of our *[insert the particulars of the activity concerned]* referenced *[insert reference]* dated *[insert date]*, full details of which are contained in the proposal accompanying our said application.

We, *[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]*, hereby declare and confirm as follows:

1. we shall comply at all times with the relevant rules, directives, circulars and guidelines issued from time to time by Bursa Malaysia Berhad and/or other subsidiaries of Bursa Malaysia Berhad (collectively referred to hereinafter as the Bursa Group) in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by the Participating Organisation/Authorised Depository Agent/Trading Clearing Participant;
2. that to the best of our knowledge, the *[insert the particulars of the activity concerned]* to be established, maintained or operated by us complies fully with all requirements prescribed by the Bursa Group in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by the Participating Organisation/Authorised Depository Agent/Trading Clearing Participant;
3. that the *[insert the particulars of the activity concerned]* that is established, maintained or operated, or as the case may be, intended to be established, maintained or operated, outside our Principal Office, ~~and/or~~ Branch Office(s) ~~and/or any of electronic access facility(s)~~ contains adequate and effective specifications and capabilities to ensure that the security of transactions and confidentiality of clients are at all times reasonably and adequately preserved;
4. that the *[insert the particulars of the activity concerned]* is, in terms of the applications or software, the physical site location and the hardware, reasonably secured from unauthorised tampering and intrusion and in this respect we have at the minimum strictly complied with all relevant directives, guidelines, circulars and codes relating to security issue by the Bursa Group for the time being in force, including but not limited to the Participating Organisations' IT Security Code Standards or the use of information technology (as may be amended from time to time);
5. the *[insert the particulars of the activity concerned]* conforms in all material respects with all relevant rules, directives, circulars and guidelines issued by the Bursa Group with respect to trading of securities on the Exchange by Participating Organisations generally;

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6. we are satisfied that the relevant controls and monitoring policies and procedures pertaining to the establishment, maintenance or operation of the [*insert the particulars of the activity concerned*] is/are adequate and effective; and
7. we shall indemnify the Bursa Group and not hold the Bursa Group liable to any claims made by any party as a result of the establishment, maintenance or operations of the [*insert the particulars of the activity concerned*] and its activities.

Signed _____
Authorised signatory

Date _____

[End of Appendix 2]

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Appendix 3**DA PROCEDURES ON SUBMISSION AND REVIEW OF APPLICATIONS FROM PARTICIPATING ORGANISATIONS ON NEW ACTIVITIES**

1. The Participating Organisation intending to commence an activity is required to formally inform the Exchange in writing setting out the type of activity for which the approval is required.
2. The Exchange will upon due consideration give its Approval-In-Principle ("AIP") to the Participating Organisation.
3. Upon receipt of the AIP from the Exchange, the Participating Organisation shall commence to demonstrate its readiness to the Exchange. This will include making the necessary arrangements and commissioning of the relevant infrastructure that are needed to commence the proposed activity.
4. The Participating Organisation would then be required to carry out an independent readiness audit and complete the relevant checklists as prescribed by the Exchange. The review shall be carried out by a party that is independent of trading and operations of the Participating Organisation, for example, internal audit or external audit.
5. The Participating Organisation must then submit the DA Declaration Form in the format prescribed in Appendix 4 to this Directive at least 2 clear weeks before the above intended commencement date.
6. The Exchange will process the application based on the declaration provided by the Participating Organisation and issue its approval directly to the Participating Organisation.

[End of Appendix 3]

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Appendix 4

DECLARATION OF READINESS FOR THE DECLARATORY APPROACH

To: Head
Participants Supervision
Regulation
BURSA MALAYSIA BERHAD
12th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]

DECLARATION ON COMPLIANCE FOR PURPOSES OF READINESS TO COMMENCE OPERATIONS

PART I

We refer to our application to commence the operation of our *[insert particulars of the activity concerned]* referenced *[insert reference]* date *[insert date]*.

We, *[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]*, hereby declare and confirm as follows:

1. that *[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]* has carried out an independent readiness audit in regard of *[insert the particulars of the activity concerned]*, and we have reasonable assurance that all the relevant systems, policies and procedures and relevant front office and back office systems IT systems that are required for the effective establishment, maintenance or operation of *[insert the particulars of the activity concerned]* are readily available, operative and functional and are adequate and effective in achieving the intended purpose;
2. we are satisfied that the relevant controls and monitoring policies and procedures pertaining to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* is/are adequate and effective;
3. we shall comply at all times with the relevant rules, directives, circulars and guidelines issued from time to time by Bursa Malaysia Berhad and/or other subsidiaries of Bursa Malaysia Berhad (collectively referred to as the Bursa Group) in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by the Participating Organisation/Authorised Depository Agent/Trading Clearing Participant;
4. that to the best of our knowledge, the *[insert the particulars of the activity concerned]* to be established, maintained or operated by us complies fully with all requirements prescribed by the Bursa Group in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by *[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]*;
5. that the *[insert the particulars of the activity concerned]* that is established, maintained or operated, or as the case may be, intended to be established, maintained or operated, outside our Principal Office, and/or Branch Office(s) and/or any of electronic access facility(s) contains

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adequate and effective specifications and capabilities to ensure that the security of transactions and confidentiality of clients are at all times reasonable and adequately preserved.

6. that the *[insert the particulars of the activity concerned]* is, in terms of the applications or software, the physical site location and the hardware, reasonably secured from unauthorized tampering and intrusion and in this respect we have at the minimum strictly complied with all relevant directives, guidelines, circulars and codes relating to security issued by the Bursa Group for the time being in force, including but not limited to the Participating Organisations' IT Security ~~Code Standards~~ or the use of information technology (as may be amended from time to time);
7. the *[insert the particulars of the activity concerned]* conforms in all material respects with all relevant rules, directives, circulars and guidelines issued by the Bursa Group with respect to trading of securities on the Exchange by the Participating Organisations generally; and
8. we shall indemnify the Bursa Group and not hold the Bursa Group liable to any claims made by any party as a result of the establishment, maintenance or operations of the *[insert the particulars of the activity concerned]* and its activities.

PART II: NOTIFICATION

The following are the details of the activities that will be undertaken:*

Authorised signatory

Date

* To provide the details of the activities, including the systems employed and key personnel involved. ~~For Branch Office, to indicate the systems employed and whether the back office and operations are centralized at the Principal Office/other Branch Office or whether there are remote terminals for processing of transactions.~~

[End of Appendix 4]

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Appendix 5**NOTIFICATION OF COMMENCEMENT OF OPERATIONS UNDER THE GREEN LANE POLICY**

To: Head
 Participants Supervision
 Regulation
 BURSA MALAYSIA BERHAD
 12th Floor, Exchange Square
 Bukit Kewangan
 50200 Kuala Lumpur

[insert name of Participating Organisation/Authorised Depository Agent/Trading Clearing Participant]

NOTIFICATION OF COMMENCEMENT OF OPERATIONS UNDER THE GREEN LANE POLICY

The following are the details of the activities that will be undertaken:*

Authorised signatory

Date

* To provide the details of the activities, including the systems employed and key personnel involved. ~~For Branch Office, to indicate the systems employed and whether the back office and operations are centralized at the Principal Office/other Branch Office or whether there are remote terminals for processing of transactions.~~

[End of Appendix 5]

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Relevant to	: Rules 1.11, 3.02(1)(a), 3.04, 3.08, 3.11, 3.18(3), 3.20, 3.51, 3.52 and 3.53
Introduced with effect from	: 2 May 2013
Amended	: 2 December 2013 vide R/R 14 of 2013, 1 December 2014 vide R/R 8 of 2014, 1 April 2015 vide R/R 3 of 2015, and 29 May 2017 vide R/R 5 of 2017 <u>and 1 March 2018 vide R/R 3 of 2018</u>
POs' Circular No(s).	: R/R 12 of 2012
Refer also to Directive No(s).	: N/A

Introduction

This Directive sets out the procedures for making applications to the Exchange under Chapter 3 of the Rules.

1. Rule 3.02(1)(a)

- (1) To become a Participating Organisation, Rule 3.02(1)(a) requires an applicant to apply to the Exchange in accordance with the requirements the Exchange stipulates.
- (2) The following sets out the details of the Exchange's requirements, amongst others, in relation to the application.

1.1 Participating Organisation

An applicant must complete and submit an application to the Exchange in the form set out in **Appendix 1A** of this Directive, accompanied by:

- (a) copies of the applicant's constitution, if any or other constituent documents evidencing the applicant's:
 - (i) directors and shareholders; and
 - (ii) paid-up capital;
- (b) evidence that the applicant's application for a Capital Markets Services Licence for dealing in securities has been approved;
- (c) any additional document required for an application for admission to a specific category of Participating Organisation;
- (d) payment of the non-refundable application fee set out in Schedule 1 (if any);
- (e) an undertaking in the form set out in **Appendix 2A**; and
- (f) such evidence the Exchange regards as satisfactory to show that, at the time of the application, the Participating Organisation is able to comply with the financial requirements in Chapter 13 of the Rules.

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2. Rule 3.04

Rule 3.04 requires a Participating Organisation to notify the Exchange if the Participating Organisation changes status from one category to another based on the categorisation stipulated under Rule 3.02(5).

The following procedures apply in respect of the relevant notification required under this Rule.

2.1 Change of status to Investment Bank

- (1) If a Participating Organisation obtains approval to operate as an Investment Bank, the Participating Organisation must notify the Exchange in writing.
- (2) The notification must be given prior to the Participating Organisation commencing business as an Investment Bank.
- (3) A Participating Organisation must submit to the Exchange, the following documents together with the above notice:
 - (a) copies of the applicant's constitution, if any or other constituent documents evidencing the applicant's:
 - (i) directors and shareholders; and
 - (ii) paid-up capital;
 - (b) a copy of the Participating Organisation's Capital Markets Services Licence for dealing in securities;
 - (c) a copy of the merchant banking licence issued by the Central Bank pursuant to Section 5 of BAFIA; and
 - (d) the relevant documents required under the Companies Act to evidence the change of name of the Participating Organisation (if any).

3. Rule 3.11

- (1) Rule 3.11(1) sets out the registration procedures for the persons enumerated under Rule 3.10.
- (2) The following procedures apply in respect of applications for registration of Registered Persons.

3.1 Registration Procedures for Registered Persons

- (1) The Participating Organisation of the person who is to be registered as a Registered Person is required to make only one submission through the Commission's Electronic Licensing Application ("ELA") System for the purpose of licensing or approval by the Commission and registration with the Exchange.
- (2) For the purpose of the registration with the Exchange, a Participating Organisation must submit through the ELA System:
 - (a) the duly completed application in the form set out in **Appendix 1B** of this Directive to the Exchange;

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- (b) an undertaking in the form set out in **Appendix 2B** of this Directive; and
- (c) if more than 1 Head is appointed by the Participating Organisation in the areas of dealing, operations or compliance respectively, a description of the area and responsibility of each Head.

(referred to collectively as “**the Exchange’s Information**”)

- (3) A Participating Organisation must make payment to the Exchange of the non-refundable registration fee set out in **Schedule 1** of this Directive (if any) concurrently with the submission of the documents in paragraph 3.1(2).
- (4) By making the submission through the ELA, the Participating Organisation agrees that although the submission is directed to the Commission, it forms part of the submission to the Exchange. The Participating Organisation agrees that the relevant information in the submission made through the ELA System (together with the Exchange’s Information) may be transmitted into the Exchange’s system for approval, upon the Commission’s approval of the application.
- (5) The Exchange will send a notification to the Participating Organisation if the application is approved by the Exchange.
- (6) A Participating Organisation must retain possession of the original copies of the Exchange’s Information and must produce such original copies to the Exchange at the Exchange’s request.

3.2 Registration of a person falling within 2 or more categories of Registered Person

- (1) A Participating Organisation must register the Participating Organisation’s proposed Registered Person under all categories applicable to that proposed Registered Person.
- (2) The Participating Organisation must pay the fees the Exchange stipulates (if any) for the category with the highest total fees charged, instead of fees stipulated for each applicable category.

For example:

A Head of Dealing must be registered as both a Head of Dealing and a Dealer’s Representative.

The total registration and ~~monthly~~annual subscription fees ~~(for the first month)~~ for the registration of a Head of Dealing and Dealer’s Representative is set out below.

	Total fees payable for the first month of registration	Head of Dealing (RM)	Dealer’s Representative (RM)
(a) Registration fee		2,500.00	500.00
(b) <u>Monthly</u> Annual subscription fee		300.00 <u>3,600.00</u>	-
Aggregate fees payable		2,800.00 <u>6,100.00</u>	500.00

As the amount payable for the registration of a Head of Dealing (which is RM~~2,800~~ 6,100) is higher than a Dealer’s Representative (which is RM500), that person must pay the fees for the

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registration of a Head of Dealing (which is RM~~2,800~~ 6,100). That person need not pay any fees for registering as a Dealer's Representative. Please note that GST is payable on the fees stated in this example.

4. Rules 3.08 and 3.20

- (1) Rule 3.08 requires a Participating Organisation to pay the Exchange all fees and charges the Exchange stipulates in the manner and within the period the Exchange specifies.
- (2) Rule 3.20 requires a Participating Organisation to 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.
- (3) In connection with the above Rules, a Participating Organisation must, amongst others, comply with the requirements set out below.

4.1 ~~Admission or r~~Registration and annual fees

- (1) The fees payable to the Exchange in connection with any application for ~~admission or~~ registration under Chapter 3 are set out in Schedule 1 of this Directive.
- (2) Unless the Exchange decides otherwise, subscription fees will be charged on an ~~monthly~~ annual basis.

4.2 System maintenance fee

A Participating Organisation must pay to the Exchange a fee at the rate of 0.0025% of the Contract Value (as defined in Rule 11.01) for maintaining and managing the ATS.

4.3 Bursa Access Fees

A Participating Organisation must pay to the Exchange the fees applicable in relation to access to the ATS ("Bursa Access Fees") as set out in **Schedule 3** of this Directive.

4.4 Buying-in

The defaulting Participating Organisation in Rule 9.06 must pay to the Exchange a fee of 1% of the buying in contract value in the currency in which the securities are traded in. The defaulting Participating Organisation has the right to recover such fee from the defaulting client and is entitled to a rebate of 50% of that fee.

4.5 Other fees or charges

The Exchange may require a Participating Organisation to pay such monthly or other fees or charges the Exchange stipulates for the trading on the Exchange and the use of the Exchange's trading facilities.

4A Rule 1.11

- (1) Rule 1.11 requires a Participating Organisation to pay an amount equal to the Goods and Services Tax on the fees, charges, costs, expenses or any amount under the Rules in the

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manner and within the period the Exchange specifies unless otherwise specified by the Exchange in accordance with the Goods and Services Tax Act 2014.

- (2) The Directive below sets out the manner in which fees and charges in this Directive are displayed and further details on the GST payable.

4A.1 “Price payable is exclusive of GST”

- (1) The Exchange has obtained an approval to display prices exclusive of the Goods and Services Tax (“**GST**”) under subsection 9(7) of the Goods and Services Tax Act 2014. Accordingly, each fee or charge set out in this Directive does not include GST i.e. **price payable is exclusive of GST**.
- (2) 6% GST is payable on all fees or charges (unless otherwise specified by the Exchange in accordance with the Goods and Services Tax Act 2014), and will be billed in the tax invoices issued in relation to such fees or charges.

5. ~~Rule 3.18(3)~~[Deleted]

- ~~(1) Rule 3.18(3) requires a Participating Organisation to register with the Exchange a person temporarily assuming responsibility for the functions of a vacated office under Rule 3.18(2).~~
- ~~(2) The following procedure applies in respect of an application to register a person temporarily assuming responsibility for the functions of a vacated office under Rule 3.18(2).~~

~~5.1 Registration pursuant to vacancy~~

~~A Participating Organisation must complete and submit an application to the Exchange in the form set out in **Appendix 1B** of this Directive, accompanied by:~~

- ~~(a) any applicable fee the Exchange stipulates; and~~
- ~~(b) an undertaking in the form set out in **Appendix 2B** of this Directive.~~

6. Rule 3.52

- (1) Rule 3.52 requires a Participating Organisation to notify the Exchange of any re-designation of any of the Participating Organisation’s Dealer’s Representatives between the different categories of Dealer’s Representatives.
- (2) The following procedures apply in respect of a notification to the Exchange of any re-designation of any of the Participating Organisation’s Dealer’s Representatives.

6.1 Re-designation

A Participating Organisation may re-designate a Proprietary Day Trader to a Commissioned Dealer’s Representative or a Salaried Dealer’s Representative but must notify the Exchange 3 days prior to the effective date of the re-designation and make payment of the non-refundable fee as set out in **Schedule 1** of this Directive.

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7. Rule 3.53

- (1) ~~This~~ Rule 3.53(1) requires a Participating Organisation to apply to the Exchange for approval to transfer the registration of 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 with the Participating Organisation, was employed or engaged by another Participating Organisation.
- (2) ~~Rule 3.53(2) provides that 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) in the circumstances stated in Rule 3.53(1)(a), submit a letter of release from the Participating Organisation that the Dealer's Representative is employed or engaged with.~~
- (23) The following procedure applies in respect of an application for approval to transfer the registration of a Dealer's Representative under this Rule.

7.1 Transfer of Dealer's Representative

- (1) A Participating Organisation must submit to the Exchange a written application in the form the Exchange stipulates accompanied by:
- (a) ~~The~~ forms set out in **Appendix 3A** and **3B** of this Directive;
 - (b) ~~if a Participating Organisation applies to transfer the registration of a Dealer's Representative under the circumstances stated in Rule 3.53(1)(a),~~ a letter of release from the Participating Organisation with whom the transferring Dealer's Representative is presently employed or engaged;
 - (c) a copy of the transferring Dealer's Representative's Capital Markets Services Representative's Licence for dealing in securities; and
 - (d) payment of the transfer fee in the amount set out in **Schedule 2** of this Directive or such other amount the Exchange determines.
- (2) After the third transfer, the Exchange may:
- (i) refuse any further application for transfer in respect of the Dealer's Representative; or
 - (ii) ~~approve~~ the same subject to payment of a fee at twice the rate applicable on the third transfer.
- (3) A Commissioned Dealer's Representative intending to transfer to another Participating Organisation within 6 months of the re-designation of that Commissioned Dealer's Representative's status from a Salaried Dealer's Representative to a Commissioned Dealer's Representative is subject to the transfer fee of a Salaried Dealer's Representative.

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- (4) If at any time during the period of 6 months prior to the application for transfer, the Proprietary Day Trader was a Commissioned Dealer's Representative or a Salaried Dealer's Representative, the transfer fee for that Proprietary Day Trader will be:
- (i) if the Proprietary Day Trader was a Commissioned Dealer's Representative, as that specified in paragraph (a) in **Schedule 2** of this Directive; or
 - (ii) if the Proprietary Day Trader was a Salaried Dealer's Representative, as that specified in paragraph (b) in **Schedule 2** of this Directive.

8. ~~Rule 3.54 [Deleted]~~

- ~~(1) A Participating Organisation must notify the Exchange in writing of any transfer of a Dealer's Representative within the different offices of the Participating Organisation.~~
- ~~(2) Pursuant to the above Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.~~

~~8.1 Requirements~~

- ~~(1) A Participating Organisation must notify the Exchange within 14 days from the effective date of the transfer of a Dealer's Representative from one location to another location within the Participating Organisation by submitting the following details:~~
- ~~(a) Name of Dealer's Representative~~
 - ~~(b) Location whereby he/she is moving from,~~
 - ~~(c) Location whereby he/she is moving to, and~~
 - ~~(d) Effective date of such movement.~~
- ~~(2) A Participating Organisation is not required to get prior approval in principle from the Exchange for the transfer.~~

[End of Directive]

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Schedule 1

Fees for Participating Organisations and Registered Person

	Description	Application Fee (RM)	Registration Fee (RM)	Annual Subscription Fee (RM)* (per month)	Re-designation Fee (RM)
(a)	Participating Organisation	2,500.00	10,000.00	12,000.00	Nil
(b)	Chief Executive Officer	Nil	Nil	Nil	Nil
(c)	Head of Dealing	Nil	2,500.00	3,600.00	Nil
(d)	Head of Operations	Nil	Nil	Nil	Nil
(e)	Head of Compliance	Nil	Nil	Nil	Nil
(f)	Director	Nil	2,500.00	1,200.00	Nil
(g)	Dealer's Representative: Commissioned Dealer's Representative and Salaried Dealer's Representative	Nil	500.00	Nil	Nil
(h)	Dealer's Representative: Proprietary Day Trader	Nil	500.00	Nil	500.00**
(i)	Registration of a person temporarily assuming responsibility for the functions of a vacated office under Rule 3.18(3)	Nil	Nil	Nil	Nil

* The annual subscription fee is payable no later than 31 January of each calendar year.

** Does not apply the first time either a Commissioned Dealer's Representative or a Salaried Dealer's Representative is re-designated as a Proprietary Day Trader. In such case, no re-designation fee will be imposed.

[End of Schedule 1]

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Schedule 2**Fee for the transfer of Dealer's Representative**

(The transfer fee is not subject to GST)

The fee payable to the Exchange for the transfer of a Dealer's Representative is as follows:

(a) Commissioned Dealer's Representative:

	<u>RM</u>
First transfer	2,000.00
Second transfer	4,000.00
Third transfer	8,000.00

(b) Salaried Dealer's Representative:

	<u>RM</u>
First transfer	20,000.00
Second transfer	24,000.00
Third transfer	32,000.00

(c) Proprietary Day Trader:

	<u>RM</u>
First transfer	2,000.00
Second transfer	4,000.00
Third transfer	8,000.00

[End of Schedule 2]

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Schedule 3

Bursa Access Fees

1. Fees

1.1 The Bursa Access Fees are:

ITEM	FEE	MONTHLY FEE	FEE FOR EXCESS ORDERS **												
A.	Capacity block *	per capacity block	Cumulative excess orders at month-end												
(i)	1 st capacity block at 30 orders per second	RM6,000.00	<table border="1"> <thead> <tr> <th>No. of orders</th> <th>Fees</th> </tr> </thead> <tbody> <tr> <td>1 – 299</td> <td>Nil</td> </tr> <tr> <td>300 – 599</td> <td>RM6,000</td> </tr> <tr> <td>600 – 899</td> <td>RM12,000</td> </tr> <tr> <td>900 – 1,199</td> <td>RM18,000</td> </tr> <tr> <td>In excess of 1,199 orders</td> <td>If the cumulative excess orders at month-end exceeds 1,199 orders, a fee will be charged on the orders in excess of 1,199 at the rate of RM6,000.00 for every 300 orders or any part of it.</td> </tr> </tbody> </table>	No. of orders	Fees	1 – 299	Nil	300 – 599	RM6,000	600 – 899	RM12,000	900 – 1,199	RM18,000	In excess of 1,199 orders	If the cumulative excess orders at month-end exceeds 1,199 orders, a fee will be charged on the orders in excess of 1,199 at the rate of RM6,000.00 for every 300 orders or any part of it.
No. of orders	Fees														
1 – 299	Nil														
300 – 599	RM6,000														
600 – 899	RM12,000														
900 – 1,199	RM18,000														
In excess of 1,199 orders	If the cumulative excess orders at month-end exceeds 1,199 orders, a fee will be charged on the orders in excess of 1,199 at the rate of RM6,000.00 for every 300 orders or any part of it.														
(ii)	Subsequent capacity blocks at 15 orders per second per capacity block	RM4,000.00													
B.	Administration of FIX IDs	per FIX ID	N/A												
(i)	1 st FIX ID	Nil	N/A												
(ii)	Subsequent FIX IDs	RM500.00	N/A												

* The 1st capacity block will have an order capacity of 30 orders per second while the subsequent capacity blocks will have an order capacity of 15 orders per second per capacity block for orders submitted throughout the trading day.

** Excess orders refer to orders that exceed the pre-subscribed capacity blocks.

1.2 A Participating Organisation must pay the Bursa Access Fees as mentioned in paragraph 1.1 within 7 calendar days from the date of the monthly invoice.

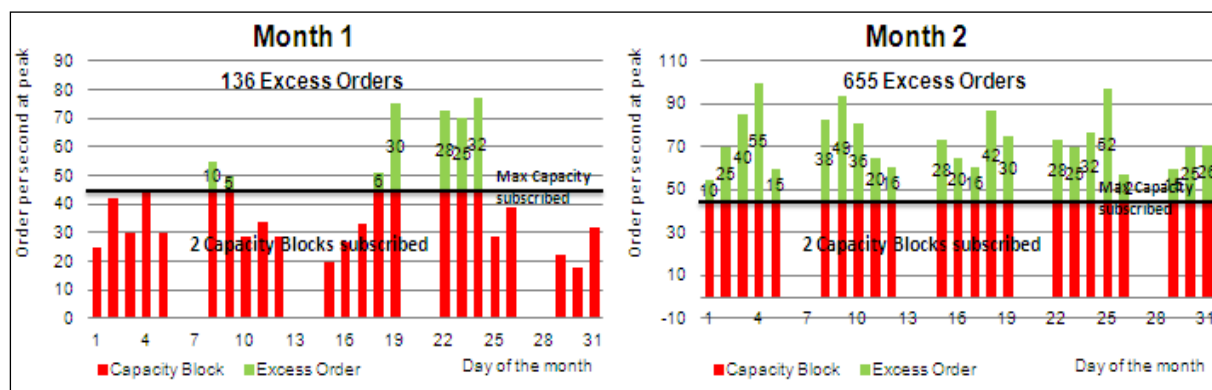
1.3 A Participating Organisation must pay any other fees, levies or other charges imposed by the Exchange from time to time.

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1.4 Illustration

Illustration: Broker B subscribes for 2 capacity blocks and 5 FIX IDs



Frequency	Type of Fee	Rate	RM	1 st Month Fee	2 nd Month Fee
Monthly Fixed Fee	2 Capacity blocks	@ RM6,000.00 for 1st Block @ RM4,000.00 for 2nd Block	10,000.00	10,000.00	10,000.00
	4 FIX IDs	@ RM500.00 per ID	2,000.00	2,000.00	2,000.00
Daily Variable fee	Excess orders	0 - 299 = -		-	12,000.00
		300 - 599 = RM6,000.00			
		600 - 899 = RM12,000.00			
TOTAL FEE PAYABLE*				12,000.00	24,000.00

* Please note that GST is payable on the fees stated in this illustration.

1.5 If a Participating Organisation chooses to have a hard limit imposed on its order capacity, the order capacity will be restricted to 30 orders per second for the 1st capacity block, and 15 orders per second per capacity block for all subsequent capacity blocks. No fee for excess orders will be charged to the Participating Organisation in this instance.

1.6 Minimum Capacity and Capacity Planning

The minimum capacity block to be subscribed is 1 capacity block per Participating Organisation. A Participating Organisation is responsible for its own capacity planning and must assess its requirements in determining the number of capacity blocks to subscribe.

2. FORMS

2.1 For the avoidance of doubt, the Bursa Access Fees set out above in paragraph 1 will apply in respect of all forms of access to the ATS including ASEAN Link and other forms of DMA.

2.2 To indicate the subscription (including changes to the subscription), the Participating Organisations must submit the Bursa Access Subscription/Change Request Form ("Form") to the Exchange. The Form is available at <http://www.bursamalaysia.com/market/securities/equities/brokers/admission-guidelines/>.

DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES PURSUANT TO CHAPTER 3 OF THE RULES

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[End of Schedule 3]

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Appendix 1A**Form of application – Participating Organisation**

Category : Investment Bank Universal Broker Non-Universal Broker : 1+1 Broker
Special Scheme Broker
Standalone

Name of Applicant:

Company No.:

Address:

Date:

To: **Bursa Malaysia Securities Berhad** (“the Exchange”)

Dear Sirs,

Application for Admission as Participating Organisation of Bursa Malaysia Securities Berhad

We, [*name of Applicant*], are desirous of being admitted as a Participating Organisation of the Exchange upon the terms of and subject in all respects to the Rules of the Exchange which are now or hereafter may be in force, as may be amended from time to time, and all directives rulings and guidelines issued by the Exchange. In support of our application, we enclose:

- (1) a duly completed application form together with the required supporting documents;
- (2) the non-refundable application fee of RM[*specify amount*];
- (3) the constitution of [*name of Applicant*] (if any);
- (4) evidence that the applicant’s application for a Capital Markets and Services Licence for dealing in securities has been approved; and
- (5) an undertaking in the form the Exchange stipulates.

Yours faithfully,

Signed by Authorised Signatory(ies))
for and on behalf of [*name of Applicant*])
in the presence of:)

[End of Appendix 1A]

DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES PURSUANT TO CHAPTER 3 OF THE RULES	No. 3-001
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Appendix 1B

Registration Form for Registered Person

Name of Participating Organisation:

Company No.:

Address:

Date:

To: **Bursa Malaysia Securities Berhad** (“the Exchange”)

Dear Sirs,

Appointment and Registration of a *#[Chief Executive Officer / Head of Dealing / Head of Operations / Head of Compliance / Director / Dealer’s Representative]*

We, *[name of Participating Organisation]*, are desirous of appointing and registering the following person as a *#[Chief Executive Officer / Head of Dealing / Head of Operations / Head of Compliance / Director / Dealer’s Representative (Commissioned Dealer’s Representative/Salaried Dealer’s Representative/Proprietary Day Trader)]* of *[name of Participating Organisation]* upon the terms and subject in all respects to the Rules of the Exchange and the Directives (as defined in the Rules of the Exchange).

Name of proposed Registered Person:

NRIC:

Address:

In support of this submission, we enclose:

- * (1) the respective area and scope of responsibility of each of the *#[Chief Executive Officers / Heads of Dealing / Heads of Operations / Heads of Compliance]* of *[name of Participating Organisation]*; and
- (2) an undertaking by the proposed Registered Person in the form the Exchange stipulates.

* The non-refundable fee of RM *[specify amount]* stipulated by the Exchange will be paid to the Exchange concurrently with this submission.

Yours faithfully,

Signed by Authorised Signatory(ies))
for and on behalf of *[name of Participating Organisation]*)
in the presence of:)

Delete whichever inapplicable.

* Delete if inapplicable

[End of Appendix 1B]

DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES PURSUANT TO CHAPTER 3 OF THE RULES	No. 3-001
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Appendix 2A

Undertaking – Participating Organisation

....., 20.....

To

Bursa Malaysia Securities Berhad (“the Exchange”)

In consideration of the Exchange approving at our request our application for admission as a Participating Organisation of the Exchange in accordance with the Rules of Bursa Malaysia Securities Berhad (“Rules”) and the Directives (as defined in the Rules) (collectively, “Exchange’s Requirements” and includes all amendments and supplements to the Rules and Directives), we hereby irrevocably and unconditionally undertake and agree as follows:-

- (1) that [*name of Applicant*] satisfies all the conditions for admission as a Participating Organisation set out in Chapter 3 of the Rules;
- (2) that the information and documents accompanying the application for admission as a Participating Organisation are complete and accurate;
- (3) that the Exchange may obtain from or provide to any regulatory authority (whether in or out of Malaysia) any information directly or indirectly relating to [*name of Applicant*] for any purpose relating to or in connection with discharging any function of the Exchange or that regulatory authority;
- (4) to notify the Exchange immediately in writing of any changes in the information given together with the application for admission as a Participating Organisation;
- (5) to abide by the decision of the Exchange in relation to the application for admission as a Participating Organisation;
- (6) to be bound in all respects by and to comply with the Exchange’s Requirements in so far as they apply directly or indirectly to a Participating Organisation;
- (7) to indemnify and keep the Exchange fully indemnified from and against all losses, damages, costs, expenses, actions and claims or otherwise which the Exchange may incur arising out of any act or omission on our part or failure by us to comply with any provisions in the Exchange’s Requirements; and
- (8) notwithstanding our ceasing to be a Participating Organisation of the Exchange for any reason whatsoever, to continue to be bound by the Exchange’s Requirements in so far as they may relate to any act or omission that we may, in the opinion of the Exchange have committed or omitted to do during our tenure as a Participating Organisation of the Exchange.

We acknowledge that:

- (a) the approval of our application for admission as a Participating Organisation; or
- (b) any indulgence or delay in making any demand or instituting any action by the Exchange,

will not constitute or be deemed to operate as a waiver by the Exchange of any of its rights under this undertaking or under the Rules.

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We further acknowledge that [*name of Applicant*] shall remain a Participating Organisation of the Exchange at the discretion of the Exchange.

The above undertaking has been signed by me/us as [*specify designation*] of [*name of Applicant*] pursuant to authority granted to me by resolution of the board of directors of [*name of Applicant*] on [*specify the date when the resolution was passed*]

Signed by Authorised Signatory(ies))
for and on behalf of [*name of Applicant*])
in the presence of)

[End of Appendix 2A]

DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES PURSUANT TO CHAPTER 3 OF THE RULES	No. 3-001
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Appendix 2B**Undertaking – Registered Person (all categories)**

....., 20.....

To:

Bursa Malaysia Securities Berhad (“the Exchange”)

In consideration of the Exchange approving the application for my registration with the Exchange as a [*specify category of Registered Person*] in accordance with the Rules of Bursa Malaysia Securities Berhad (“Rules”) and the Directives (as defined in the Rules) (collectively, “Exchange’s Requirements” and includes all amendments and supplements to the Rules and Directives), I hereby irrevocably and unconditionally undertake and agree as follows:-

- *(1) that I satisfy the qualification criteria for a [*specify category of Registered Person*] set out in Chapter 3 of the Rules;
- (2) that the information and documents accompanying the application for registration as [*specify category of Registered Person*] are complete and accurate;
- (3) that the Exchange may obtain from or provide to any regulatory authority (whether in or out of Malaysia) any information directly or indirectly relating to me for any purpose relating to or in connection with discharging any function of the Exchange or that regulatory authority;
- (4) to notify the Exchange immediately in writing of any changes in the information given together with the application for my registration as a [*specify category of Registered Person*];
- (5) that until and unless I have been duly registered by the Exchange as a [*specify category of Registered Person*], not to act in any manner for and on behalf of [*name of Participating Organisation*];
- (6) to abide by the decision of the Exchange in relation to the application for my registration as a [*specify category of Registered Person*] of [*name of Participating Organisation*];
- (7) to be bound in all respects by and to comply with the Exchange’s Requirements in so far as they apply directly or indirectly to a [*specify category of Registered Person*];
- (8) to indemnify and keep the Exchange fully indemnified from and against all losses, damages, costs, expenses, actions and claims or otherwise which the Exchange may incur arising out of any act or omission on my part or failure by me to comply with any provisions in the Exchange’s Requirements; and
- (9) notwithstanding my ceasing to be registered as a [*specify category of Registered Person*] with the Exchange for any reason whatsoever, to continue to be bound by the Exchange’s Requirements in so far as they may relate to any act or omission that I may, in the opinion of the Exchange, have committed or omitted to do during the period of my registration with the Exchange.

I acknowledge that:

- (a) the approval of the application for my registration as a [*specify category of Registered Person*] with the Exchange; or

DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES PURSUANT TO CHAPTER 3 OF THE RULES	No. 3-001
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(b) any indulgence or delay in making any demand or instituting any action by the Exchange, will not constitute or be deemed to operate as a waiver by the Exchange of any of its rights under this undertaking or under the Exchange's Requirements.

I further acknowledge that I will remain registered as a [*specify category of Registered Person*] with the Exchange at the discretion of the Exchange.

Signed by [*name of proposed Registered Person*])
in the presence of)

Delete if inapplicable. Inapplicable if the proposed Registered Person is the Chief Executive Officer or Director.

[End of Appendix 2B]

**DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES
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No. 3-001

Appendix 3A

**DEALER'S REPRESENTATIVE/PROPRIETARY INTRA-DAY TRADER
TRANSFER EXIT FORM**

(To be filled by Dealer's Representative/Proprietary Intra-Day Trader)

1	Name of Licence Holder						
2	Licence Number						
3	I.C. Number	Old		New			
4	Current status of Licence Holder	Commissioned Dealer's Representative				(Please Tick)	
		Salaried Dealer's Representative					
		Proprietary Intra-Day Trader					
5	Status of Licence Holder upon transfer to new Participating Organisation (subject to approval from the Commission)	Commissioned Dealer's Representative				(Please Tick)	
		Salaried Dealer's Representative					
		Proprietary Intra-Day Trader					
6	Name of present Participating Organisation						
7	Name of Participating Organisation which the applicant proposes to represent						
8	Date licence was granted by the Commission						
9	Information on previous transfer	No	Name of Participating Organisation		Year		
			From	To			
		i)					
		ii)					
		iii)					
		iv)					
10	Please state the applicable Transfer Fee for this transfer	RM					
11	The Transfer Fee will be borne by?	Participating Organisation				(Please Tick)	
		Self					
12	Reasons for leaving present Participating Organisation						

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13	Reasons for joining new Participating Organisation			
14	How did you learn about the vacancy in the new Participating Organisation?	Mass Media		(Please Tick)
		Direct Recruitment by the new Participating Organisation		
		Introduction by friends/existing employee/Dealer's Representative/Proprietary Intra-Day Trader in the new Participating Organisation		
		Others (please explain):		
15	Have you procured a release letter from your present Participating Organisation?	YES		(Please Tick)
		NO		
16	Do you have any outstanding position in your present Participating Organisation?	YES (please state amount) RM _____		(Please Tick)
		NO		
17	Any other comments that may be useful for Bursa Securities to assess the transfer application			

Signature

Date

[End of Appendix 3A]

**DIRECTIVES ON APPLICATIONS TO THE EXCHANGE AND FEES
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Appendix 3B

**DEALER'S REPRESENTATIVE/PROPRIETARY INTRA-DAY TRADER
TRANSFER EXIT FORM**

(To be filled by the Participating Organisation to which the Dealer's Representative/ Proprietary Intra-Day Trader is currently attached to)

1	Name of Participating Organisation				
2	Name of Licence Holder				
3	Licence Number				
4	I.C. Number	Old		New	
5	Current status of Licence Holder	Commissioned Dealer's Representative			(Please Tick)
		Salaried Dealer's Representative			
		Proprietary Intra-Day Trader			
6	Status of Licence Holder upon transfer to new Participating Organisation (subject to approval from the Commission)	Commissioned Dealer's Representative			
		Salaried Dealer's Representative			
		Proprietary Intra-Day Trader			
7	Has the applicant Licence Holder been granted release?	YES			
		NO			
8	Is your Participating Organisation objecting to the application for transfer?	NO			
		YES (Please state reason/s and enclose details)			

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9	Does the applicant Licence Holder has any outstanding position or encumbrances with your Participating Organisation?	YES (please state amount) RM _____		(Please Tick)
		NO		
10	Any other comments that may be useful for Bursa Securities to assess the transfer application (you may use separate sheet, if necessary)			

Signature of
Authorised Signatory

Date

Name of Authorised Signatory

Name of Participating Organisation

[End of Appendix 3B]

DIRECTIVES ON MOBILITY OF DEALER'S REPRESENTATIVES	No. 3.47(1)-002
---	------------------------

Relevant to : Rule 3.47(1)(h)
 Introduced with effect from : 2 May 2013
 Amended : N/A 1 March 2018 vide R/R 3 of 2018
 POs' Circular No(s). : R/R 3 of 2007
 Refer also to Directive No(s). : N/A

1. Rule 3.47(1)(h)

- (1) Rule 3.47(1)(h) provides that throughout the term of a Dealer's Representative's registration with the Exchange, the Dealer's Representative 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.~~ carry on the business of dealing in securities outside the Principal Office or a Branch Office of the Participating Organisation unless the Dealer's Representative has obtained the Participating Organisation's prior approval.
- (2) In discharging the obligations under the said Rule, a Participating Organisation and a Dealer's Representative must, amongst others, comply with the requirements set out below.

1.1 Requirements

- (1) A Participating Organisation must ensure that the following are satisfied in allowing a Dealer's Representative to ~~be mobile~~ carry on the business of dealing in securities outside the Principal Office or a Branch Office of the Participating Organisation ("mobility privileges"):
- (a) A Participating Organisation must develop appropriate written internal policies, procedures and controls to govern mobility privileges granted to ~~for~~ a Dealer's Representative ~~who is mobile~~ to ensure that the Dealer's Representative does not abuse his mobility privileges, including criteria which a Dealer's Representative has to fulfill to be allowed mobility privileges. A Participating Organisation must ensure that the Dealer's Representative complies with, amongst others, the Securities Laws and other applicable laws, these Rules and all Directives issued by the Exchange from time to time, in relation to the following areas:
- (i) account opening;
 - (ii) receipt of payments and collection of funds from clients with a view to ensuring that clients' assets are safeguarded;
 - (iii) upholding the high standards of conduct of Dealer's Representatives when dealing with clients as set out in the se ~~Rules of Bursa Securities~~, in particular, the requirement of carrying out client's instructions in a timely manner; and
 - (iv) ~~the prohibition on conduct of business activities in a particular premises or at a particular location on a continuous basis so as to comply with Rule 3.47(1)(h); and~~ [Deleted]
 - (v) such other areas as the Participating Organisations ~~s~~ deems necessary in upholding the principles of sound investor protection.

DIRECTIVES ON MOBILITY OF DEALER'S REPRESENTATIVES	No. 3.47(1)-002
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- (b) ~~The internal policies, procedures and controls referred to in paragraph 1.1(1)(a) above must incorporate and clearly set out, amongst others, the criteria which a Dealer's Representative has to fulfill before being allowed to be mobile. [Deleted]~~
- (c) A Participating Organisation must develop appropriate supervisory and compliance programme to ensure compliance with these internal policies, procedures and controls referred to in paragraphs 1.1(1)(a) ~~and 1.1(1)(b).~~
- (d) The discretion whether or not to allow grant mobility privileges to a Dealer's Representative ~~to be mobile~~ lies with the Participating Organisation. The discretion must be exercised based on the criteria set out in the internal policies, procedures and controls referred to in paragraph 1.1(1)(~~ba~~) above. ~~In this respect, a Participating Organisation must assess the suitability of each Dealer's Representative based on the above criteria set before allowing their Dealer's Representatives to be mobile. The assessment must be done on continuous basis. The Participating Organisation must carry out periodic reviews to determine whether a Dealer's Representative may continue to be granted mobility privileges.~~
- ~~(e) A Participating Organisation must maintain records of the location where each Dealer's Representative normally carries on the business of dealing in securities.~~
- (ef) A Participating Organisation has the right to revoke at any time ~~the~~ mobility privileges granted to any Dealer's Representative in the following circumstances:
- (i) the Dealer's Representative no longer satisfies or is no longer capable of satisfying the criteria referred to paragraph 1.1(1)(~~ba~~) above; or
- (ii) the Dealer's Representative has committed breach(es) of any of the Participating Organisation's internal policies, procedures and controls referred to in paragraphs 1.1(1)(a) ~~and 1.1(1)(b)~~ imposed on the Dealer's Representative.
- (f) ~~A Participating Organisation must assess its internal policies, procedures and controls on a continuous basis to ensure the adequacy and relevance to meet the purpose for which they are developed. [Deleted]~~
- (2) ~~The Exchange may at any time and from time to time to inspect/audit on the carrying out of the supervision and compliance programme by a Participating Organisation as referred to in paragraph 1.1(1)(c). If the Exchange is not satisfied with the same, the Exchange may direct the Participating Organisations to revoke the mobility granted to the Dealer's Representatives or take any other actions it deems fit. [Deleted]~~
- (3) ~~A Dealer's Representative who is granted mobility privileges by a Participating Organisation must comply with the following requirements:~~
- ~~(a) remain contactable during trading hours; and~~
- ~~(b) not put up or place any signage, banner or description in any form which indicates or has the effect of indicating that such premises or location where he is operating as a Dealer's Representative is the Principal Office or a Branch Office of a Participating Organisation.~~

[End of Directive]

DIRECTIVES ON MARKET MAKING AND SPECIFIED SECURITIES	No. 4-001
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Relevant to	: Rules 1.01, 4.02, 4.05, 4.06, 4.12(c), 4.13(5), and 5.16(1)
Introduced with effect from	: 2 May 2013
Amended	: 29 May 2017 vide R/R 5 of 2017 <u>and 1 March 2018 vide R/R 3 of 2018</u>
POs' Circular No(s).	: R/R 3 of 2009 and R/R 10 of 2012
Refer also to Directive No(s).	: CDS Circular ADA/DOD/033/2012, CDS Circular ADM/DOD/032/2012 and Bursa Malaysia Clearing Circular G1/2013

1. Introduction

Chapter 4 of the Rules sets out the provisions relating to a Market Maker. This Directive sets out the minimum requirements in relation to those requirements.

2. Rule 1.01

- (1) Rule 1.01 sets out the definition of Specified Securities as securities specified by the Exchange as available for Market Making.
- (2) Pursuant to the above Rule, the Exchange prescribes the list of Specified Securities as set out in **Appendix 1** of this Directive.

3. Rule 4.02(21)

- (1) ~~Rule 4.02(21) requires a party applying to be a Market Maker for a Specified Security to comply with any application procedure and submit the relevant information and documents as determined by the Exchange. provides that an applicant who intends to apply to be a Market Maker for a Specified Security must apply to the Exchange in accordance with the Exchange's requirements and comply with any requirements as may be imposed by the Exchange.~~
- (2) Pursuant to the above Rule, an applicant must comply with the following requirements.

3.1 Application Form and Undertaking

An applicant for Market Maker must submit the application form together with the undertaking to comply with these Rules and Directives, as contained in **Appendix 2** of this Directive.

3.2 Notification of Specified Security

An applicant approved to be a Market Maker must notify the Securities Trading Operations department of the Exchange of each Specified Security for which it will be undertaking Market Making activities prior to commencement of such activities.

4. Rule 4.05

- (1) Rule 4.05(1) requires a Market Maker for a Specified Security to 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;

DIRECTIVES IN RELATION TO MARKET MAKING AND SPECIFIED SECURITIES	No.4-001
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- (b) within the maximum spread allowed by the Exchange; and
 - (c) not be less than the minimum quantity allowed by the Exchange.
- (2) Rule 4.05(2) goes on to state that a Market Maker is exempted from entering bid and offer prices as required under Rule 4.05(1) in circumstances deemed fit or allowed by the Exchange.
- (3) Pursuant to these Rules, the Market Maker must, amongst others, comply with the requirements set out below.

4.1 Market Making Obligations

The Market Making obligations imposed on Market Makers pursuant to Rule 4.05(1) and the circumstances in which a Market Maker is exempted from fulfilling the same pursuant to Rule 4.05(2) are as detailed in **Appendix 3** to this Directive.

5. Rule 4.06

- (1) Rule 4.06 requires a Market Maker to 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.
- (2) Pursuant to the above Rule, a Market Maker must, amongst others, comply with the requirements set out below.

5.1 Designated Accounts for Market Making

Designated accounts for Market Making must be maintained and operated as follows:

- (a) In relation to Market Making for each ETF:
- (i) Only one Securities Account can be opened for each ETF that the Market Maker is Market Making for.
 - (ii) A Market Maker can maintain one or more trading accounts for the purposes of Market Making for a particular ETF, all of which must be tagged to the Securities Account for each ETF. A Market Maker cannot co-mingle more than one ETF in a particular trading account.
 - (iii) The Securities Account referred to above must be designated in the manner prescribed by the Depository.
- (b) In relation to Market Making for each structured warrant:
- (i) A Market Maker can maintain one or more trading accounts for the purposes of market making for a structured warrant.
 - (ii) A Market Maker can maintain more than one Securities Account for the Market Making of a structured warrant. A Market Maker may also carry out Market Making for more than one structured warrant in a particular Securities Account or a trading account.
 - (iii) All Securities Accounts opened for the Market Making of a structured warrant must be designated in the manner prescribed by the Depository.

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- (c) In relation to Market Making for each ETB:
- (i) A Market Maker can maintain one or more trading accounts for the purposes of market making for ETB.
 - (ii) A Market Maker can maintain more than one Securities Account for the Market Making of ETB. A Market Maker may also carry out Market Making for more than one ETB in a particular Securities Account or a trading account.
 - (iii) All Securities Accounts opened for the Market Making of ETB must be designated in the manner prescribed by the Depository.

5.2 Notification for Market Making

Market Makers for ETFs, structured warrants and ETB must submit to the Exchange information as required under Part A of Appendix 5 of these Rules, setting out the particulars of the trading and Securities Accounts opened for the purposes of Market Making for a particular ETF, structured warrant or ETB, 2 days before the commencement of Market Making.

6. Rule 4.12(c)

- (1) Rule 4.12(c) stipulates that a Market Maker may commence Permitted Short Selling only if the Market Maker has notified the Exchange that it intends to carry out Permitted Short Selling and has provided to the Exchange the form stipulated in Appendix 5 of these Rules, 2 Market Days prior to the commencement of Permitted Short Selling.
- (2) Pursuant to the above Rule, a Market Maker must comply with, amongst others, the requirements set out below.

6.1 Notification for Permitted Short Selling

- (1) Market Makers of ETFs which intend to commence Permitted Short Selling must also submit to the Exchange a declaration of compliance with the requirements in the format as set out in Part B of Appendix 5.
- (2) This declaration must be submitted to the Exchange 2 days before commencement of Permitted Short Selling.

7. Rule 4.13(5)

- (1) Rule 4.13(5) requires the Market Maker to execute the following purchases through the designated trading accounts 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 derivatives 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 derivatives 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.

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- (2) Pursuant to the above Rule, a Market Maker must, amongst others, comply with the requirements set out below.

7.1 Designated Accounts for Permitted Short Selling

Purchases of the ETF units, Constituent Securities and derivatives must be executed in the following accounts:

- (a) In relation to purchases of ETF units and Constituent Securities, in the Securities Account and trading account as stipulated under paragraph 5.1(a) above for Market Making of ETFs.
- (b) In relation to purchases of derivatives, in a designated trading account opened specifically for purposes stipulated under Rule 4.13(5).

7.2 Notification of derivatives account

Market Makers of ETFs must provide the particulars of the derivatives account used in carrying out transactions related to a Permitted Short Selling, if any, in the format prescribed in Part B of Appendix 5 of these Rules, to be submitted to the Exchange 2 days before commencement of Permitted Short Selling.

8. Rule 5.16(1)

- (1) Rule 5.16(1) requires the Participating Organisation and Registered Person to act with due skill, care and diligence, honestly and fairly, and in the best interests of the Participating Organisation's Clients.
- (2) Pursuant to the above Rule, a Market Maker must comply with, amongst others, the requirements set out below.

8.1 POs to Pass Incentives on to Market Maker Clients

Where incentives are attributable to a Market Maker which is not a Participating Organisation, the Participating Organisation must pass those incentives on to their clients who are Market Makers.

9. Submission of Appendix 5

- (1) In relation to paragraphs 5.2, 6.1 and 7.2 above, any updates or changes to the particulars provided in the format prescribed under Appendix 5 of these Rules must be communicated to the Exchange by using the format in Appendix 5.
- (2) The submission of the information prescribed under Appendix 5 is by way of email to the following address:
MSD_reporting@bursamalaysia.com
- (3) The Market Maker must specify the subject matter of the email as "Notification of Market Making".

[End of Directive]

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Appendix 1

LIST OF SPECIFIED SECURITIES

- 1. All Structured Warrants**
- 2. All Exchange Traded Funds**
- 3. All Exchange Traded Bonds**

DIRECTIVES IN RELATION TO MARKET MAKING AND SPECIFIED SECURITIES

No.4-001

Appendix 2

**APPLICATION FOR REGISTRATION AS MARKET MAKERS
PURSUANT TO RULE 4.02 OF THE RULES OF BURSA MALAYSIA SECURITIES
BERHAD**

Please complete all sections of the form in full.
Please type or use black ink as the form will be photocopied.
Read the *Guidance Notes* carefully before completing the form.

1. Applicants' Category (Please tick relevant category) (see note 2 for Qualification Criteria)

1.	Participating Organisation (" PO ") of Bursa Malaysia Securities Berhad	
2.	A licensed bank or licensed merchant bank as defined in the Banking and Financial Institutions Act 1989	
3.	Related Company of the PO, licensed bank or merchant bank, incorporated under Companies Act	
4.	Foreign Securities Broker (" FSB ") / Foreign Derivatives Broker (" FDB ")	
5.	Related Company of FSB / FDB, incorporated under the Companies Act	
6.	Others (please specify)	

2. Specified Security:

32. Particulars of the Applicant

Corporation's name in full

Date of incorporation

Place of incorporation

Company No.

Principal Business

43. Address and contact details

Registered address (Please notify of any change of address immediately) **Business address** (Please notify of any change of address immediately)

Telephone no.

Telephone no.

DIRECTIVES IN RELATION TO MARKET MAKING AND SPECIFIED SECURITIES**No.4-001**

Facsimile no.

Facsimile no.

Website /
E-Mail AddressWebsite /
E-Mail Address**54. State the names of shareholders of the Applicant and their respective shareholdings: -**

Name	No. of Shares	% of shareholding

65. Paid-Up Capital**76. Name and Identity Card No. (IC No.) / Passport No. (for non-Malaysian citizen only) of Directors:**

Director's Name	I.C. No. / Passport No.	Status (Executive Director / Non-Executive Director) or Designation

87. Contact Person(s)

Name	Designation	Tel. No.	E-mail address

98. Declaration

(Answer "Yes" or "No". If "Yes", please give details.)

Has the applicant been: -

(a) a member or partner in a member firm or director of a member company or participant of any stock exchange or futures exchange? Yes No

(b) refused membership of or the right to participate in or admission Yes No

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to any stock exchange or futures exchange?

- | | | |
|---|------------------------------|-----------------------------|
| (c) expelled from or suspended from trading on any stock exchange or futures exchange? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (d) subjected to any form of disciplinary action by any stock exchange or futures exchange? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| (e) convicted of any offence in or outside Malaysia or had disciplinary actions taken for breaches involving dishonesty or fraud? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

109. Undertaking from Director and Company Secretary of the Applicant

We:-

- (a) acknowledge that we the applicant declare that all information given herein and the attached document(s) (if any) are true and correct.
- (b) agree and undertake to at all times abide by the Rules of Bursa Malaysia Securities Berhad and all directives issued by the Exchange upon being duly registered as a Market Maker by the Exchange.

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Director of applicant authorised to sign on its behalf

Company Secretary

Dated

Guidance Note

Please read before completing application forms

These guidance notes are to be used as a generic guide to the registration of the applicant as Market Makers of Bursa Malaysia Securities Berhad ("Bursa Securities").

Filling in the application form

You should ensure that you complete all required information on the application form in full.

If the space provided is insufficient, applicant may attach a separate sheet for the required information provided each piece of paper attached is initialled by the applicant.

Note 1: Definition

In this document: -

"applicant" means a corporation applying for registration as Market Maker of Bursa Securities;

"Bursa Securities" or "Exchange" means Bursa Malaysia Securities Berhad, a company established under the Companies Act 1965 which operates ETP;

"CMSA" means Capital Market & Services Act 2007.

"corporation" has the same meaning as is assigned to that expression in the Companies Act, 1965;

"Market Maker" means a person who performs market making;

"Market Making" means unless the context otherwise requires, refers to the act of entering bid and offer prices in the ATS for a Specified Security based on the requirements stipulated by the Exchange in Rule 4.05.

"Specified Security" means the security specified by the Exchange as available for market making.

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Note 2: Qualification Criteria

- (1) An applicant who intends to apply to be a Market Maker for a Specified Security must fulfill any one of the following requirements:
- (a) a Participating Organisation;
 - (b) a licensed bank or licensed merchant bank as defined in the BAFIA;
 - (c) a Related Corporation of (a) or (b) above, incorporated under the Companies Act and has:
 - (i) a minimum paid up capital of RM 2 million; and
 - (ii) 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 derivatives 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 derivatives as a dealer on a Specified Exchange as defined in the Derivatives Exchange 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 fulfills the following:
 - (i) has a minimum paid up capital of equivalent RM 2,000,000.00; and
 - (ii) has the following experience:
 - (aa) at least 3 years market making experience; or
 - (bb) i at least 2 personnel with at least 3 years experience in Market Making experience and 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 and it fulfills the following:
 - (i) has a minimum paid up capital of RM 2,000,000.00;
 - (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.

Note 3: Other Requirements

An applicant as a Market Maker must also fulfill the following requirements:

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

Note 4: Application to the Exchange

For an applicant applying for the first time, the applicant must submit to Bursa Securities the following:

- i) Cover letter detailing the approval sought addressed to Bursa Securities. ~~The applicant shall specify each Specified Security that the applicant intends to do market making for.~~

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- ii) Duly completed Form of Application (Form of Application for registration as Market Maker).
- iii) For applicant which is **not** a Participating Organisation or a financial institution licensed under BAFIA, the application shall be accompanied with:
 - a) certified true copies of the constitution, if any or any other constituent documents, of the applicant company and, its corporate shareholders (if any);
 - b) such documents and information as may be appropriate in respect of its financial standing such as:
 - Auditor's Certification;
 - Balance Sheet; and
 - c)
 - (i) Notice of registration;
 - (ii) Notification of change in the Register of Directors, Managers and Secretaries;
 - (iii) Notice of registration of the new name;
 - (iv) Return of allotment of shares;
 - (v) Notification for change in the registered address (if relevant); and
 - (vi) Particulars of change or alteration relating to foreign company (if relevant); or similar documents of its nature.
- iv) Documentary evidence on the status of the applicant as a foreign securities broker or foreign derivatives broker or its related company as the case may be.
- v) Documentary evidence on the requisite experience of the personnel of the applicant as required under the Rule.
- vi) Any other documents that may be required or relevant to the application.
- ~~vii) For an existing Market Maker applying to a Market Maker for a subsequent Specified Security, it is required to only submit a cover letter detailing the approval sought addressed to Bursa Securities and specifying each Specified Security that the applicant intends to market make.~~

-[End of Appendix 2]

DIRECTIVES IN RELATION TO MARKET MAKING AND SPECIFIED SECURITIES	No.4-001
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Appendix 3

1. MARKET MAKING OBLIGATIONS IN RELATION TO STRUCTURED WARRANTS (SW), EXCHANGE TRADED FUNDS (ETF) AND EXCHANGE TRADED BONDS (ETB) PURSUANT TO RULE 4.05(1)

No.	Market Making Obligations	Market Maker for SW	Market Maker for ETF	Market Maker for ETB								
1.	The minimum presence of a Market Maker in providing 2-way quotes during the 'main trading phase' as referred to in the Trading Manual on each day that Bursa Securities is open for trading in a SW/ETF/ETB issue	70%	70%*	70%*								
2.	The maximum spread of two-sided market making quotes entered by a Market Maker into the ATS.	25 bids	25 bids	<table border="1"> <thead> <tr> <th>Tenure of ETB</th> <th>Maximum Spread*</th> </tr> </thead> <tbody> <tr> <td>5 years and below</td> <td>up to RM0.50</td> </tr> <tr> <td>5 years and up to 10 years</td> <td>up to RM1.00</td> </tr> <tr> <td>More than 10 years</td> <td>up to RM2.00</td> </tr> </tbody> </table>	Tenure of ETB	Maximum Spread*	5 years and below	up to RM0.50	5 years and up to 10 years	up to RM1.00	More than 10 years	up to RM2.00
Tenure of ETB	Maximum Spread*											
5 years and below	up to RM0.50											
5 years and up to 10 years	up to RM1.00											
More than 10 years	up to RM2.00											
3.	The minimum quantity on each of the two-sided market making quotes that a Market Maker enters into the ATS	10 board lots (1,000 units of SW)	10 board lots (1,000 units of ETF)*	10 board lots (100 units of ETB)*								

* Notes:

- (1) The market making obligations which are to be fulfilled by a Market Maker for ETF and ETB may vary from one Market Maker to another as allowed by Bursa Securities.
- (2) The Exchange may vary the market making obligations in relation to ETB under market conditions as determined by the Exchange. This could include providing the Market Maker with the discretion to widen the maximum spread under distressed market conditions (eg. if the Issuer is put under negative outlook and rating watch (ie. for possible downgrade by credit rating agency)).

2. CIRCUMSTANCES IN WHICH MARKET MAKERS ARE EXEMPTED FROM PERFORMING THEIR OBLIGATIONS IN RELATION TO STRUCTURED WARRANTS (SW), EXCHANGE TRADED FUNDS (ETF) AND EXCHANGE TRADED BONDS (ETB) PURSUANT TO RULE 4.05(2)

Market Makers for SW, ETF and ETB	(i) if trading in the Specified Security is suspended; (ii) if the market is suspended or closed;
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	<p>(iii) if there is a malfunction of the system of the Participating Organisation through which the Market Maker undertakes its market making; or</p> <p>(iv) if market is not feasible based on the market condition as determined by the Exchange.</p>
Market Makers for SW (in addition to the above circumstances)	Circumstances stated in the prospectus of the issuer for whom the Market Maker provides liquidity for the issuance of SWs, as being circumstances in which the Market Maker is exempted from performing its market making obligations under the Rules of Bursa Securities unless decided otherwise by the Exchange.

[End of Appendix 3]

DIRECTIVES ON CONDUCT OF BUSINESS	No. 5-001
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Relevant to	:	Rules 5.01, 5.02(a), 5.02(b), 5.03(1), 5.04(1), 5.13, 5.14(2)(a), 5.15(1)(a), 5.15(1)(b), 5.15(4), 5.16(1), 5.16(2), 5.16(4), 5.16(5), 5.19(1), 5.19(2), 5.19(3), 7.19(2)(b), 7.36(2)(b) and 8.23(a).
Introduced with effect from	:	2 May 2013
Amended	:	15 January 2015 vide R/R 9 of 2014, 15 November 2016 vide R/R 8 of 2016, 16 June 2017 vide R/R 7 of 2017, 23 June 2017 vide R/R 8 of 2017, and 12 December 2017 vide R/R 11 of 2017 <u>and 1 March 2018 vide R/R 3 of 2018</u>
POs' Circular No(s).	:	N/A
Refer also to Directive No(s).	:	N/A

Introduction

Chapter 5 of the Rules sets out the general requirements relating to a Participating Organisation's conduct of business. This directive sets out the minimum obligations in relation to those general requirements.

1. Rule 5.01

- (1) Rule 5.01 requires a Participating Organisation and Registered Person in the conduct of the Participating Organisation's business, 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 must not through any act or omission, do anything which may result in or has the effect of the market not being orderly and fair.
- (2) In discharging the obligations under the said Rule, a Participating Organisation and Registered Person must, amongst others, comply with the requirements set out below.

1.1 Standard of Conduct

- (1) A Participating Organisation and Registered Person must:
 - (a) observe professional conduct and high standards of integrity and fair dealing;
 - (b) conduct their business in a manner that contributes to the maintenance of an orderly and fair market;
 - (c) prevent insider trading, misuse of confidential information and the commission of other offences relating to the abuse of confidential information. In doing so, a Participating Organisation and Registered Person must strictly maintain the confidentiality of all relevant information, including information that on becoming generally available would or would tend to have a material effect on the price or value of securities;
 - (d) not engage in any act that amounts to advertising securities for sale or purchase or share hawking;
 - (e) not engage in any unlawful or irregular or unhealthy practice;
 - (f) not engage in any act that may damage the confidence of investors or hamper the sound development of the stock market of the Exchange;
 - (g) not do or cause or permit to be done any act which:
 - (i) would adversely affect the goodwill or public image of the Exchange;

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- (ii) would bring or is likely to bring the Exchange into disrepute;
 - (iii) is injurious to the character and interest or prejudicial to the objects of the Exchange.
- (h) not engage in any act or practice:
- (i) that might 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
 - (ii) directly or indirectly be tantamount to stock market manipulations,
- and must not participate in any operation by others that might have the same result.
- (2) In addition to the requirements above, a Participating Organisation must:
- (a) exercise strict supervision over the Participating Organisation's business activities and the activities of the Participating Organisation's Registered Persons and employees to achieve compliance with these Rules, the Directives and Securities Laws; and
 - (b) must not unlawfully delegate powers or assign duties properly vested in the Registered Person to unauthorised person or persons.

2. Rule 5.02(a)

Rule 5.02(a) requires a Participating Organisation to have in place adequate arrangements to manage all conflicts of interest that may arise in the conduct of the Participating Organisation's business. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

2.1 Segregation of functions

- (1) A Participating Organisation must segregate the Participating Organisation's front office, middle office and back office operations to prevent any conflict of interest, potential or actual.
- (2) A Participating Organisation must establish and maintain separate reporting structures that ensure the segregation of the Participating Organisation's front office, middle office and back office operations.
- (3) A Participating Organisation assuming more than one function, permitted under the Participating Organisation's Capital Markets and Services Licence or otherwise, must maintain proper segregation of those functions within its organisation to prevent:
 - (a) the flow of "information" between different parts of its organisation that performs each function; and
 - (b) any conflict of interest that may arise as a result.
- (4) In paragraph 4(3)(a), "information" means information as defined in Section 183 of the Capital Markets and Services Act, relating to:
 - (a) any corporation admitted to the Official List; or

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(b) any securities listed and quoted on the Exchange; and

such "information" if it were communicated would amount to an offence under Section 188(3) of the Capital Markets and Services Act.

2.2 Transactions by Participating Organisations, its Registered Persons or employees

- (1) A Participating Organisation must not knowingly enter into any transaction in which it has any interest which conflicts or may conflict with the interest of any Client. A Participating Organisation must also ensure that its Registered Persons and employees comply with the above requirements in relation to Registered Persons and employees' own transactions.
- (2) In cases where conflict of interest cannot be avoided, the Participating Organisation or the Dealer's Representative must fully disclose such conflict to the Participating Organisation and the Client prior to the execution of the transaction.

3. Rule 5.02(b)

Rule 5.02(b) requires a Participating Organisation to have in place adequate arrangements to manage all risks that may arise in the conduct of the Participating Organisation's business. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

3.1 Risk management

- (1) A Participating Organisation must have its own system of monitoring risk on a daily basis.
- (2) A Participating Organisation must determine and record in its financial records appropriate credit limits for all counterparties to which the Participating Organisation has a credit exposure. The credit limits established must be appropriate to the type, nature and volume of business undertaken and the financial status of the counterparty and must be reviewed on a regular basis.
- (3) A Participating Organisation's financial records must be capable of being summarised in such a way as to permit actual exposures to be measured regularly against the established credit limits.
- (4) A Participating Organisation must maintain records in a manner such that the records disclose, or are capable of disclosing, in a prompt and appropriate manner, the financial and business information that enables the Participating Organisation's management to:
 - (a) identify, quantify, control and manage the Participating Organisation's risk exposures;
 - (b) make timely and informed decisions;
 - (c) monitor the performance of all aspects of the Participating Organisation's business on an up-to-date basis;
 - (d) monitor the quality of the Participating Organisation's assets; and
 - (e) safeguard the assets of the Participating Organisation and assets belonging to other persons for which the Participating Organisation is responsible.

4. Rule 5.03(1)

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- (1) Rule 5.03(1) requires a Participating Organisation to 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 Registered Persons, employees and agents;
 - (b) identify, monitor and manage conflicts of interests and risk that may arise in the conduct of the Participating Organisation's business;
 - (c) achieve compliance with these Rules, the Directives, Securities Laws; and
 - (d) provide for investor protection.
- (2) In discharging the obligations under the above Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

4.1 Written policies and procedures and internal controls

A Participating Organisation must have adequate and effective written policies and procedures in relation to:

Supervision of business activities

- (1) Clients:
 - (a) on opening accounts for Clients including:
 - (i) steps to verify the Client's identity and the authenticity of the application;
 - (ii) evaluating and assessing applicants; and
 - (iii) assisting the Participating Organisation's Dealer's Representatives, Marketing Representatives and Trading Representatives in learning essential information about the applicant as required under Rule 5.15(1)(a);
 - (b) on handling complaints received by the Participating Organisation, including reviewing complaint files to ensure that all complaints are duly investigated and dealt with within the time stipulated under such procedures;
 - (c) on the treatment of Client's assets;
- (2) Trading, transactions and business:
 - (a) on reviewing unusual patterns of large trading to detect a breach of these Rules and the Securities Laws in relation to market misconduct;
 - (b) on granting credit facilities in relation to any margin account and reviewing frequent margin calls or other signs of apparent increase of risk exposure pertaining to margin facilities;
 - (c) on supervising, monitoring and approving requests for and amendments to contracts;
 - (d) on supervising and monitoring Off-Balance Sheet Transactions that must include the items listed in **Appendix 1** of this Directive;

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- (e) on the operation and monitoring of the Participating Organisation's accounts and Client accounts including maintaining adequate records on Dealer's Representatives conducting trading;
 - (f) to ensure all transactions and commitments entered into are recorded and are within the scope of authority of the Participating Organisation or the individual acting on behalf of the Participating Organisation;
 - (g) on credit policies, capital allocations, trading limits, and designated approving authorities;
 - (h) to control liabilities and safeguard assets including assets belonging to other persons for which the Participating Organisation is accountable;
 - (i) to monitor the activities of the Participating Organisation's Dealer's Representatives including transactions carried out and correspondences undertaken or received by the Participating Organisation's Dealer's Representatives on the solicitation or execution of transactions;
 - (j) on Securities Borrowing and Lending or ISSBNT, if the Participating Organisation is desirous of engaging in Securities Borrowing and Lending or ISSBNT under these Rules, that must include the items listed in **Appendix 2(a) or Appendix 2(b)** of this Directive;
 - (k) on Regulated Short Selling, if the Participating Organisation is desirous of executing Regulated Short Selling under these Rules, that must include the items listed in **Appendix 3** of this Directive;
- (3) Advertising:
- On reviewing the Participating Organisation's advertising and publicity materials;
- (4) Employees:
- (a) on prompt dissemination of these Rules, the Directives and requirements the Exchange and the Commission issues, to the Participating Organisation's Registered Person and relevant employees;
 - (b) on the ethical standards and conduct at work required of the Participating Organisation's Registered Person and employees and the Participating Organisation's internal disciplinary procedures;
 - (c) to monitor the business transacted for the Participating Organisation's employees, Dealer's Representatives and Directors;

Governance

- (5) Governance:
- (a) on reporting requirements by the Branch Office to the Principal Office to ensure sufficient supervision and control of the Branch Office;
 - (b) on supervising and monitoring the Participating Organisation's back office system and operations that include:

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- (i) timely reporting and transmission of data from a Participating Organisation's Branch Office to the Principal Office;
 - (ii) daily reconciliation of all records of the Participating Organisation's Principal Office and the Branch Office(s); and
 - (iii) reconciling and duly accounting for all trading and transactions undertaken by the Participating Organisation's Branch Office(s).
- (6) ~~Frequency of board of directors' meetings: [Deleted]~~
~~To ensure that at least 1 board of directors meeting is held every 2 months.~~

Risk management

- (7) Generally, and in particular to minimise the risk of losses to the Participating Organisation from irregularities, fraud or error and to identify such matters should they occur so that prompt remedial action may be taken by the management;

Compliance

- (8) Compliance, to prevent any contravention by the Participating Organisation or any of its Registered Person, employees and agents of:
- (a) these Rules and the Directives;
 - (b) the Securities Laws and other applicable laws and regulations; and
 - (c) the Participating Organisation's own internal policies and procedures;

Conflicts of Interests

- (9) Conflicts of interests:
- (a) to minimise conflicts of interests, whether actual, potential or perceived between the Participating Organisation or Dealer's Representative and the Client and in particular in the area of insider dealing and front running; and
 - (b) to ensure a clear delineation of responsibilities and proper segregation of tasks among the departments and the personnel of the Participating Organisation.

5. Rule 5.04(1)

Rule 5.04(1) requires a Participating Organisation to keep proper records to evidence compliance with the requirements in these Rules. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

5.1. Record keeping

- (1) A Participating Organisation must:

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- (a) not make, or cause to be made, a false or misleading entry in any books, records, slips, documents, statements relating to the business, affairs, transactions, conditions, assets or accounts (“the Documents”) of a Participating Organisation;
 - (b) make all material entries in any of the Documents;
 - (c) not alter or destroy any of the Documents without a valid reason; and
 - (d) ensure the integrity and security in the transmission and storage of the Documents.
- (2) A Participating Organisation may keep records in either hard copy form or electronic form. If a Participating Organisation keeps records in electronic form, the Participating Organisation must be able to reproduce such records in a hard copy form.

6. Rule 5.13

Rule 5.13 requires a Participating Organisation to employ or engage Registered Persons, employees and agents who are fit and proper with suitable skill and experience with regard to the position and responsibility they hold. In discharging the obligations under the said Rule, a Participating Organisation must comply with the requirements set out below:

6.1. Training

- (1) A Participating Organisation must establish and maintain an adequate system of training for the Participating Organisation’s Registered Person, employees and agents.
- (2) The training for the Participating Organisation’s Registered Person, employees and agents must include awareness of:
 - (a) all applicable legal and regulatory requirements;
 - (b) the Exchange’s trading system; and
 - (c) internal controls, policies and procedures and operational aspects of the Participating Organisation’s business.

7. Rule 5.14(2)(a)

Rule 5.14(2)(a) requires a Participating Organisation or a Dealer’s Representative to ensure, among others, that a Trading Clerk does not carry out the functions of a Dealer’s Representative.

7.1 Functions of a Dealer’s Representative

A Trading Clerk will be considered to have carried out the functions of a Dealer’s Representative if:

- (a) the Trading Clerk inputs orders through ATS without any prior instructions from a Dealer’s Representative; or
- (b) the Trading Clerk takes instructions or solicits orders directly from a Dealer’s Representative’s Client or any other person for the purpose of trading in securities.

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8. Rule 5.15(1)(a)

Rule 5.15(1)(a) requires a Participating Organisation to obtain all essential information about the Client relevant to the services to be provided before a Participating Organisation opens a trading account for the Client. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

8.1. Essential information

The essential information referred to in Rule 5.15(1)(a) includes essential facts about the Client's background including:

- (a) the Client's investment objectives,
- (b) the Client's knowledge and experience in dealing in securities;
- (c) the Client's financial position;
- (d) whether the Client is associated, within the meaning in section 3 of the Capital Markets and Services Act, to an employee, a director or a Dealer's Representative of the Participating Organisation;
- (e) whether the Client is trading for himself as a Beneficial Owner or as an Authorised Nominee; and
- (f) in respect of Clients who intend to trade on the LEAP Market, the Client's qualification as a Sophisticated Investor as defined in Chapter 16 or as a current securities holder as specified in Rule 16.02(2)(b).

9. Rule 5.15(1)(b)

Rule 5.15(1)(b) requires a Participating Organisation to verify the Client's identity and the authenticity of the application to open a trading account with the Participating Organisation. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

9.1 Authentication of account opening application

- (1) Participating Organisation must take all reasonable steps to verify, by reliable means, the Client's identity and the authenticity of the application before a Participating Organisation opens a trading account for the Client.
- (2) A Participating Organisation must comply with the following in verifying the Client's identity and the authenticity of the application:
 - (a) where the Client appears in person before the Participating Organisation to submit the application, the Participating Organisation must ensure the Client signs the account opening application form in the presence of an officer, a Dealer's Representative, a Marketing Representative or a Trading Representative authorised by the Participating Organisation, and the officer, Dealer's Representative, Marketing Representative or Trading Representative verifies the Client's identity and the authenticity of the application;
 - (b) where the Client does not appear in person before the Participating Organisation to submit the application, the Participating Organisation must, as the case may be:

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- (i) ensure that the account opening application form is signed in the presence of an Acceptable Witness as referred to in paragraph 9.1(3) of this Directive and the Acceptable Witness has verified the Client's identity and the authenticity of the application; or
 - (ii) where such form is not signed in the presence of an Acceptable Witness, take any of the steps set out in paragraph 9.1(4) to verify the Client's identity and the authenticity of the application ("**Non Face-to-face Verification**").
- (3) Pursuant to paragraph 9.1(2)(b)(i), the Client's identity and the authenticity of the application must be verified by any of the following persons ("**Acceptable Witnesses**"):
- (a) an officer, a Dealer's Representative, a Marketing Representative or a Trading Representative authorised by the Participating Organisation;
 - (b) an authorised officer of a Malaysian Embassy or High Commission Consulate;
 - (c) a lawyer in any jurisdiction who has a valid license to practice law in that jurisdiction;
 - (d) a commissioner for oaths in any jurisdiction;
 - (e) a Justice of the Peace in any jurisdiction;
 - (f) a notary public in any jurisdiction;
 - (g) an officer of a registered person referred to under the third column of Item 1(b) of Part 1 of Schedule 4 to the Capital Markets and Services Act, who is authorised by such registered person to perform the activities referred to under the second column of the said Item 1(b);
 - (h) an authorised officer of:
 - (i) a licensed bank as defined under BAFIA; or
 - (ii) an Islamic bank as licensed under the Islamic Banking Act 1983, and with which the Client holds an account;
 - (i) in relation to a stockbroking company licensed or approved to trade on a recognised stock exchange, the following persons:
 - (i) any person who holds a licence equivalent to a licence held by a Dealer's Representative; or
 - (ii) any other person authorised by such licensed stockbroking company, or
 - (j) such other person as may be approved by the Exchange from time to time provided that notification of such approval is forwarded to the Commission within 3 Market Days from the date of such approval.
- (4) In conducting a Non Face-to-face Verification, a Participating Organisation must verify the Client's identity and the authenticity of the application through 1 or more of the following methods:

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- (a) obtain confirmation of the Client's identity from an independent source, for example, by contacting the human resources department of the Client's employer on a listed business number to confirm his employment;
 - (b) receive and encash a personal cheque of the Client for an amount of not less than RM100, where the name appearing on the cheque and the signature of the Client on the cheque must match the name and signature of the Client in the account opening application form;
 - (c) initiate face-to-face contact with the Client through an electronic mode including a video conference facility; or
 - (d) obtain confirmation of the Client's identity and relevant details of the Client from another entity within the Participating Organisation's Group which has previously verified the Client's identity in accordance with such entity's standard operating procedures and ensure that the details of the Client obtained from such other entity match the information in the Client's account opening application form.
- (5) In relation to paragraph 9.1(4), a Participating Organisation must be satisfied that it is reasonable for the Participating Organisation to rely on the methods for Non Face-to-face Verification.
- (6) A Participating Organisation must require a Client to be present in person before the Participating Organisation in relation to the opening of an account or for the Client's account opening application form to be signed in the presence of an Acceptable Witness if:
- (a) the Participating Organisation is not satisfied that it is reasonable for the Participating Organisation to rely on the methods for Non Face-to-face Verification, or it is unable to conduct Non Face-to-face Verification through any of the methods stated in paragraph 9.1(4) to its satisfaction;
 - (b) the Participating Organisation is of the view that the Client's identity and the authenticity of the application cannot be reasonably established through Non Face-to-face Verification conducted or intended to be conducted on the Client; or
 - (c) the Client is an individual from a high risk country or a country with anti-money laundering or counter financing of terrorism deficiencies as referred to in the Commission's Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries.

10. Rule 5.15(4)

Rule 5.15(4) requires a Participating Organisation to record and maintain up-to-date relevant information on the Participating Organisation's Clients, their trading accounts and trades executed in the Client's trading account. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

10.1 Information required to be maintained

In relation to Rule 5.15(4), a Participating Organisation must, in respect of each Client's account maintain records that include:

- (a) the date of opening of the account;

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- (b) the name of the officer who approved the opening of the account and the date of approval;
- (c) the types of transactions, products and investments for which the account is approved;
- (d) in respect of the transactions effected under the account, the following information:
 - (i) particulars of all transactions including amount of commissions charged in respect of each transaction and type of transaction;
 - (ii) current position of the account including compliance with any margin set by the Participating Organisation; and
- (e) the Dealer's Representative handling the account.

11. Rule 5.16(1)

- (1) Rule 5.16(1) requires a Participating Organisation and Registered Person to 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) In discharging the obligations under the said Rule, a Participating Organisation and Registered Person must, amongst others, comply with the requirements set out below.

11.1 Arrangement with Clients

A Participating Organisation, Head of Dealing and Dealer's Representative must not:

- (a) accept a share in the profits of a Client's accounts or have any arrangement with a Client to share in the profits of the Client's account;
- (b) have any arrangement with a third party to allocate profits or losses in a Client's account; or
- (c) lead a Client to believe that the Client will not suffer loss as a result of opening an account or dealing in securities.

11.2 Unauthorised trading through Client's account

A Participating Organisation, Head of Dealing and Dealer's Representative must not:

- (a) execute the personal trades of the Participating Organisation's Head of Dealing or Dealer's Representative (as applicable) in the Client's account; or
- (b) use a Client's account to trade for a third party.

11.3 Client's order

- (1) A Participating Organisation, Head of Dealing and Dealer's Representative must:
 - (a) carry out Client's instructions in a timely manner;

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- (b) give priority to execution of orders given by the Clients over execution of their own orders or orders of persons associated with or connected to them in relation to the securities of the same class;
 - (c) execute Client's orders in the sequence in which the orders are received from each Client;
 - (d) not front-run a Client; and
 - (e) not transfer or re-allocate a trade that has been executed on behalf of one Client to another Client except in accordance with Rule 8.09.
- (2) A Participating Organisation, Head of Dealing or Dealer's Representative may only accept or act on an instruction from a third party in relation to trading in a Client's trading account upon receipt of a written authorisation from the Client empowering the third party to trade for the Client's account.

11.4 Recommendations to Clients

A Participating Organisation or a Dealer's Representative that recommends any transaction for the buying or selling of securities to a Client must:

- (a) take into account and ensure the suitability for the Client of such recommended transaction based on the Client's:
 - (i) investment objectives;
 - (ii) knowledge and experience in trading in securities;
 - (iii) knowledge and experience in financial matters;
 - (iv) financial background; and
 - (v) other relevant information;
- (b) disclose to the Client the potential risk involved in such recommended transactions so as to enable the Client to evaluate such risks; and
- (c) satisfy itself that the Client has the financial capability to bear any risk attached to such recommended transactions.

11.5 Notice of changes

- (1) A Participating Organisation must give sufficient notice to the Participating Organisation's Clients before imposing new business policies or practices.
- (2) What constitutes "sufficient notice" depends on the circumstances surrounding the imposition of the new business policies or practices.

12. Rule 5.16(2)

Rule 5.16(2) requires a Participating Organisation and a Registered Person to make adequate and accurate disclosure of the risks, benefits and conflicts of interests to the Clients in the Participating Organisation's and Registered Person's dealings with the Clients. In discharging

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the obligations under the said Rule, a Participating Organisation and Registered Person must, amongst others, comply with the requirements set out below.

12.1 Monthly statements

- (1) A Participating Organisation must send each Client a statement of account on a monthly basis on all transactions in the Client's account, unless there is no change from the last statement. In relation to the corporate Clients described in paragraph 1.1(4) of Directive No. 5.15-001 (Directives on Opening Client Account), such Clients may opt in writing not to receive a monthly statement of account.
- (2) The statement of account must contain relevant details of the Client's transactions including all charges imposed, payments made and assets the Participating Organisation holds for the Client.
- (3) A Participating Organisation may determine the mode and manner the statement of account is to be sent to the Client.
- (4) The Participating Organisation must comply with any requirement the Exchange or the Commission imposes in relation to the requirement for consent to issue and deliver electronic contract notes in relation to the consent required under this Directive.

12.2 Contract Note

- (1) Issuance of Contract Notes
 - (a) A Participating Organisation must issue Contract Notes to the Participating Organisation's Clients and the Contract Notes must comply with the regulations issued under the Capital Markets and Services Act on Contract Notes. The currency values reflected in the Contract Note must be the currency in which the securities are traded.
 - (b) The names of the buyer and seller in the Contract Notes issued in respect of trades done on the Exchange must be the name of the Client.
- (2) Exchange rate for conversion from foreign currency
 - (a) A Participating Organisations must indicate the exchange rate used for conversion from foreign currency to RM on each contract note for transactions involving securities denominated in foreign currency irrespective of whether the settlement between the Client and the Participating Organisation is in foreign currency or otherwise.
 - (b) The exchange rate in paragraph (a) above must be an exchange rate which is quoted by a licensed on-shore bank to the Participating Organisation.
- (3) Computer generated contract note
 - (a) Participating Organisations are advised that no signature is required on the Participating Organisation's computer generated contract notes if the contract notes carry the following statement:

“THIS IS A COMPUTER GENERATED CONTRACT NOTE AND IS DEEMED TO HAVE BEEN SIGNED”

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- (b) A copy of the relevant letter dated 1 April 1993 from the Department of Inland Revenue to the Exchange is attached to this Directive as **Appendix 4** of this Directive.

13. Rule 5.16(4)

Rule 5.16(4) requires a Participating Organisation to promptly and properly account for and adequately safeguard Client's assets. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

13.1 Client's assets

- (1) A Participating Organisation must open or maintain at least 1 trust account with a licensed institution as defined in the BAFIA.
- (2) A Participating Organisation must pay into the trust account:
- (a) all amounts, less any brokerage and other proper charges, received from or on account of a Client for the purchase of securities and that are not attributable to securities delivered to a Participating Organisation not later than the next bank business day or such other day as may be specified by the Commission on which the amounts were received by the Participating Organisation;
- (b) all amounts, less any brokerage and other proper charges, received for or on account of a Client from the sale of securities and that are not paid to that Client or as that Client directs not later than the next bank business day or such other day as may be specified by the Commission on which the amounts were received by the Participating Organisation.
- (3) Subject to paragraph 13.1(2)(b), any payments issued by a Participating Organisation to a Client in respect of sale of securities by the Client must be issued by the Participating Organisation out of the trust account.
- (4) A Participating Organisation must:
- (a) not co-mingle the monies in the trust account with monies for other purposes;
- (b) not allow the trust account to at any time be in deficit and if the trust account is in deficit, the Participating Organisation must take immediate and urgent steps to deposit monies in the trust account to ensure that the monies in the trust account commensurate with amounts due to Clients; and
- (c) at all times have funds available in the trust account to make the relevant payments out of the trust account.
- (5) The withdrawal of monies out of the trust account must fall within the circumstances permitted under the Capital Markets and Services Act.
- (6) A Participating Organisation must ensure that Client's assets in the form of securities that the Participating Organisation holds in safe custody under custodial services rendered are held by the Participating Organisation's nominee company. The Participating Organisation's nominee company must be a wholly-owned subsidiary of the Participating Organisation and an Authorised Nominee.
- (7) The trust account maintained with licensed institutions must be formally designated as "Clients' Trust Account" and duly approved by way of a Board of Director's resolution.

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- (8) A Participating Organisation may place Client's monies in fixed deposits or other interest bearing accounts provided that:
- (a) such placement is made in the name of the Clients' trust account;
 - (b) withdrawal of such placement, including interest, is directly credited back into the Clients' trust account; and
 - (c) such placement will not affect the obligation to duly pay the Clients.

14. Rule 5.16(5)

Rule 5.16(5) requires a Participating Organisation to, 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.

In discharging the obligations under the above Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

14.1 Handling complaints

A Participating Organisation must designate an appropriate officer to handle all complaints lodged with the Participating Organisation. The name of such officer must be displayed at a prominent place in the premises of the Participating Organisation.

15. Rules 5.19(1) and 5.19(2)

- (1) Rule 5.19(1) requires a Participating Organisation to take up 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.
- (2) Rule 5.19(2) further provides that a Participating Organisation may maintain the above insurance policy at Group level.
- (3) In discharging the obligations under the above Rules, a Participating Organisation must, amongst others, comply with the requirements set out below.

15.1 Scope of insurance policy

The insurance policy referred to in Rule 5.19(1) must:

- (a) have a minimum limit of indemnity of RM5 million; and
- (b) include the areas of coverage set out in **Appendix 5** of this Directive.

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16. Rule 5.19(3)

Rule 5.19(3) requires a Participating Organisation to notify the Exchange that the insurance policy is in place. In discharging the obligations under the above Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

16.1 Notification of insurance policy

The Participating Organisation must notify the Exchange in writing of the insurance policy being in place on an annual basis, no later than 31 January of each calendar year.

[End of Directive]

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APPENDIX 1
[Paragraph 4.1(2)(d)]

Off-Balance Sheet Transactions:
Minimum requirements for written policies and procedures and internal controls

- (1) Policy statement(s) on circumstances under which the Participating Organisation is permitted to enter into Off-Balance Sheet Transactions;
- (2) Adequate risk assessment, monitoring and management policies and procedures with the objective of ensuring that the risks assumed by the Participating Organisation in respect of Off-Balance Sheet Transaction(s) entered into by the Participating Organisation will be managed and monitored accordingly and any requisite steps and action in mitigating such risks are effective;
- (3) Establishment of procedures and requirements for adequate reporting of information to be made to the Participating Organisation's Board of Directors to enable the Board of Directors to make informed decisions in a timely manner;
- (4) Establishment and maintenance of organisational and reporting structures in relation to the Participating Organisation's activities in the entry into Off-Balance Sheet Transactions that ensure regular reporting to the Participating Organisation's Board of Directors;
- (5) Maintenance of a proforma computation of the Capital Adequacy Ratio, in the form of Appendix 1 to the Directives on Capital Adequacy Requirements, incorporating the contingent liabilities arising from the Off-Balance Sheet Transaction(s) on the basis of Worst Case scenario (as defined in Rule 1.01(1)), accompanied by a detailed comparison with the Participating Organisation's actual Capital Adequacy Ratio as at the date immediately preceding the date of entry into the Off-Balance Sheet Transaction(s);and
- (6) A detailed action plan describing the Participating Organisation's decided course of action or measures taken or to be taken to fully perform and discharge the Participating Organisation's obligations under Off-Balance Sheet Transaction(s).

[End of Appendix 1]

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APPENDIX 2(a)
[Paragraph 4.1(2)(j) and Rule 7.19(2)(b)]

Securities Borrowing and Lending:
Minimum requirements for written policies and procedures and internal controls

- (1) Criteria to assess the suitability of Clients in borrowing or lending of Eligible Securities prior to the borrowing or lending and on an ongoing basis;
- (2) Risk management policies and procedures including limits in terms of volume and value of borrowing and lending permitted for each Client and the Participating Organisation itself;
- (3) The authority matrix in relation to the approval process within the Participating Organisation for the borrowing and lending of Eligible Securities whether by the Participating Organisation's Clients or the Participating Organisation;
- (4) The list of Eligible Securities where the Participating Organisation will not be borrowing and lending (if any);
- (5) Relevant documentation in relation to the borrowing or lending of Eligible Securities which includes the written agreement in Rule 7.18(4)(a) and the risk disclosure statement;
- (6) The handling and distribution of fees and income in relation to Eligible Securities lent and the collateral deposited;
- (7) The handling of corporate actions in respect of Eligible Securities lent and the collateral deposited; and
- (8) The carrying out of review in relation to the requirements and controls set out in the guidelines for Securities Borrowing and Lending and compliance with these Rules and the Clearing House Requirements pertaining to Securities Borrowing and Lending activities.

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APPENDIX 2(b)
[Paragraph 4.1(2)(j) and Rule 7.36(2)(b)]

ISSBNT:

Minimum requirements for written policies and procedures and internal controls

- (1) Criteria to assess the suitability of Clients in buying or selling of ISSBNT Eligible Securities prior to the purchase or sale and on an ongoing basis;
- (2) Risk management policies and procedures including limits in terms of volume and value of purchase and sale permitted for ISSBNT for each Client and the Participating Organisation itself;
- (3) The authority matrix in relation to the approval process within the Participating Organisation for the purchase and sale of ISSBNT Eligible Securities whether by the Participating Organisation's Clients or the Participating Organisation;
- (4) The list of ISSBNT Eligible Securities where the Participating Organisation will not be buying and selling (if any);
- (5) Relevant documentation in relation to the purchase or sale of ISSBNT Eligible Securities which includes the risk disclosure statement;
- (6) The handling and distribution of fees and income in relation to ISSBNT Eligible Securities sold pursuant to ISSBNT and the collateral deposited;
- (7) The handling of corporate actions in respect of ISSBNT Eligible Securities sold pursuant to ISSBNT and the collateral deposited; and
- (8) The carrying out of review in relation to compliance with these Rules and the Clearing House Requirements pertaining to ISSBNT activities.

[End of Appendix 2]

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APPENDIX 3
[Paragraph 4.1(2)(k) and Rule 8.23(a)]

Regulated Short Selling:
Minimum requirements for written policies and procedures and internal controls

- (1) Criteria to assess the suitability of Client in carrying out Regulated Short Selling prior to the opening of RSS Account (as defined in Rule 8.25(1)) and on an ongoing basis;
- (2) The authority matrix in relation to the approval process within the Participating Organisation for the carrying out of Regulated Short Selling by the Clients and the Participating Organisation;
- (3) The list of Approved Securities for which the Participating Organisation will not allow for Regulated Short Selling (if any);
- (4) Procedures on amendments of orders and amendments of Contracts for Regulated Short Selling, including the supervision, monitoring and approval request for the amendments;
- (5) Relevant documentation in relation to the carrying out of Regulated Short Selling which includes the account opening form and documentation required pursuant to Rule 8.25;
- (6) Risk management policies and procedures which address the market risk, operational risk, credit risk and regulatory risk in relation to the conduct of Regulated Short Selling including limits in terms of volume and value prescribed for the carrying out of Regulated Short selling by each Client and the Participating Organisation; and
- (7) The carrying out of review in relation to the requirements and controls set out in the internal guidelines for Regulated Short Selling and compliance with the laws and rules relating to Regulated Short Selling.

[End of Appendix 3]

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**APPENDIX 4
(Paragraph 12.2(3)(b))**



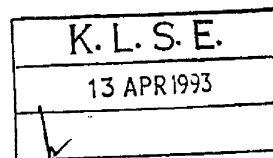
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Ruj. Tuan: KLSE/INST/13. (286)
Ruj. Kami: JHDN.01/34/42/68-031(G)

Tarikh: 1 April 1993
8 Syawal 1413

Penolong Pengurus Besar Kanan,
Hal-Ehwal Korporat dan Undang-Undang,
Bursa Saham Kuala Lumpur,
Tingkat 3, 4 dan 5, Exchange Square,
Off Jalan Semantan,
Damansara Heights,
50490 KUALA LUMPUR.



Tuan,

Nota kontrak yang dikeluarkan oleh komputer

Saya merujuk kepada surat tuan bertarikh 11 Mac 1993 mengenai perkara di atas dan ingin memaklumkan bahawa cadangan tuan adalah dipersetujui.

Sekian, terima kasih.

▪ BERKHIDMAT UNTUK NEGARA ▪

▪ CINTAILAH BAHASA KITA ▪

Saya yang menurut perintah,

(PUAN MARIDAH BT LUDIN)
Unit 34,
Bahagian Duti Setem,
b.p. Ketua Pengarah Hasil Dalam Negeri,
Malaysia.

(Sila rujuk fail kami apabila meninjau)

[End of Appendix 4]

DIRECTIVES ON CONDUCT OF BUSINESS	No. 5-001
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APPENDIX 5
[Paragraph 15.1(b)]

Minimum Coverage of Insurance Policy

- (1) Incomplete transactions.
- (2) Loss of securities/cash.
- (3) Forged, altered, stolen or counterfeit securities.
- (4) Infidelity of employees and Dealer's Representatives.
- (5) Official investigation costs.
- (6) Computer crimes:
 - a. computer systems – fraudulent input, modification or destruction of electronic data;
 - b. electronic computer instructions – fraudulent preparation or modification;
 - c. electronic data and media;
 - d. electronic communications;
 - e. assured service bureau operations;
 - f. electronic transmission and electronic securities;
 - g. forged telefacsimile;
 - h. computer virus;
 - i. errors and omissions.
- (7) Negligence.
- (8) Libel, slander and injurious falsehood.
- (9) Breach of copyright.
- (10) Civil liability.
- (11) Inadvertent breach of trust and inadvertent breach of fiduciary duty.
- (12) Dishonesty of employees and Dealer's Representatives.

[End of Appendix 5]

DIRECTIVES ON PROCEDURES FOR DISCLOSING NON-COMPLIANCE TO THE EXCHANGE	No. 5.03-001
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Relevant to : Rule 5.03
 Introduced with effect from : 2 May 2013
 Amended : ~~N/A~~ 1 March 2018 vide R/R 3 of 2018
 POs' Circular No(s). : R/R 10 of 2003
 Refer also to Directive No(s). : N/A

1. Rule 5.03

- (1) Rule 5.03 provides that a Participating Organisation must have in place, internal controls and written policies and procedures designed to:
- (a) facilitate the supervision of the Participating Organisation's business activities and the conduct of the Participating Organisation's Registered Persons, employees and agents;
 - (b) identify, monitor and manage conflicts of interests 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
 - (d) provide for investor protection.
- (2) In discharging the obligations in the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

1.1 REPORTING DISCLOSURES OF NON-COMPLIANCE

- (1) This Directive establishes a procedure for reporting disclosures to the Exchange of any breaches, non-compliance or violations by a Participating Organisation of Rule 11.02 of the Rules of Bursa Securities on requirements relating to commission.
- (2) A Participating Organisation must ensure that the procedures outlined below are disseminated, or made known, to their Clients and are positioned at their Principal Office, ~~and~~ Branch Office(s) ~~and Electronic Access Facilities~~ so as to be clearly visible to all Clients or visitors.
- (3) Disclosures to the Exchange may be made by employees of the Participating Organisation or by members of the public ("whistleblower") in good faith, of information which, in the reasonable belief of the whistleblower, tends to show any or all of the following:
- (a) breach of any of the provisions of Rule 11.02 of the Rules of Bursa Securities committed by a Participating Organisation; and
 - (b) failure by a Participating Organisation to comply with any of the provisions of Rule 11.02 of the Rules of Bursa Securities.
- (4) A disclosure to the Exchange may be made orally or in writing and as far as possible, supported by all such documentary evidence as may be relevant or necessary to support the disclosure or as may be deemed expedient by the Exchange from time to time. The Exchange may require a whistleblower to provide such additional information and documents as it may determine. A disclosure must be made or addressed to:

Head, Participant Supervision ~~Division~~ Department
 Regulation

DIRECTIVES ON PROCEDURES FOR DISCLOSING NON-COMPLIANCE TO THE EXCHANGE	No. 5.03-001
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12th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur
Tel : (03) 2034 7141

- (5) The Exchange will endeavour to protect the identity of the whistleblower, unless the whistleblower has agreed in writing to waive confidentiality.
- (6) The Exchange will assess each disclosure received to determine whether further action is necessary, including taking disciplinary action in accordance with the Rules of Bursa Securities against the Participating Organisation or its Registered Person against whom the disclosure is made.
- (7) Where a disclosure by a whistleblower results in the imposition of a fine against the errant party and upon the fine being duly paid, the Exchange may at its absolute discretion reward the whistleblower with an amount not exceeding 50% of the fine paid. Where the whistleblower is implicated in connection with the disclosure made by him pursuant to these directives, the reward (if any) will be forfeited. A decision by the Exchange will be final and no appeals or reviews will be entertained in any circumstances.
- (8) The management and employees of the Exchange and other relevant regulatory authorities and members of their respective family will not be entitled to the reward in paragraph 1.1(7) above. "A member of the family" for the purposes of these directives, includes the person's spouse, parent, child (including adopted child and step-child), brother, sister and spouse of his child, brother or sister.

[End of Directive]

DIRECTIVES ON THE ESTABLISHMENT OF BRANCH OFFICE AND ELECTRONIC ACCESS FACILITIES	No. 6-001
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Relevant to	: Rules 6.03(1), 6.03(2), 6.04(2) and 6.05
Introduced with effect from	: 2 May 2013
Amended	: N/A <u>1 March 2018 vide R/R 3 of 2018</u>
POs' Circular No(s).	: N/A
Refer also to Directive No(s).	: N/A

[Deleted]**~~1. Rule 6.03(1)~~**

~~(1) Rule 6.03(1) provides that a Participating Organisation may establish, maintain and operate Branch Offices and Electronic Access Facilities with the Exchange's approval subject to the Commission's requirements on Branch Offices and Electronic Access Facilities.~~

~~(2) In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.~~

~~1.1 Written application~~

~~(1) A Participating Organisation who intends to establish a Branch Office or an Electronic Access Facility pursuant to Rule 6.03(1) must submit a written application to the Exchange in accordance with this Directive.~~

~~(2) The written application must be submitted together with a written notification of the location and intended commencement date of the operations of the Branch Office or Electronic Access Facility not later than 30 Market Days prior to the intended commencement date of the operations of the Branch Office or Electronic Access Facility.~~

~~1.2 Approval in principle for establishment of Branch Office and Electronic Access Facility~~

~~(1) Upon receipt of the application to establish a Branch Office or an Electronic Access Facility, the Exchange will evaluate the application and consider amongst others the following:-~~

~~(a) the area which the Participating Organisation is applying to establish a Branch Office or an Electronic Access Facility;~~

~~(b) the Participating Organisation's business integrity;~~

~~(c) its financial standing; and~~

~~(d) its experience of dealing in securities.~~

~~(2) The requirements stipulated in 1.1(1) and (2) in relation to Branch Office of this Directive are not applicable to an Investment Bank.~~

~~1.3 Name of Branch Office and Electronic Access Facility~~

~~The Branch Office and Electronic Access Facility must carry the name of the Participating Organisation and not any other name.~~

DIRECTIVES ON THE ESTABLISHMENT OF BRANCH OFFICE AND ELECTRONIC ACCESS FACILITIES	No. 6-001
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~~1.4 — Material changes to the Branch Office or Electronic Access Facility~~

~~A Participating Organisation must obtain the prior approval of the Exchange in respect of any material change to the Branch Office or Electronic Access Facility established, maintained or operated pursuant to this Directive.~~

~~2. — Rule 6.03(2)~~

~~2.1 — Rule 6.03(2) provides that a Participating Organisation must, in relation to every Branch Office, appoint 1 person who is engaged on a full time basis with the Participating Organisation and responsible to ensure the proper segregation of duties at the Branch Office and to oversee the administrative activities at the Branch Office.~~

~~2.2 — In this respect, a person who, prior to the Effective Date, is heading and supervising the Branch Office of a Participating Organisation (“Head of Branch Office”) will be deemed from the Effective Date as the person specified in Rule 6.03(2), unless otherwise notified to the Exchange by the Participating Organisation.~~

~~3. — Rule 6.04(2)~~

~~(1) — This Rule provides that a Participating Organisation may only carry out activities as the Exchange may permit at the Electronic Access Facility.~~

~~(2) — The directives below specify the activities that may or may not be carried out at a Participating Organisation’s Electronic Access Facility.~~

~~3.1 — Permitted activities at the Electronic Access Facility~~

~~A Participating Organisation may carry out the following activities at an Electronic Access Facility:~~

- ~~(a) — collection of relevant forms duly executed by the Clients;~~
- ~~(b) — the publication or dissemination of written analysis or reports or any similar communications by the Participating Organisation in the course of carrying on the regulated activity of investment advice;~~
- ~~(c) — the stationing of the Participating Organisation’s employee(s) or third party(ies) but not its Dealer’s Representative(s) at the Electronic Access Facility for the following purposes only:

 - ~~(i) — to provide assistance to Clients utilising the Electronic Access Facility;~~
 - ~~(ii) — to provide maintenance services to the Electronic Access Facility;~~
 - ~~(iii) — to provide security to the Electronic Access Facility and its site(s); and~~
 - ~~(iv) — such other activities as may be approved by the Commission and/or Exchange from time to time.~~~~

DIRECTIVES ON THE ESTABLISHMENT OF BRANCH OFFICE AND ELECTRONIC ACCESS FACILITIES	No. 6-001
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3.2 — ~~Prohibited activities at the Electronic Access Facility~~

~~A Participating Organisation must not carry out at the Electronic Access Facility any type of front office or back office operations and activities including the following:~~

- ~~(a) — the opening and closing of trading accounts or Securities Accounts;~~
- ~~(b) — trading in securities, but excluding such orders entered into the Electronic Access Facility by the Clients themselves;~~
- ~~(c) — the processing, production of printing of Contract Notes;~~
- ~~(d) — any other business permitted by the Commission or Central Bank that are not specified in paragraph 3.1; and~~
- ~~(e) — the stationing of Dealer's Representatives at the Electronic Access Facility.~~

4. — ~~Rule 6.05~~

- ~~(1) — Rule 6.05 provides that a Participating Organisation may convert its Electronic Access Facility to a Branch Office or vice versa upon approval of the Exchange.~~
- ~~(2) — Pursuant to the above Rule, a Participating Organisation must, amongst others comply with the requirements set out below.~~

4.1 — ~~Conversion of Electronic Access Facility to Branch Office or Branch Office to Electronic Access Facility~~

~~A Participating Organisation who intends to convert an Electronic Access Facility to a Branch Office, or a Branch Office to an Electronic Access Facility must undertake the following:~~

- ~~(a) — submit a written application to the Exchange, at least 3 months prior to the date of the proposed conversion; and~~
- ~~(b) — give prior written notification of not less than two 2 months before the proposed date of conversion to its Clients who may be affected by the proposed conversion.~~

[End of Directive]

DIRECTIVES ON SECURITIES BORROWING AND LENDING AND ISSBNT	No. 7-001
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Relevant to	: Rules 7.18(4)(a), 7.18(4)(b), 7.18(4)(c) 7.18(4)(d), 7.20, 7.35(4)(a), 7.35(4)(b) and 7.37
Introduced with effect from	: 2 May 2013
Amended	: 12 December 2017 vide R/R 11 of 2017 <u>and 1 March 2018 vide R/R 3 of 2018</u>
POs' Circular No(s).	: N/A
Refer also to Directive No(s).	: 7.30-001, 13.04-001

Securities Borrowing and Lending

1. Rules 7.18(4)(a), 7.18(4)(b), 7.18(4)(c) and 7.18(4)(d)

- (1) These rules require a Participating Organisation to ensure that where the Securities Borrowing and Lending involves a Client, the following are complied with:
- that the Participating Organisation executes a written agreement with its Client in respect of the Securities Borrowing and Lending and the terms of the written agreement comply with the requirements as stipulated by the Exchange. This provision is not applicable where the Securities Borrowing and Lending is a SBL Negotiated Transaction;
 - that collateral is lodged in accordance with the requirements as stipulated by the Exchange. This provision is not applicable where the Securities Borrowing and Lending is a SBL Negotiated Transaction;
 - that the lending of Margin Securities of a Margin Account Client complies with the requirements as stipulated by the Exchange;
 - that the lending of Eligible Securities held in its custody for its Client complies with the requirements as stipulated by the Exchange; and
 - that a copy of the risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for borrowing by the Client of Eligible Securities.

These Directives set out the Exchange's requirements in relation to the written agreement, the collateral, the lending of Margin Securities of a Margin Account Client, the lending of Eligible Securities held in a Participating Organisation's custody for its Client and the risk disclosure statement.

- (2) In discharging the obligations under the said Rules, a Participating Organisation must, amongst others, comply with the following Directives.

1.1 Written Agreement

- A Participating Organisation must execute a written agreement referred to in Rule 7.18(4)(a)(i) for the Securities Borrowing and Lending of Eligible Securities with its Client prior to the borrowing or lending of the Eligible Securities.
- The Participating Organisation must ensure that 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 and Lending are 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 and Lending and include matters specified below:

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- (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 paragraph 1.2, the 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 or lending or both 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 paragraph 1.1 is not applicable where the Securities Borrowing and Lending is a SBL Negotiated Transaction.

1.2 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.
- (2) The Participating Organisation must comply with the following requirements in relation to the collateral required to be deposited by a Client pursuant to paragraph 1.2(1):
 - (a) the collateral must only be the types of collateral provided in Directive 13-001 issued by the Exchange 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 to its Securities Borrowing and Lending activities. In the absence of any Haircut prescribed by the Clearing House, the Haircut for that collateral must at least be the same as the ‘discounting’ rate provided in Directive 13.04-001 issued by the Exchange for discounting on collateral pursuant to Capital Adequacy Requirements. For the purposes of this paragraph 1.2, any reference made to the value of collateral is taken to mean the value of the collateral based on the valuation prescribed in paragraph 1.2(2)(d) after applying the prescribed Haircut under this rule;
 - (b) the Client must deposit the collateral prior to the borrowing envisaged in paragraph 1.2(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 manner of valuation stipulated in Rule 7.30(7). However the above valuation may be made on an intra day basis in the following circumstances:

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- (i) unusually rapid or volatile changes in the value of the securities;
 - (ii) non-existence of an 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 Borrowed Securities within 3 Market Days from the date of the notice. If the Client fails to return the Borrowed Securities, 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 Borrowed Securities 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 paragraph 1.2(6), a Participating Organisation must keep all collateral deposited by a Client with it 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 paragraph 1.2 except for paragraph 1.2(8) into the written agreement referred to in paragraph 1.1.
- (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 paragraph 1.2 for any reason except as permitted in paragraph 1.2(6).

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- (10) This paragraph 1.2 is not applicable where the Securities Borrowing and Lending is a SBL Negotiated Transaction.

1.3 Securities in Margin Account

- (1) A Participating Organisation may borrow any Eligible Securities in the Margin Account of a Client, for the purpose of carrying out lending activities permitted under the Clearing House Requirements if it complies with the following requirements:

- (a) A written agreement referred to in paragraph 1.1 is executed between the Participating Organisation and the Client ("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 even though:
 - (i) the Margin Securities in the Margin Account are used for purposes of Securities Borrowing and Lending; and
 - (ii) there is a shortfall or gain arising from a Securities Borrowing and Lending transaction 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 and Lending on such terms as may be mutually agreed between the Participating Organisation and that Client even though the Securities Borrowing and 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 Part H of Chapter 7.
- (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 the Margin Account Client containing all necessary details in relation to the borrowing including the quantity of Margin Securities utilised and the fees earned.

- (2) A Participating Organisation must incorporate the requirements stipulated in paragraph 1.3(1)(b) into the written agreement referred to in paragraph 1.1.

1.4 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 the purposes of carrying out lending activities as permitted under the Clearing House Requirements provided that the Participating Organisation executes a written agreement between the

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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 and Lending.

1.5 Risk disclosure statement

- (1) A Participating Organisation must ensure that where the Securities Borrowing and Lending involves a Client, a copy of the risk disclosure statement as prescribed in **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.

2. Rule 7.20

- (1) Rule 7.20 provides that a Participating Organisation may only commence its Securities Borrowing and Lending activities if it has:

~~(a) — Effective Shareholders' Funds of not less than RM50,000,000 as at the date of the declaration in Rule 7.20(b) and continues to maintain the same for as long as it is carrying out Securities Borrowing and Lending activities; and~~

~~(b) —~~ submitted a written declaration in the form as prescribed by the Exchange of its compliance with Rules 7.19 ~~and 7.20(a)~~ at least 2 Market Days before commencing its Securities Borrowing and Lending activities.

- (2) The declaration must be made in the form set out in **Appendix 2**.

ISSBNT

3. Rules 7.35(4)(a) and 7.35(4)(b)

- (1) These rules require a Participating Organisation to ensure that where the ISSBNT involves a Client, the following are complied with:

(a) that the sale of ISSBNT Eligible Securities held in its custody for its Clients, pursuant to a ISSBNT, complies with the requirements as stipulated by the Exchange; and

(b) a copy of the risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for a purchase under ISSBNT.

- (2) In discharging the obligations under the said Rules, a Participating Organisation must, amongst others, comply with the following Directives.

3.1 Securities In Custody

- (1) A Participating Organisation may enter into an arrangement to utilise the ISSBNT Eligible Securities ("Custodial Securities") which are held in its custody for its Clients ("Custodial Clients") for the purposes of carrying out ISSBNT activities as permitted under the Clearing House Requirements provided that the Participating Organisation executes a written agreement between the Participating Organisation and the Custodial Client to utilise the Custodial Securities.

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- (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 ISSBNT.

3.2 Risk disclosure statement

- (1) A Participating Organisation must ensure that where the ISSBNT involves a Client, a copy of the risk disclosure statement as prescribed in **Appendix 1** is given to and acknowledged by its Client prior to the execution of any written agreement for a purchase under ISSBNT by the Client of ISSBNT Eligible Securities.

4. Rule 7.37

- (1) Rule 7.37 provides that a Participating Organisation may only commence its ISSBNT activities if it has:
- ~~(a) — Effective Shareholders' Funds of not less than RM50,000,000 as at the date of the declaration in Rule 7.37(b) and continues to maintain the same for as long as it is carrying out ISSBNT activities; and~~
 - ~~(b) —~~ submitted a written declaration in the form as prescribed by the Exchange of its compliance with Rules 7.36 ~~and 7.37(a)~~ at least 2 Market Days before commencing its ISSBNT activities.
- (2) The declaration must be made in the form set out in **Appendix 2**.

[End of Directives]

APPENDIX 1

**RISK DISCLOSURE STATEMENT ON [SECURITIES BORROWING / PURCHASING SECURITIES
PURSUANT TO ISSBNT]***

** This is a template document where the relevant parts marked with an asterisk are to be deleted accordingly if the same is not applicable. In the event this risk disclosure statement is to be executed by a Client for both securities borrowing and securities purchase pursuant to ISSBNT, no deletion is required and a single document may be submitted.*

1. This statement is provided to you in accordance with Rule [7.18(4)(d) / 7.35(4)(b)]* of these Rules.
2. The purpose of this statement is to inform you that the risk of loss in [borrowing securities / purchasing securities under ISSBNT]* for the purposes permitted under these Rules can be substantial. You should assess if [borrowing / purchasing under ISSBNT]* securities is suitable for you in light of your financial circumstances. In deciding whether to [borrow securities / purchase securities under ISSBNT]* you should be aware of the following:
 - (a) where the redelivery of securities to the [lender / supplier]*, which securities is equivalent to the [securities borrowed / securities purchased under ISSBNT]*, 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 / purchase under ISSBNT]*;
 - (b) under certain conditions, it may be difficult to buy back securities equivalent to the [securities borrowed / securities purchased under ISSBNT]*;
 - (c) the [lender may recall the securities borrowed / supplier may exercise its rights to recall the securities from the user or, upon occurrence of certain trigger events]* at any time which necessitates the buying back of securities equivalent to the [securities borrowed / securities purchased under ISSBNT]*; and
 - (d) the [securities borrowed may no longer be eligible for borrowing / securities purchased under ISSBNT may no longer be eligible for purchase]* in the future and as such the [lender / supplier]* may recall on all of that [securities borrowed by all borrowers / securities purchased under ISSBNT by all users]* which may necessitate the buying back of the securities equivalent to that [securities borrowed, by all borrowers / securities purchased under ISSBNT, by all users]*. This 'buying back' may result in the buy price of those securities going up significantly.
3. This brief statement cannot disclose all the risks and other aspects of [borrowing of securities / purchase of securities under ISSBNT]*. You should therefore carefully study the terms, conditions, the rules and regulations pertaining to [borrowing of securities / purchase of securities under ISSBNT]* 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 / PURCHASING SECURITIES UNDER ISSBNT]* and understand its contents which have been explained to me by the Participating Organisation.

Signature : _____
Full name : _____
Date : _____

DIRECTIVES ON SECURITIES BORROWING AND LENDING AND ISSBNT	No. 7-001
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APPENDIX 2

**DECLARATION ON COMPLIANCE FOR SECURITIES BORROWING AND LENDING/ ISLAMIC
SECURITIES SELLING AND BUYING-NEGOTIATED TRANSACTION (“ISSBNT”)
[Rules 7.20~~(b)~~ and 7.37~~(b)~~]**

** This is a template document where the relevant parts marked with an asterisk are to be deleted accordingly if the same is not applicable. In the event this risk disclosure statement is to be executed by a Client for both securities borrowing and securities purchase pursuant to ISSBNT, no deletion is required and a single document may be submitted.*

To: Bursa Malaysia Securities Berhad

DECLARATION ON COMPLIANCE

Pursuant to the requirements of [Rule 7.20~~(b)~~/ 7.37~~(b)~~]*, we [name of Participating Organisation] declare as follows:

1. that we have formulated a set of the internal guidelines for [Securities Borrowing and Lending / ISSBNT]* which have been approved by the board of Directors;
2. the internal guidelines for [Securities Borrowing and Lending / ISSBNT]* have been brought to the notice of the relevant employees and registered persons who have read and understood the contents;
3. that the internal guidelines for [Securities Borrowing and Lending / ISSBNT]* comply with the requirements set out in [Rule 7.19/ 7.36] *; and
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/ ISSBNT]* activities in accordance with these Rules.

~~[5. that in accordance with the requirement in [Rule 7.20(a)/ 7.37(a)], we have Effective Shareholders' Funds of not less than RM50,000,000 as at the date of this declaration and will continue to maintain the same for as long as we are carrying out [Securities Borrowing and Lending/ ISSBNT activities]**.~~

Signed : _____
 [Authorised signatory]

Date : _____

~~** Delete if Rule 7.20(a)/ 7.37(a) is not applicable.~~

DIRECTIVES ON DIRECT MARKET ACCESS (“DMA”)	No. 8-001
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Relevant to	: Rules 8.16(1)(a), 8.17 and 8.19(2)
Introduced with effect from	: 2 May 2013
Amended	: <u>N/A 1 March 2018 vide R/R 3 of 2018</u>
POs’ Circular No(s).	: R/R 8 of 2011 and R/R 9 of 2012
Refer also to Directive No(s).	: N/A

Introduction

Part B of Chapter 8 sets out the general requirements relating to Direct Market Access. This Directive sets out the minimum requirements in relation to those principles.

1. Rule 8.16(1)(a)

Rule 8.16(1)(a) provides that a Participating Organisation may provide Direct Market Access (“DMA”) if the DMA complies with the requirements stipulated by the Exchange. In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

1.1 Internal Policies and Procedures

- (1) A Participating Organisation must establish internal policies and procedures in relation to the setting of appropriate values for the risk filters.
- (2) A Participating Organisation must take into consideration the risk profile and conduct of each Client in accordance with its Know-Your-Client (“KYC”) obligations under Rule 5.15 of the Rules of Bursa Securities.

1.2 Error and/or exception handling

- (1) A Participating Organisation must clearly establish a set of procedures on handling all errors and exceptions. In handling the same, the procedures must include, at least, the following:
 - (a) A list of errors and exceptions that have been identified with recommended solutions (if any) including of records of past actions taken;
 - (b) The risks associated with and the handling priority for each of the identified errors or exceptions; and
 - (c) The escalation procedures for each error or exception.
- (2) In addition, a Participating Organisation must establish sufficient procedures to monitor and review (including the frequency) all activities in relation to DMA errors or exceptions.

1.3 Logging of DMA activities

- (1) A Participating Organisation must ensure that the following details in relation to a DMA Order are logged immediately:
 - (a) References to the DMA client/Dealer’s Representative responsible for the DMA Order;
 - (b) Date and time-stamp;
 - (c) DMA client sign-on;

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- (d) DMA client sign-off and the manner in which the sign-off was carried out i.e. manual or automated;
 - (e) Order identification/sequence number;
 - (f) The outcome/status of the risk filter screening inclusive of events subsequent to DMA Order disqualification;
 - (g) The outcome/status of the DMA Order entering the Exchange order book;
 - (h) Modifications made by DMA client to DMA Order; and
 - (i) Order match confirmation received from the ATS and the notification of the same when it was made to the DMA client.
- (2) The retention of the logging details must form part of the Participating Organisation’s record keeping requirements.
- (3) A Participating Organisation must ensure that regular reviews of each DMA client’s trading activities are carried out in order for the Participating Organisation to review the assignment and setting of risk filters for the DMA client, where necessary.

1.4 Notification

The Participating Organisation must notify the Exchange’s Participants Supervision Division of the commencement of DMA service to clients no less than 2 days prior to the commencement.

2. Rule 8.17

- (1) Rule 8.17 requires the Participating Organisation to have appropriate automated risk filters to check or screen a DMA Order before the DMA Order is executed in the ATS, for the purpose of ensuring that the DMA Order does not affect the orderliness and fair functioning of the stock market of the Exchange.
- (2) In discharging the above obligations, a Participating Organisation must, amongst others, comply with the requirements set out below.

2.1 Pre-trade risk filters

- (1) A Participating Organisation must ensure that DMA Orders are entered into the Exchange’s order book with due skill, care and diligence and with due regard for the integrity of the market.
- (2) A Participating Organisation must install risk filters that will enable the screening of DMA Orders before they are entered into the Exchange’s order book. The risk filters must verify all DMA Orders and check for trade exceptions that may affect the orderliness of the market in the event that these DMA Orders are matched.
- (3) A Participating Organisation may determine the type of risks filters according to the risks that are being managed, ~~subject to the minimum requirements in paragraph 2.1(4) below~~ by the Participating Organisation.
- (4) ~~A Participating Organisation must, at the minimum, establish the following types of risk filters to screen every DMA Order before the entry of such DMA Order into the Exchange’s order book:~~

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- ~~(a) Trade exposure filter — to manage the maximum exposure in which a DMA client may trade. The filter must be set on the basis of:~~
- ~~(i) gross purchase position; or~~
 - ~~(ii) net purchase position.~~
- ~~(b) Order size filter — to manage the maximum DMA Order size which a DMA client may enter into the Exchange’s order book. The filter must be set on the basis of:~~
- ~~(i) value in RM;~~
 - ~~(ii) quantity (units); or~~
 - ~~(iii) a combination of (i) and (ii) above.~~
- ~~(c) Price limit risk filter — to manage the maximum price of DMA Order which a DMA client may enter into the Exchange’s order book. The filter must be set on the basis of:~~
- ~~(i) percentage (%) away from the last traded price;~~
 - ~~(ii) ticks (bid/offer) away from the last traded price;~~
 - ~~(iii) percentage (%) away from reference price;~~
 - ~~(iv) ticks (bid/offer) away from reference price; or~~
 - ~~(v) a combination of any of the above. [Deleted]~~
- (5) ~~A Participating Organisation must also ensure that all changes to the values as set out in paragraph 2.1(4) above are immediately logged. [Deleted]~~

3. Rule 8.19(2)

Rule 8.19(2) provides that all DMA Orders are deemed as orders submitted for execution in the ATS by a Dealer’s Representative on behalf of a Client. In discharging the obligations under the said rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

3.1 Assignment of DMA client to a Dealer’s Representative

Each DMA client must be permanently assigned to at least one Dealer’s Representative. Where a DMA client is not assigned to a Dealer’s Representative, the Head of Dealing must be responsible for the DMA Order(s).

[End of Directive]

DIRECTIVES ON SUSPENSION OF INTEREST AND PROVISIONS FOR BAD AND DOUBTFUL DEBTS	No. 12-001
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Relevant to : Rule 12.04 ~~and Rule 12.05~~
Introduced with effect from : 2 May 2013
Amended : N/A 1 March 2018 vide R/R 3 of 2018
POs' Circular No(s). : N/A
Refer also to Directive No(s). : N/A

1. Introduction

Part C of Chapter 12 requires a Participating Organisation to comply with the requirements in relation to suspension of interest and provisions for bad and doubtful debts. This Directive clarifies the obligations to be complied with in relation to those requirements.

2. Rule 12.04

- (1) Rule 12.04 requires a Participating Organisation to comply with the Exchange's Directives which set out the minimum requirements on the treatment of interest charged by the Participating Organisation to a Client and the impairment provisions for bad and doubtful debts irrespective of whether such debts have been assigned.
- (2) Pursuant to Rule 12.04, with a Participating Organisation must, amongst others, comply with the requirements set out below.

2.1 Treatment of interest on impaired accounts

- (1) A Participating Organisation must have in place and comply with the Participating Organisation's internal policies and procedures on the following:
 - (a) the classification of an impaired account and interest-in-suspense; and
 - (b) the circumstances for the reversal of the interest-in-suspense.

2.2 Impairment provision for bad and doubtful debts

- (1) A Participating Organisation must have in place and comply with the Participating Organisation's internal policies and procedures on the following:
 - (a) the classification of debts as 'doubtful' or 'bad' for impaired accounts;
 - (b) the making of individual impairment provisions for debts classified as 'doubtful' and 'bad';
 - (c) the circumstances for the reclassification of debts or from an impaired account to a non-impaired account; and
 - (d) the circumstances for the reversal of the individual impairment provision.
- (2) The Participating Organisation must ensure that the internal policies and procedures in relation to the matters set out above are appropriate and adequate having regard to the approved accounting standards and practices.

2.3 Write-Off of Bad Debts

- (1) A Participating Organisation must establish written policies for the writing-off of bad debts.

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3. Rule 12.05

- ~~(1) Rule 12.05 requires a Participating Organisation to ensure that the relevant information on suspension of interest and impairment provision for bad and doubtful debts are disclosed in the Participating Organisation's audited financial statements.~~
- ~~(2) In discharging the obligations in the said Rule, a Participating Organisation must ensure that the following items are included in the audited financial statements:~~
- ~~(a) confirmation of the Participating Organisation's compliance with this Directive;~~
 - ~~(b) total outstanding amount of impaired accounts;~~
 - ~~(c) total outstanding amount of impaired accounts classified as doubtful, if any;~~
 - ~~(d) total amount of impaired accounts classified as bad, if any;~~
 - ~~(e) movements of interest in suspense and impairment provision for bad and doubtful debts; and~~
 - ~~(f) information about the Participating Organisation's accounting policies and methods adopted in accounting for impaired accounts. [Deleted]~~

[End of Directive]

DIRECTIVES ON ACCOUNTING AND FINANCIAL REPORTING REQUIREMENTS	No. 12-002
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Relevant to : Rule 12.01 and Rule 12.02
 Introduced with effect from : 2 May 2013
 Amended : N/A 1 March 2018 vide R/R 3 of 2018
 POs' Circular No(s). : N/A
 Refer also to Directive No(s). : 12.03(2)-001

1. Rule 12.01

- (1) Rule 12.01 requires a Participating Organisation to 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.
- (2) In discharging the obligations in the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

1.1 Accounting and other books and records

- (1) A Participating Organisation must prepare the Participating Organisation's accounting and other books and records to:
- (a) ~~enable the Participating Organisation's Statutory Auditor to decide on the matters stipulated in Rule 12.03(3);~~ *[Deleted]*
 - (b) sufficiently show and explain the transactions and financial position of its business such that they are able to disclose with substantial accuracy the financial position of the Participating Organisation at the close of business on any day;
 - (c) comply with the requirements set out in **Appendix 1** of this Directive;
 - (d) enable outstanding Contracts to be readily identified with date sequence within counter;
 - (e) enable outstanding Client and debtor balances to be readily identified with specific transactions and with the dates on which these transactions occur;
 - (f) ensure that the information in the general ledger trial balances can and is, extracted and squared at least once a month by not later than the 10th day of the following month; and
 - (g) ensure that if Client balances are represented by control accounts in the general ledger, the individual Client balance can and is extracted and reconciled with the control account at least once a month by not later than 10th day of the following month.
- (2) A Participating Organisation must ensure that bank reconciliations are prepared at least once a month by not later than the 10th day of the following month.
- (3) A Participating Organisation with branch office(s) must prepare the Participating Organisation's financial statements and accounts in the following manner:
- (a) on a consolidated basis reflecting detailed breakdowns for the Principal Office and the Branch Office(s); and

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- (b) computations of all matters prescribed in these Rules or directed by the Exchange for the Participating Organisation's Principal Office and Branch Offices must be on an aggregated basis as matters relating to a single entity.

2. Rule 12.02

- (1) Rule 12.02 requires the Participating Organisation to submit to the Exchange all financial statements the Exchange specifies within the period stipulated. The financial statements must comply with the Exchange's requirements.
- (2) Pursuant to Rule 12.02, a Participating Organisation must comply with the accounting and financial reporting requirements in **Appendix 1** of this Directive in preparing its financial statements.

[End of Directive]

DIRECTIVES ON ACCOUNTING AND FINANCIAL REPORTING REQUIREMENTS	No. 12-002
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APPENDIX 1**ACCOUNTING AND FINANCIAL REPORTING REQUIREMENTS****(1) Definitions**

~~In this Appendix, unless the context requires otherwise:~~

~~"Repurchase and Sale and Buy Back Agreement" means an agreement for the sale of securities that is subject to a commitment to repurchase from the same person the same or similar securities at pre-determined conditions.~~

~~"Forward Rate Agreement" means an agreement under which 2 parties agree on payment of an amount of interest calculated at an agreed rate for a specified period from a specified settlement date applied to an agreed principal amount.~~

~~"Option" means an instrument that allows the instrument holder the right, though not the obligation, to either buy or sell the instrument's underlying investment at an agreed price within a stipulated period.~~

~~"Swap Contract" means a transaction in which 2 counterparties agree to exchange streams of payments over time according to a pre-determined basis. [Deleted]~~

(2) Requirements not applicable to Investment Banks

The requirements in paragraphs ~~(8) and (10)~~ to (2220) below are not applicable to a Participating Organisation which is an Investment Bank.

(3) Date of record

All financial transactions must be recorded at the date on which the Participating Organisation enters into an irrevocable commitment to carry out the transaction.

(4) Reconciliation of balances

A Participating Organisation must reconcile all balances as frequently as is appropriate for the volume of transactions on the accounts. Any differences, other than differences in timing, must be immediately corrected.

(5) Trade date accounting

A Participating Organisation must use trade date accounting.

(6) Securities lending

A Participating Organisation that is a lender of securities must record and value the securities lent as part of the Participating Organisation's own positions.

(7) Repurchase and reverse repurchase agreements, securities borrowing and lending and sale and buy back agreements

~~A Participating Organisation must:~~

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- ~~(a) — record Repurchase Agreement and Sale and Buy Back Agreement as secured borrowing and Reverse Repurchase Agreement and Sale and Buy Back Agreement as secured lending; and~~
- ~~(b) — if the Participating Organisation is the repurchaser or seller of the securities in a sale and buy back agreement, record and value the securities sold as part of the Participating Organisation's own positions and provide for accrued interest on the borrowing. [Deleted]~~

(8) Valuation of positions

~~A Participating Organisation must value all positions whether held for trading or investment on a prudent and consistent basis, as well as having regard to the liquidity of the instrument concerned and any special factors that may adversely affect the closure of the position, and must adopt the following general policies:~~

- ~~(a) — a position must be valued at the position's close out price (close out price means that a long position is valued at current bid price and short position at current offer price); and~~
- ~~(b) — where prices are not published for the Participating Organisation's Options positions, a Participating Organisation must determine the mark to market value of standard Options as follows—~~
 - ~~(i) — for purchased Options, the mark to market value must be the intrinsic value of the Option (i.e. ignoring time value);~~
 - ~~(ii) — for written Options, the mark to market value must be the sum of:

 - ~~(aa) — the intrinsic value of the Option (i.e. ignoring time value); and~~
 - ~~(bb) — the initial premium received for the Option.~~~~
- ~~(c) — a Participating Organisation must calculate the value of a Swap Contract or a Forward Rate Agreement having regard to the net present value of the future cash flows of the contract, using current interest rates relevant to the periods in which the cash flows will arise. [Deleted]~~

(9) Instruments of non-standard form

~~If a Participating Organisation holds a position in an instrument that is not of a standard form, the Participating Organisation must, in writing, seek immediate guidance from the Exchange on the valuation treatment to apply. [Deleted]~~

(10) Agreement with records

A Participating Organisation must prepare the financial reporting statements from its books and records, and ensure that the financial reporting statements are in agreement with these books and records.

(11) True and fair

A Participating Organisation must prepare the financial reporting statements so as to give a true and fair view of the result for the period, the financial position and state of affairs of the Participating Organisation.

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(12) Offsetting or netting

A Participating Organisation may not offset amounts on the balance sheet and profit and loss account in the Participating Organisation's financial reporting statements for items representing assets or income against amounts for items representing liabilities or expenditure except in the case of balances with counterparties where the parties to the transaction have expressly agreed that they shall be settled on a net basis for the same value date.

(13) Consolidation

~~A Participating Organisation must not consolidate the accounts of a separately incorporated body within the group into the figures of that Participating Organisation, but the Participating Organisation must include the assets, liabilities, income and expenditure of all branches of the Participating Organisation. [Deleted]~~

(14) Greater detail

~~A Participating Organisation may show any item required to be shown in any of the Participating Organisation's financial reporting statements in greater detail than required by the appropriate format. [Deleted]~~

(15) Items not otherwise covered

~~A Participating Organisation must show as a separately identified item appended to a financial reporting statement any item representing or covering the amount of any asset or liability, income or expenditure not otherwise covered by any of the items on the required format of the statement. [Deleted]~~

(16) Reporting currency

A Participating Organisation must use the Malaysian Ringgit as the Participating Organisation's reporting currency in the Participating Organisation's financial reporting statements.

(17) General rule

A Participating Organisation must prepare the Participating Organisation's financial reporting statements in a form that is appropriate for the Participating Organisation's business and in a manner that complies with the Companies Act and generally accepted accounting principles.

(18) Substance over legal form

A Participating Organisation must include each item in the Participating Organisation's financial reporting statements in such a way as to reflect the substance and not merely the legal form of the underlying transactions and balances.

(19) Debts and liabilities

~~A Participating Organisation must promptly make adequate impairment provisions or adjustments for changes in order to reflect the fair value of its debts and liabilities based on established internal policies, criteria and procedures. If the Exchange is of the opinion that such impairment provision or adjustment is inadequate, the Exchange may require a Participating Organisation to vary or adjust the Participating Organisation's impairment provisions in such manner the Exchange stipulates. [Deleted]~~

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(20) **Provision for taxation**

A Participating Organisation must make adequate provision for both current and deferred taxation.

(21) **Foreign currency**

~~A Participating Organisation must translate assets and liabilities denominated in currencies other than the reporting currency into the reporting currency using the closing mid market rate of exchange, or, where appropriate, the rates of exchange fixed under the terms of related or matching forward contracts. [Deleted]~~

(22) **Guidance**

~~The methodologies that have been developed assume instruments with standard characteristics. There are many examples, however, of instruments that, although based on a standard contract, contain structural features that make the rules, as stated, inappropriate. If a Participating Organisation is in any doubt as to the treatment to apply to any instrument, the Participating Organisation must seek guidance from the Exchange in writing on the treatment to apply to such instruments. [Deleted]~~

[End of Appendix]

DIRECTIVES ON ANNUAL STATUTORY AUDIT REPORT	No. 12.03(20-001)
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Relevant to : Rule 12.03(2)
 Introduced with effect from : 2 May 2013
 Amended : N/A 1 March 2018 vide R/R 3 of 2018
 POs' Circular No(s). : N/A
 Refer also to Directive No(s). : N/A

~~1. Rule 12.03(2)[Deleted]~~

- ~~(1) Rule 12.03(2) requires a Participating Organisation to submit to the Exchange the accounts audited by the Statutory Auditor as stipulated in Rule 12.03(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.~~
- ~~(2) In discharging the obligations in the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.~~

~~1.1 Annual Statutory Audit Report~~

~~The Annual Statutory Audit Report must state whether:~~

- ~~(a) the Minimum Paid-Up Capital, minimum shareholders' funds unimpaired by losses specified in Rule 13.03 and the Capital Adequacy Requirements have been maintained;~~
- ~~(b) in the opinion of the Statutory Auditor, the financial position of the Participating Organisation is such as to enable the Participating Organisation to conduct its business on sound lines. In considering this, the Statutory Auditor must have regard to the nature and volume of the business transacted during the Participating Organisation's past financial year as shown in its books of accounts and records;~~
- ~~(c) in the opinion of the Statutory Auditor, the provisions of these Rules and Sections 111 to 114 of the Capital Markets and Services Act have been complied with;~~
- ~~(d) in the opinion of the Statutory Auditor, the provisions on the treatment of Clients' assets under these Rules have been complied with;~~
- ~~(e) in the opinion of the Statutory Auditor, the Participating Organisation's books of accounts and records are those usual in a business of that nature and appear to have been kept in a proper manner and in accordance with the relevant laws; and~~
- ~~(f) the Statutory Auditor has obtained all the necessary information and explanations for the proper conduct of the audit and to enable the Statutory Auditor to furnish the Annual Statutory Audit Report.~~

[End of Directive]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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Relevant to	: Rules 13.04(4), 13.04(5), 13.07, 13.09(1), 13.11, 13.12, 13.13, 13.14, 13.15, 13.16, 13.17, 13.18, 13.20, 13.23, 13.25(3), 13.26, 13.27 and 13.28
Introduced with effect from	: 2 May 2013
Amended	: 12 December 2017 vide R/R 11 of 2017 <u>and 1 March 2018 vide R/R 3 of 2018</u>
POs' Circular No(s).	: N/A
Refer also to Directive No(s).	: N/A
Refer also to Best Practice No	: 12.04-001

Introduction

- (1) These Directives set out the requirements on the calculation of the various components making up the Capital Adequacy Ratio.
- (2) The following terms have the following meanings in these Directives unless the context requires otherwise.

Term	Meaning
Basic Method	The method for calculating Position Risk Requirement as set out in paragraph 5.10(2).
Building Block Approach	The approach for calculating Position Risk Requirement set out in paragraph 5.7(1) and 5.7(2).
Call Option(s)	A financial instrument giving the instrument holder the right, but not the obligation, to buy a specified quantity of the underlying securities at a specified Exercise Price within a set period.
Call Warrant	A warrant giving the warrant holder the right, but not the obligation to buy a specified quantity of the underlying securities at a specified Exercise Price within a set period.
Exercise Price	The price at which the holder of an Option(s) or Warrant can buy or as the case may be, sell the underlying securities of the Option or Warrant.
Hedging Method	The method for calculating the Position Risk Requirement set out in paragraph 5.9(3).
In the Money	<p>(a) In relation to a Call Option or a Call Warrant:</p> <ol style="list-style-type: none"> (i) where the Exercise Price is less than the current market price of the underlying instrument if the Participating Organisation is the Option or Warrant holder; (ii) where the Exercise Price is greater than the current market price of the underlying instrument if the Participating Organisation is the Option or Warrant grantor; <p>(b) In relation to a Put Option or a Put Warrant:</p>

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- (i) where the Exercise Price is greater than the current market price of the underlying instrument if the Participating Organisation is the Option or Warrant holder;
- (ii) where the Exercise Price is less than the current market price of the underlying instrument if the Participating Organisation is the Option or Warrant grantor.

ISSBNT Collateral	<p>In relation to ISSBNT referred to in paragraph 6.3(d), the 'collateral' obtained by a Participating Organisations for ISSBNT. If the collateral consists of securities, to the extent those securities have been subdivided or consolidated, made the subject of a bonus issue or event similar to any of the foregoing, ISSBNT Collateral means:</p> <ul style="list-style-type: none"> (a) in the case of subdivision or consolidation, the securities into which the ISSBNT Collateral have been subdivided or consolidated; (b) in the case of a bonus issue, the ISSBNT Collateral together with the securities allotted by way of the bonus issue; and (c) in the case of any event similar to any of the above events, the ISSBNT Collateral, together with or replaced by a sum of money or securities or both equivalent to that received for the ISSBNT Collateral resulting from that event.
Margin Financing Onward Lent Risk	The risks a Participating Organisation is exposed to from Onward Lent Margin Securities.
Margin Method	The method for calculating Position Risk Requirement set out in paragraph 5.8.
Mark to Market Difference	In relation to securities, the Contract value of the securities on the Contract Date less the Mark to Market value of the securities.
Marketable Securities	All securities a Participating Organisation holds as principal.
Option(s)	the Put Option(s) and the Call Option(s), and where the context permits, any of them.
Out of the Money	Those Options and Warrants that are not In the Money.
Position Risk	The risks that 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.

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Put Option	An instrument (s) which give(s) its holder the right, but not the obligation, to sell a specified quantity of the underlying securities to the writer of the option at a specified Exercise Price within a set period.
Put Warrant	A warrant that gives the holder the right, but not the obligation to sell the underlying securities at a specified Exercise Price within a set period.
Recall	<p>(a) In relation to Securities Borrowing and Lending means redelivery of Securities Borrowed to the lender and/or redelivery of the SBL Collateral to the borrower, whether partial or in full pursuant to the terms of the SBL Agreement defined in Rule 1.01.</p> <p>(b) In relation to ISSBNT means the redelivery of ISSBNT Securities Purchased to the supplier and/or redelivery of the ISSBNT Collateral to the user, whether partial or in full pursuant to the terms of the ISSBNT Agreement defined in Rule 1.01.</p>
Recognised Market Indices	means the market indices of the Recognised Stock Exchanges that are acceptable to the Exchange, as set out in Schedule 4 of this Directive.
SBL Collateral	<p>In relation to Securities Borrowing and Lending referred to in paragraph 6.3(d), the 'collateral' obtained by a Participating Organisation for Securities Borrowing and Lending. If the collateral consists of securities, to the extent those securities have been subdivided or consolidated, made the subject of a bonus issue or event similar to any of the foregoing, SBL Collateral means:</p> <p>(a) in the case of subdivision or consolidation, the securities into which the SBL Collateral have been subdivided or consolidated;</p> <p>(b) in the case of a bonus issue, the SBL Collateral together with the securities allotted by way of the bonus issue; and</p> <p>(c) in the case of any event similar to any of the above events, the SBL Collateral, together with or replaced by a sum of money or securities or both equivalent to that received for the SBL Collateral resulting from that event.</p>
Standard Approach	The approach for calculating Position Risk Requirement set out in paragraph 5.6.
Warrant	The Put Warrant(s) and the Call Warrant(s), and where the context permits, any of them.

1. Rule 13.04(4)

- (1) Rule 13.04(4) provides that the Participating Organisation must:

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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- (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.
- (2) In discharging the obligations under the above Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

1.1 Information to be submitted and manner of submission

- (1) A Participating Organisation must submit the relevant information and records through electronic transmission in the manner and at the times set out below:

	Capital Adequacy Ratio	Frequency	Positions as at:	Time for reporting being not later than:
(i)	4.0 or more	Monthly	Last Market Day of the month	4:00 p.m. on following Market Day
(ii)	2.0 or more but less than 4.0	Fortnightly	(a) 15 th calendar day of the month if that day is a Market Day. If not, the Market Day immediately before the 15 th calendar day; and (b) last Market Day of the month	4:00 p.m. on following Market Day
(iii)	Less than 2.0	Daily	Each Market Day	4:00 p.m. on following Market Day

- ~~(3) In the event a Participating Organisation's Capital Adequacy Ratio drops by 10% or more, the Participating Organisation must submit to the Exchange a return in the form stipulated in Schedule 1 of this Directive not later than 4:00pm of the next Market Day following the Market Day on which the drop occurred.~~

- ~~(34) All such submissions by electronic transmission are deemed to be a declaration by the Head of Operations and Head of Compliance of the Participating Organisation that The Head of Compliance and the Head of Operations of the Participating Organisation will be held responsible for the truthfulness and accuracy of all the information and records contained in the submissions are true and accurate in all material aspects to the Exchange.~~

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2. Rule 13.04(5)

- (1) Rule 13.04(5) provides that 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.
- (2) Pursuant to the above Rule, the Participating Organisation must submit the return in the form stipulated in **Schedule 1** of this Directive and in the manner and at the times set out in paragraph 1.1(1).
- (3) If there are any subsequent changes to the month end reporting made under paragraph 2(2), the Participating Organisation must submit the amended return, not later than 4 p.m. on the 10th calendar day of the following month.

3. Part D of Chapter 13

- (1) Part D of Chapter 13 provides the requirements on Liquid Capital.
- (2) Rule 13.07 states that a Participating Organisation must calculate the Participating Organisation's Liquid Capital in the manner the Exchange determines.
- (3) In discharging the obligations under the above Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

3.1 Computation of Liquid Capital

- (1) A Participating Organisation must calculate the Participating Organisation's Liquid Capital in accordance with the computation in **Schedule 1** of this Directive.
- (2) For the avoidance of doubt:
 - (a) unaudited profits must be included in the computation of Liquid Capital;
 - (b) unaudited losses (including all unrealised losses except unrealised losses from principal positions that are mentioned in paragraph 3.1(2)(d)) must be deducted from Liquid Capital;
 - (c) unrealised gains from principal positions must be included in the computation of Liquid Capital; and
 - (d) unrealised losses from principal positions must be deducted from Liquid Capital.
- (3) A Participating Organisation must Mark to Market all the Participating Organisation's Marketable Securities reported in **Schedule 1** of this Directive on a daily basis.

3.2 Sources of capital**Preference shares**

- (1) In the computation of the Participating Organisation's Core Capital, a Participating Organisation:
 - (a) must include non-cumulative and non-redeemable preference share capital; and

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- (b) may include preference shares other than non-cumulative and non-redeemable preference shares if the Participating Organisation satisfies the requirements in the Exchange's Directives on when such preference shares may be included.

Approved subordinate debts

- (2) An approved subordinated debt is a debt that is:
- (a) legally subordinated for an initial term of at least 2 years and at least 1 year remaining period in the manner the Exchange approves or determines; and
 - (b) only repayable with the Exchange's prior written approval.
- (3) A Participating Organisation may include an approved subordinated debt in the computation of the Participating Organisation's Liquid Capital if:
- (a) the aggregate amount of the debt is less than 100% of the Participating Organisation's Effective Shareholders' Funds. The Exchange will not recognise any subordinated debts if the Participating Organisation's Effective Shareholders' Funds is in the negative;
 - (b) the creditor of the subordinated debt has irrevocably agreed that:
 - (i) the creditor's right to receive principal and interest for the debts is subordinated to all other creditors of the Participating Organisation; and
 - (ii) the creditor is not entitled to claim or receive payment from the Participating Organisation, by way of set-off or in any other manner, of the subordinated debts until all other debts of the Participating Organisation not being the debts subordinated has been paid or where the Exchange has given the Exchange's written approval under paragraph 3.2(3)(e) below.
 - (c) the debts are not subject to any cross default and negative pledge;
 - (d) the Exchange in its discretion, requires the Participating Organisation's debts to be converted into equity pursuant to the Participating Organisation's failure to:
 - (i) comply with the Capital Adequacy Requirements; and
 - (ii) effect an appropriate capital reconstruction of the Participating Organisation approved by the Exchange.
 - (e) the repayment of the whole or part of the debts has been made with the Exchange's prior written approval;
 - (f) in the event of a dissolution, winding-up, liquidation or reorganisation of the Participating Organisation, the creditors of the Participating Organisation other than the creditor of the subordinated debt has the prior right to receive payment in full of the other creditors' debts before the creditor of the subordinated debt receives any payment in respect of the subordinated debts; and
 - (g) despite this paragraph 3.2(2) and (3), the creditor of the subordinated debt receives any distribution in respect of the subordinated debts, the creditor will pay over such distribution to the other creditors of the Participating Organisation. This payment will be

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made rateably against the other creditors' debts until the other creditors' debts are paid in full.

Revaluation reserve

- (4) A Participating Organisation may include a revaluation reserve of a fixed asset on an "as is" basis in the computation of the Participating Organisation's Liquid Capital if the Participating Organisation:
- (a) includes the lower of the following figure of:
 - (i) the excess between the force sale value and the net book value of the fixed asset; or
 - (ii) 50% of the excess between the fair market value and the net book value of the fixed asset; and
 - (b) conducts the revaluation exercise from which the revaluation reserve is calculated:
 - (i) after the expiry of 10 years from the date the fixed asset was purchased or the date of the last revaluation on the fixed asset; and
 - (ii) through a professional valuer acceptable to the Exchange and licensed under the Valuers, Appraisers and Estate Agents Act 1981.

3.3 Specific excluded assets and excluded asset types

- (1) A Participating Organisation must exclude fully the following assets from the computation of Liquid Capital:
- (a) **Fixed assets and intangible assets**

The total net book value of fixed assets and intangible assets reported in the balance sheet including goodwill, capitalised development costs, licences, trademarks and similar rights.
 - (b) **Tax assets**

The full amount of tax assets or advance tax payments, unless the Participating Organisation has a written statement from the relevant tax authority indicating that payment will be made within 3 months from the date of the written statement.
 - (c) **Other non-current assets**

All other non-current assets including investments in the form of equity holding of 20% or more in a corporation. Investment in excess of 20% in a company is regarded as an investment in an associated company.
 - (d) **Charged asset**

Liquid assets charged to third parties unless:

 - (i) the asset is charged for the sole purpose of raising funds from a third party on an arm's length basis for use exclusively in the Participating Organisation's business; and

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- (ii) the Participating Organisation has duly notified the Exchange of the details of the charged assets.

(e) **Deposits with non-approved institutions**

Deposits other than deposits deposited at approved financial institutions. In this paragraph, "approved financial institution" means a banking and financial institution licensed under Malaysian laws and any other financial institution the Exchange specifies.

(f) **Related or Associated Person balances**

Balances with a Related or Associated Person regardless whether these balances are secured.

(g) **Other debtors**

Balances with other debtors that are outstanding for more than 30 days. These balances exclude balances with Related or Associated Persons.

(h) **Prepayments**

Prepayments incapable of being cancelled and realised into cash within 30 days.

(i) **Other assets**

Assets not realisable within 30 days except to the extent the assets are secured by securities or some other form of collateral the Exchange may accept. Assets secured by securities or some other form of collateral acceptable to the Exchange may include a loan to an affiliated corporation regulated under any law or regulation that treats such loan as part of the regulatory or statutory capital of the affiliate.

- (2) A Participating Organisation may use collateral or security to reduce the exclusion of the assets set out in paragraphs 3.3(1)(c) to (i) if the collateral satisfies the principles in paragraph 6.4(1). A Participating Organisation must take into account the applicable discounts in **Schedule 18** of this Directive when determining the value of the collateral.

3.4 Contingent liabilities

General

- (1) A Participating Organisation entering into a position as to an instrument, financial or otherwise that gives rise to a contingent liability must throughout the period of maintaining the position, maintain:
- (a) a Liquid Margin that is adequate to enable the Participating Organisation to fully perform the Participating Organisation's obligations under the contingent liability; and
 - (b) a Capital Adequacy Ratio of more than 1.2.

Guarantees

- (2) A Participating Organisation must exclude guarantees issued by the Participating Organisation from the computation of Liquid Capital.

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- (3) The Exchange may, on the written application of a Participating Organisation, allow a guarantee the Participating Organisation issues to be partially or fully included into the Participating Organisation's computation of Liquid Capital.
- (4) If a guarantee is given by a Participating Organisation to a company within the Participating Organisation's group of companies, the receiving company's liabilities (to the extent that they are covered by the guarantee) must be taken into account as being part of the Participating Organisation's assets and liabilities for the computation, and in such case, the guarantee must not be deducted from the capital computations.
- (5) A Participating Organisation must immediately inform the Exchange in writing of any intra-group and related party guarantees.

Option(s)

- (6) A Participating Organisation's liability arising from a Put Option written by it must be:
 - (a) treated as the Participating Organisation's contingent liability from the date of the Participating Organisation's unequivocal acceptance of the commitment of the Put Option or the date the agreement for the Put Option is signed, whichever occurs earlier; and
 - (b) deducted or excluded from the computation of Liquid Capital.
- (7) A Participating Organisation must calculate all contingent liabilities arising from Put Option(s) written by the Participating Organisation in the manner stipulated in **Schedule 2** of this Directive.
- (8) A Participating Organisation may reduce the Participating Organisation's contingent liabilities arising from Put Option(s) to the extent the Participating Organisation holds collateral under the conditions set out in paragraph 6.4(1).
- (9) A Participating Organisation must take into account the applicable discounts stipulated in **Schedule 18** of this Directive when determining the value of the collateral.

4. Part E of Chapter 13

- (1) Part E of Chapter 13 provides the requirements on Operational Risk.
- (2) Rule 13.09(1) states that 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.
- (3) Rule 13.11 states that a Participating Organisation must calculate the Participating Organisation's annual expenditure requirement in the manner the Exchange determines. Rule 13.12 further states that the Exchange may require a Participating Organisation to adjust its annual expenditure requirement if:

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- (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.
- (4) In discharging the obligations under the above Rules, a Participating Organisation must comply with the requirements set out below.

4.1 Calculation of Annual Expenditure Requirement

- (1) A Participating Organisation must calculate the Participating Organisation's annual expenditure requirement with reference to the Participating Organisation's most recent auditor's report lodged with the Exchange in the following manner:

- (a) the Participating Organisation's total revenue less profit before taxation; or
- (b) the aggregate of the Participating Organisation's total revenue and any loss before taxation;

less the aggregate of the following items:

- (i) non-contractual bonuses paid out of the relevant year's profits to directors and employees;
- (ii) payments and other appropriations of profit in whatever form, except for fixed or guaranteed remunerations payable even if the company makes a loss for that year;
- (iii) paid commissions shared with persons other than employees or directors;
- (iv) fees, levy and other charges paid to the Clearing House, the Commission and Depository;
- (v) interest payable to counterparties;
- (vi) interest payable on borrowings to finance the Participating Organisation's investment business and associated business carried on in connection with the investment business;
- (vii) exceptional items (including those items that arise from events or transactions within the ordinary activities of the business of a Participating Organisation and that are both material and not expected to recur frequently or regularly), with the Exchange's prior written approval;
- (viii) losses arising on the translation of foreign currency balances; and
- (ix) any other cost and expense the Exchange stipulates.

4.2 Exemption

- (1) A Participating Organisation must base the Participating Organisation's annual expenditure requirement on budgeted or other accounts that the Participating Organisation submitted to the

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Exchange as part of the Participating Organisation's application to become a Participating Organisation if the Participating Organisation does not have an auditor's report due to:

- (a) the Participating Organisation having just commenced business; or
 - (b) the Participating Organisation having not carried on business long enough to have submitted the Participating Organisation's auditor's report to the Exchange.
- (2) A Participating Organisation must calculate the Participating Organisation's annual expenditure requirement on a proportionate basis that is approved by the Exchange if the Participating Organisation does not have an auditor's report because the Participating Organisation's accounts represent a period in excess of 12 months.

5. Part F of Chapter 13

- (1) Part F of Chapter 13 provides the requirements on Position Risk.
- (2) Rule 13.13 states that a Participating Organisation must calculate its Position Risk Requirement for the securities listed below:
 - (a) securities held by the Participating Organisation as principal, including those held pursuant to its intra-day activities;
 - (b) Securities Borrowed or Securities Lent and ISSBNT Securities Sold or ISSBNT Securities Purchased for the Participating Organisation as principal;
 - (c) securities other than Margin Securities held by the Participating Organisation that have been onward lent by it as principal for the purpose of Securities Borrowing or Lending or onward sold by it as principal for the purpose of ISSBNT;
 - (d) Onward Pledged MFF Collateral; and
 - (e) Onward Lent Margin Securities.
- (3) Rule 13.14 states that a Participating Organisation must calculate the Position Risk Requirement for its equity and Exchange Traded Derivative positions in the manner the Exchange determines.
- (4) Rule 13.15 provides that a Participating Organisation must calculate the Position Risk Requirement for Debt Securities for Debt Securities in the manner the Exchange determines.
- (5) Rule 13.16 states that a Participating Organisation intending to take a position in an instrument for which no treatment is specified under this Chapter must, seek the Exchange's direction on the calculation applicable to the instrument at least 15 Market Days before the implementation or effective date of the instrument. 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.
- (6) In discharging the obligations under the above Rules, a Participating Organisation must, amongst others, comply with the requirements set out below.

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5.1 Principles applicable to equity Position Risk Requirement:

- (1) A Participating Organisation, in calculating the Position Risk Requirement for the Participating Organisation's equity and equity equivalent positions must:
 - (a) Mark to Market all the Participating Organisation's principal positions on a daily basis;
 - (b) calculate the Participating Organisation's Position Risk Requirement on a country by country basis (if applicable);
 - (d) in the case of depository receipts, allocate a share represented by that depository receipt to the same country as the underlying share; and
 - (e) add any Income accrued on any Securities Borrowed, Securities Lent, SBL Collateral, ISSBNT Collateral, ISSBNT Securities Sold, or ISSBNT Securities Purchased and deduct any fees and charges imposed on the borrowing, lending, sale, purchase, ISSBNT Collateral or the SBL Collateral.
- (2) A Participating Organisation may, in the case of securities the Participating Organisation holds following intra-day activities, reduce the Participating Organisation's risk exposure to the extent of the Mark to Market value of any collateral held after deducting the applicable discounts stipulated in **Schedule 18** of this Directive.

5.2 Methods of computation of Position Risk Requirement for equity and equity equivalent positions

- (1) A Participating Organisation must apply either the Standard Approach or the Building Block Approach in calculating the equity Position Risk Requirement for equity shares.
- (2) A Participating Organisation may, in the calculation of the Participating Organisation's equity Position Risk Requirement, include positions listed below as equity equivalent positions by applying the Standard Approach or the Building Block Approach. In doing so, the Participating Organisation must comply with the requirements in paragraph 5.3(2).
 - (a) Equity swaps;
 - (b) Exchange Traded Options and stock Options;
 - (c) Individual share futures;
 - (d) Over-the-counter share Options;
 - (e) Warrants over single share;
 - (f) Index and basket Exchange Traded Derivatives;
 - (g) Depository receipts; and
 - (h) Convertible notes.

If a Participating Organisation is unable to comply with the rules in paragraph 5.3(2), the Participating Organisation must calculate the Position Risk Requirement by applying either the Margin Method, the Hedging Method or the Basic Method, as appropriate.

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- (3) If the conversion of a convertible note or any Exchange Traded Derivative into an equity equivalent position gives rise to a notional loss, the Participating Organisation must treat this loss as an additional capital charge. A Participating Organisation must derive the equity equivalent position of a convertible note prior to applying the Standard Approach or Building Block Approach in calculating the equity Position Risk Requirement.

5.3 Qualifying criteria for application of the Standard Approach or Building Block Approach to Exchange Traded Derivatives:

- (1) A Participating Organisation must treat convertible notes as equity instruments if:
- (a) less than 1 year remains to the conversion date of the convertible note; and
 - (b) the convertible notes are traded at a "premium" of less than 10%.

If the above criteria is not met, the Participating Organisation may treat the convertible notes as either an equity instrument (as described above) or Debt Securities under paragraph 5.12. In this paragraph, "premium" means the current Mark to Market value of the convertible note less the current Mark to Market value of the underlying security, expressed as a percentage of the current Mark to Market value of the underlying security.

- (2) A Participating Organisation intending to convert the equity instruments referred to in paragraph 5.2(2) into equity equivalent positions must comply with the rules set out below.
- (a) Equity swaps must be treated as 2 notional positions.
 - (b) The Standard Approach or Building Block Approach may be applied in calculating the Position Risk Requirement for an Option position or a Warrant position. However, the Option position or Warrant position (as applicable) must be In the Money by at least the Position Risk Factor used in the Standard Approach stipulated in **Schedule 3** in this Directive. If the Option position or Warrant position does not satisfy this requirement, a Participating Organisation must:
 - (i) calculate the Position Risk Requirement of that Option position or Warrant position by applying either the Basic, Hedging or Margin Methods, as appropriate; and
 - (ii) not treat the Option position or Warrant position as an equity equivalent position.
 - (c) Purchased Call Options and written Put Options must be treated as long positions.
 - (d) Purchased Put Options and written Call Options must be treated as short positions.
 - (e) Individual share futures may be included as single equity equivalent positions at the individual share futures' current Mark to Market value.
 - (f) Equity Options and futures contracts over indices or baskets of shares may be treated as either a single equity equivalent position or as a notional position in the constituent equities.
 - (g) The Exchange will decide on the requirements for the conversion of any other instrument on a case by case basis.

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5.4 Calculation of equity equivalent positions of instruments for which no treatment is specified

A Participating Organisation must calculate the equity equivalent position of Exchange Traded Derivatives or such other instrument for which no treatment is specified under this paragraph 5.1, 5.2 and 5.3 based on requirements the Exchange specifies.

5.5 Position netting

(1) A Participating Organisation may net a long position against a short position if:

- (a) in respect of an equity, the positions are in the same type of equity; or
- (b) in respect of an equity equivalent position identified in paragraph 5.2(2), the positions are in the same type of instrument.

However, in the case of paragraph 5.5(1)(b), the instrument must have been converted into an equity equivalent position in accordance with paragraph 5.3(2).

(2) A Participating Organisation may:

- (a) in respect of Securities Borrowing and Lending, net a position of Securities Lent against Securities Borrowed if the positions are of the same type; or
- (b) in respect of ISSBNT, net a position of ISSBNT Securities Purchased against ISSBNT Securities Sold if the positions are of the same type.

5.6 Standard Approach**Net position**

(1) A Participating Organisation must convert a position that applies the Standard Approach into a net position.

Methodology

(2) A Participating Organisation must calculate the total Position Risk Requirement based on the Standard Approach on a country by country basis in the following manner:

Step 1

Calculate the Position Risk Requirement for each net equity position using the formula below. Net long and net short positions must both generate positive Position Risk Requirements.

$$\text{PRR}_{\text{equity position}} = \frac{\text{Mark To Market value of net position}}{\text{position}} \times \text{PRF}$$

Where,

PRF = Applicable Position Risk factor, as stipulated in **Schedule 3** of this Directive

Step 2

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Calculate the Position Risk Requirement based on the Standard Approach for each country portfolio as follows:

$$\text{PRR}_{\text{country portfolio}} = \text{Aggregate of PRR applicable to the net long and net short position within the country portfolio}$$

Step 3

Calculate the total Position Risk Requirement based on the Standard Approach as follows:

$$\text{Total PRR}_{\text{Standard Approach}} = \text{Aggregate of the PRRs of all country portfolios}$$

5.7 Building Block Approach**Additional qualifying criteria**

- (1) A Participating Organisation may use the Building Block Approach on equity and equity equivalent positions if:
- (a) within a country's portfolio, there are at least 5 net long or 5 net short positions held in listed and quoted securities that form part of the component stock of any market index maintained or acceptable to the Exchange. **Schedule 4** of this Directive sets out the Recognised Market Indices; and
 - (b) a particular net long or short position exceeds 20% of the gross value of the country's portfolio. Here, only the amount up to 20% may be treated under the Building Block Approach. The excess amount must be treated under the Standard Approach.

Methodology

- (2) A Participating Organisation must calculate the total Position Risk Requirement based on the Building Block Approach on a country by country basis as the sum of the specific risk and general market risk. This is illustrated below.

$$\text{PRR}_{\text{country portfolio}} = \text{General Market Risk} + \text{Specific Market Risk}$$

The specific risk and general market risk must be calculated as follows:

Specific Risk

The specific risk must be calculated on a country by country basis.

Step 1

Calculate the specific risk for an individual equity position using the formula below. Net long and net short positions must both generate positive Position Risk Requirement.

$$\text{SR}_{\text{each equity position}} = \frac{\text{Mark to market value of the individual net position}}{\text{PRF}}$$

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Where,

SR = Specific risk

PRF = Applicable Position Risk factor, as stipulated in **Schedule 5** of this Directive

Step 2

Calculate the specific risk for each country portfolio as specified below. Netting of long and short specific risk is prohibited.

$$SR_{\text{each country portfolio}} = \text{Aggregate of the Position Risk Requirements applicable to the net long and net short positions within the country portfolio}$$

General market risk

The general market risk must be calculated on a country by country basis.

Step 1

Calculate the general market risk for an individual equity position using the formula below:

$$GMR_{\text{individual equity position}} = \frac{\text{Mark to market value of the individual net position}}{\text{individual net position}} \times PRF$$

Where,

GMR = General market risk

PRF = Position Risk factor, as stipulated in **Schedule 5** of this Directive

Step 2

Calculate the general market risk for a country portfolio using the formula below. Netting of long and short general market risk is allowed.

$$GMR_{\text{specific country portfolio}} = \text{Net value of PRRs applicable to the net long and short positions within the country portfolio}$$

If the net amount is in the negative, the sign must be reversed to a positive value.

Where,

GMR = General market risk

Total PRR

The total Position Risk Requirement based on the Building Block Approach is the sum of the Position Risk Requirements of all country portfolios.

$$\text{Total PRR}_{\text{Building Block Approach}} = \text{Aggregate of the PRRs of all country portfolios}$$

5.8 Margin Method**Criteria**

- (1) A Participating Organisation may apply the Margin Method for calculating the Position Risk Requirement for all Exchange Traded Derivative positions that have a positive initial margin requirement.
- (2) A Participating Organisation may use the Margin Method if the Participating Organisation chooses not to utilise any of the other available methods. However, a Participating Organisation must use the Margin Method if it does not satisfy the criteria for those other methods.

Methodology

- (3) A Participating Organisation must determine the Position Risk Requirement using the Margin Method by multiplying 100% of the initial margin requirement of the relevant exchange by 4.
- (4) If the relevant exchange calculates the margin requirement on an overall basis, or offsets futures and Options in the margin calculation, the Position Risk Requirement may be based on the overall margin.

5.9 Hedging Method

- (1) A Participating Organisation may apply the Hedging Method for calculating the Position Risk Requirement for an equity position hedged by an Option or a Warrant.
- (2) The Hedging Method may only be used to the extent that the nominal amount of the equity underlying the Option matches the nominal amount of the equity.
- (3) A Participating Organisation must determine the Position Risk Requirement for positions using the Hedging Method in accordance with **Schedule 6** of this Directive.

5.10 Basic Method

- (1) A Participating Organisation may apply the Basic Method for calculating the Position Risk Requirement for Exchange Traded Derivatives.
- (2) A Participating Organisation must determine the Position Risk Requirement positions using the Basic Method in accordance with **Schedule 6** of this Directive.

5.11 Foreign exchange

A Participating Organisation must calculate the Position Risk Requirement for foreign exchange exposure by applying the applicable discount stipulated in **Schedule 18** of this Directive to the sum of the net long positions in foreign currencies.

5.12 Debt Securities

- (1) The Position Risk Requirement for convertible notes other than Debt Securities must be calculated as follows:

$$\text{PRR} = \text{Market Value multiply by } 8\%$$

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- (2) If for any reason, a Participating Organisation is unable to calculate the Position Risk Requirement for FI Securities through electronic system, the Participating Organisation must manually calculate the Position Risk Requirement for FI Securities in accordance with the formula set out below.

$$\text{FI PRR} = \text{Market value of positions in FI Securities} \times \text{PRFs}$$

Where,

FI PRR = Position Risk Requirement for FI Securities
 Market value of positions = The netted value of long and short positions in the FI Security of the same type, tenure and rating; and
 PRFs = The applicable specific risk Position Risk factor + the applicable general market risk Position Risk factor. The Position Risk factors for FI Securities are set out in **Schedule 7** of this Directive

- (3) A Participating Organisation must calculate the Position Risk Requirement for FI Securities on a weekly basis in the manner stipulated in **Schedule 8** of this Directive.

5.13 Suspended securities

A Participating Organisation must calculate the Position Risk Requirement for suspended securities by applying the applicable Position Risk factor stipulated in **Schedule 3** of this Directive to the Last Done Price. If the security has been suspended for a continuous period of more than 3 Market Days, the applicable Position Risk factor is 100%.

5.14 Exchange Traded Funds

- (1) A Participating Organisation must reduce the Participating Organisation's exposure to proprietary positions in equities and Debt Securities held solely for the purpose of creation of an Exchange Traded Fund in proportion to the amount of Exchange Traded Funds actually sold.
- (2) A Participating Organisation must ensure that proprietary positions in equities and Debt Securities arising from reverse repo transactions has a position exposure based on the positive difference of the Mark to Market value of the underlying instrument and the pre-determined resale value of the underlying instrument, as agreed between the Participating Organisation and the repo seller.

5.15 Unit trusts

If for any reason, a Participating Organisation is unable to calculate the Position Risk Requirement for the Participating Organisation's investments in unit trusts through electronic system, the Participating Organisation must manually calculate it by applying the applicable Position Risk factor stipulated in **Schedule 9** of this Directive to the market value of the unit trust.

5.16 Margin Financing On-Pledged Risk

- (1) A Participating Organisation must observe the principles below in calculating the Position Risk Requirement for Margin Financing On-Pledged Risk as to Onward Pledged MFF Collateral.
- (a) The Participating Organisation must calculate the Position Risk Requirement for all the Participating Organisation's Onward Pledged MFF Collateral positions;

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- (b) The sum of the Position Risk Requirement for all the Participating Organisation's Onward Pledged MFF Collateral positions represents the total Position Risk Requirement for the Participating Organisation's Margin Financing On-Pledged Risk as to Onward Pledged MFF Collateral;
 - (c) the Participating Organisation must, on a daily basis, Mark to Market all the Participating Organisation's collateral, and if required, the value of the collateral must be discounted in the manner stipulated in paragraph 6.4(2) and **Schedule 18** of this Directive.
- (2) A Participating Organisation must calculate the Participating Organisation's Position Risk Requirement as to Onward Pledged MFF Collateral in the manner stipulated in **Schedule 10** of this Directive.

5.17 Position Risk Requirement for Margin Financing Onward Lent Risk:

A Participating Organisation must observe the principles stipulated in Part F of Chapter 13 and paragraph 5 in calculating the Position Risk Requirement for Margin Financing Onward Lent Risk as to Onward Lent Margin Securities.

6. Part G of Chapter 13

- (1) Part G of Chapter 13 provides the requirements on Counterparty Risk.
- (2) Rule 13.17 states that a Participating Organisation must calculate its 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 or ISSBNT transactions;
 - (e) derivatives transactions;
 - (f) sub-underwriting arrangements;
 - (g) Margin Financing Facilities; and
 - (h) other exposures the Exchange determines.
- (3) Rule 13.18 states that a Participating Organisation must calculate its Counterparty Risk Requirement in the manner the Exchange determines.
- (4) Rule 13.20 states that 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.
- (5) In discharging the obligations under the above Rules, a Participating Organisation must comply with the requirements set out below.

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6.1 General Requirements on Counter Party Risk

- (1) A Participating Organisation, in calculating the Participating Organisation's Counterparty Risk Requirement must:
- (a) calculate a Counterparty Risk Requirement only if the Participating Organisation has a positive exposure to a Counterparty;
 - (b) on a daily basis, Mark to Market all Counterparty exposures; and
 - (c) calculate a Counterparty Risk Requirement for all Counterparty exposures irrespective of any connection with the Counterparty.
- (2) A Participating Organisation, in calculating the Participating Organisation's Counterparty Risk Requirement may:
- (a) reduce the Participating Organisation's Counterparty exposures to the extent the Participating Organisation holds collateral in accordance with the conditions set out in paragraph 6.4(1);
 - (b) net positive and negative Counterparty exposures prior to the calculation of Counterparty Risk Requirement if the exposures are with the same counterparty and they are similar in nature in that they fall within the same class or type as set out in Rule 13.17; and
 - (c) reduce the Counterparty exposure on which the Participating Organisation's Counterparty Risk Requirement is calculated to the extent of any provisions made.
- (3) A Participating Organisation, in calculating the Participating Organisation's Counterparty Risk Requirement must not include any Counterparty Risk Requirement if there is no Counterparty exposure. It is also not required to calculate a Counterparty Risk Requirement for an Option over shares of a company if the Participating Organisation is the writer of the Option.

6.2 Computation

A Participating Organisation must, unless these Rules specify otherwise, calculate the Participating Organisation's Counterparty Risk Requirement using formula below.

$$\text{CRR} = \text{CE} \times \text{CW} \times 8\%$$

Where,

CE = Counterparty exposure, as determined under this paragraph 6.3.

CW = Counterparty weighting, as specified in **Schedule 11** of this Directive.

6.3 General rules in calculating Counterparty exposure and CRR

A Participating Organisation must calculate the Participating Organisation's Counterparty exposures and Counterparty Risk Requirement as follows:

- (a) **Unsettled agency (including those under DF Accounts)**

(i) **Counterparty exposures**

Subject to paragraph 6.3(a)(iii), a Participating Organisation's Counterparty exposures on:

- (aa) an agency purchase is equal to the Mark to Market Difference; and
- (bb) an agency sale is equal to the Mark to Market Difference.

(ii) **CRR for unsettled agency trades**

A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement on the Participating Organisation's unsettled agency trades in accordance with **Schedule 12** of this Directive.

- (iii) If the Mark to Market value is not available for whatsoever reason for the purpose of computing the Mark to Market Difference as stipulated under paragraph 6.3(a)(i)(aa) and paragraph 6.3(a)(i)(bb), the Counterparty exposures shall be equal to the purchase contract value or sale value respectively.

(b) **Debt, contra losses and other amounts due**(i) **Counterparty exposure**

A Participating Organisation has a Counterparty exposure if a debt, contra loss or other amount due is not paid on the agreed due date. In the case of a contra loss, the due date is the date of contra.

(ii) **Calculation of CRR:**

A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement in respect of the above exposure in the manner stipulated in **Schedule 13** of this Directive.

(c) **Free deliveries**

- (i) If a Participating Organisation delivers securities without receiving payment, or pays for securities without receiving the securities, the Participating Organisation's Counterparty exposure is the full contract value of the transaction.
- (ii) Despite the above paragraph 6.3(c)(i), if delivery or settlement remains outstanding for more than 2 Market Days after the due date, the Participating Organisation's Counterparty Risk Requirement must be the full contract value of the transaction.
- (iii) In this paragraph, the due date is:
 - (aa) where the Participating Organisation delivers securities without receiving payment, the date of such delivery;
 - (bb) where the Participating Organisation pays for securities without receiving the securities, the date of such payment.

(d) **Securities Borrowing and Lending/ ISSBNT**(i) **Counterparty exposures**

A Participating Organisation must calculate the Participating Organisation's Counterparty exposures for Securities Borrowing and Lending and/or ISSBNT in the following manner:

Securities Borrowing and Lending

(aa) for borrowing transactions entered into on behalf of the Participating Organisation's Client:

- (A) the Participating Organisation's Counterparty exposures must be computed based on the difference between the Mark to Market value of the Securities Borrowed and the Mark to Market value of the SBL Collateral deposited; and
- (B) in computing the Mark to Market value of the Securities Borrowed or the SBL Collateral, the Participating Organisation must add any Income accrued on the Securities Borrowed or the SBL Collateral and deduct any fees and charges imposed on the borrowing or the SBL Collateral; and

(bb) for lending transactions entered into on behalf of the Participating Organisation's Client:

- (A) the Participating Organisation's Counterparty exposures must be computed based on the difference between the Mark to Market value of the Securities Lent and the Mark to Market value of the SBL Collateral deposited; and
- (B) in computing the Mark to Market value of the Securities Lent or the SBL Collateral, the Participating Organisation must add any Income accrued on the Securities Lent or the SBL Collateral and deduct any fees and charges imposed on the lending or the SBL Collateral.

ISSBNT

(cc) for purchase under ISSBNT transactions entered into on behalf of the Participating Organisation's Client:

- (A) the Participating Organisation's Counterparty exposures must be computed based on the difference between the Mark to Market value of the ISSBNT Securities Purchased and the Mark to Market value of the ISSBNT Collateral deposited; and
- (B) in computing the Mark to Market value of the ISSBNT Securities Purchased or the ISSBNT Collateral, the Participating Organisation must add any Income accrued on the ISSBNT Securities Purchased or the ISSBNT Collateral and deduct any fees and charges imposed on the purchase pursuant to ISSBNT or the ISSBNT Collateral; and

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(dd) for sale transactions under ISSBNT entered into on behalf of the Participating Organisation's Client:

(A) the Participating Organisation's Counterparty exposures must be computed based on the difference between the Mark to Market value of the ISSBNT Securities Sold and the Mark to Market value of the ISSBNT Collateral deposited; and

(B) in computing the Mark to Market value of the ISSBNT Securities Sold or the ISSBNT Collateral, the Participating Organisation must add any Income accrued on the ISSBNT Securities Sold or the ISSBNT Collateral and deduct any fees and charges imposed on the sale pursuant to ISSBNT or the ISSBNT Collateral.

(ii) **Calculation of CRR**

A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement for Securities Borrowing and Lending and/or ISSBNT in accordance with **Schedule 14** of this Directive.

(e) **Derivatives Transactions:**

(i) **Exchange Traded Derivatives**

(aa) **Counterparty exposure**

(A) A Participating Organisation's Counterparty exposure on an Exchange Traded Derivative Contract is the uncovered margin or the margin call due for the Contract and/or any additional margin requirements, whichever is higher, as the Participating Organisation or Clearing House may require.

(B) Options (bought)

A Participating Organisation has a Counterparty exposure on the uncovered premium for options bought (in the case of the buyer of an Option) if the transaction is unsettled. The uncovered premium is the unpaid premium due from the buyer of the options.

(C) Options (sold)

A Participating Organisation has a Counterparty exposure on the uncovered margin in respect of the Options sold (in the case of the seller of an Option) if the transaction is unsettled. The uncovered margin is the margin due less any premium received.

(bb) **Calculation of CRR**

A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement on Exchange Traded Derivatives as follows:

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$$\text{CRR} = \text{CE} \times \text{CW} \times \text{CRR charge (\%)}$$

Where,

- CE = Counterparty exposure, as determined in accordance with paragraph 6.3(e)
- CW = Counterparty weighting, as stipulated in **Schedule 11** of this Directive
- CRR charge = CRR charge as stipulated in **Schedule 12** of this Directive

(ii) **Over-the-Counter derivative Contracts**(aa) **Counterparty exposure**

A Participating Organisation's Counterparty exposure on an over-the-counter derivative contract is the credit equivalent amount as specified in **Schedule 15** of this Directive.

(f) **Sub-underwriting:**(i) **Counterparty exposure:**

If a Participating Organisation, acting as lead underwriter, enters into a sub-underwriting agreement with a Counterparty, the Participating Organisation's Counterparty exposure is equal to 30% of the sub-underwritten amount.

(g) **Reverse repo transactions**

If a Participating Organisation purchases instruments through a reverse repo transaction, the Participating Organisation's Counterparty exposure is the full pre-determined re-sale value of the instruments as agreed between the Participating Organisation and the repo seller.

(h) **Margin Financing Facilities:**(i) **Counterparty exposure**

A Participating Organisation's Counterparty exposure to a Margin Financing Facility is the Outstanding Balance.

(ii) **Principles applicable to Margin Financing Counterparty Risk Requirement:**

A Participating Organisation, in calculating the Participating Organisation's Counterparty Risk Requirement as to Margin Financing Facilities, must observe the requirements below in addition to the principles applicable in calculating Counterparty Risk Requirement in paragraph 6.1(1), (2) and (3).

- (aa) A Participating Organisation is not required to calculate a Counterparty Risk Requirement for a Margin Account if specific provisions equivalent to 100% of the amount outstanding have been made in accordance with the provisions of Part C of Chapter 12;

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- (bb) A Participating Organisation must calculate a Counterparty Risk Requirement for a Margin Account if the Equity, after applying the applicable discounts stipulated in paragraph 6.4(2) and **Schedule 18** of this Directive, is below 150% of the Outstanding Balance.

(iii) **Calculation of CRR**

- (aa) A Participating Organisation must calculate a Participating Organisation's Counterparty Risk Requirement for Margin Financing Facilities in the manner stipulated in **Schedule 16** of this Directive.
- (bb) A Participating Organisation's total Counterparty Risk Requirement for Margin Financing Facilities is the sum of the Counterparty Risk Requirements calculated in accordance with this paragraph 6.3(h)(iii).

(i) **Debt Securities**

A Participating Organisation must calculate the Participating Organisation's Counterparty Risk Requirement for Counterparty exposures arising from Debt Securities in accordance with the formula set out below if the Client or Counterparty does not pay the Participating Organisation on the Settlement Date.

- (i) Settlement Date to 15 Market Days:

$$\text{CRR} = \text{CE} \times \text{CW} \times 8\%$$

Where,

- CE = (i) Positive Mark to Market Difference of the Debt Securities; or
(ii) Any losses incurred from closing-out the position; or
(iii) The penalty including other amounts due incurred from the cancellation of the contract (as applicable)
- CW = Counterparty weighing, as stipulated in **Schedule 11** of this Directive

- (ii) 16 Market Days to 30 Market Days from the Settlement Date:

$$\text{CRR} = 50\% \text{ of CE}$$

- (iii) More than 30 Market Days from the Settlement Date:

$$\text{CRR} = 100\% \text{ of CE}$$

Where for both Paragraphs (i) and (ii) above,

- CE = (i) The full contract value if the PO has not closed-out the position; or
(ii) Any losses incurred from closing-out the position; or
(iii) The penalty including other amounts due incurred from the cancellation of the contract (as applicable)

- (iv) The applicable aging for the calculation of the Counterparty Risk Requirement for Counterparty exposures arising from Debt Securities is determined by comparing the current market date against the Settlement Date irrespective of the nature of the

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Counterparty exposure.¹ For example, if a Participating Organisation closes off a position that is 14 Market Days old resulting in a loss, the Counterparty Risk Requirement for the loss amount due from the Client must be computed from the 14th Market Day onwards (i.e. CE x CW x 8% for the 14th and 15th Market Day, 50% of the Counterparty exposure for the 16th to 30th Market Day and thereafter, 100%).

- (v) If for any reason, a Participating Organisation is unable to calculate the Counterparty Risk Requirement for Counterparty exposures arising from FI Securities through electronic system, the Participating Organisation must manually calculate it in the manner stipulated in **Schedule 17** of this Directive.
- (vi) In this Rule, "Settlement Date" means:
 - (aa) in the case of a Universal Broker trading as a RENTAS member, one Market Day after the settlement date stipulated by the relevant requirements of the Commission, the Central Bank or any other relevant body on the RENTAS system;
 - (bb) in the case of a Participating Organisation trading via a RENTAS member, one Market Day after the settlement date as mutually agreed between the Participating Organisation and the RENTAS member.

6.4 Collateral

Conditions

- (1) A Participating Organisation may use collateral or security including collateral placed by the Participating Organisation's Dealer's Representative appointed on a commission basis to reduce the Participating Organisation's Counterparty exposure if:
 - (a) the Participating Organisation has an unconditional right to realise the collateral or security in the event of default by the Counterparty;
 - (b) the collateral or security is liquid in nature and this includes:
 - (i) cash deposit in RM;
 - (ii) cash deposit in foreign currency acceptable to the Exchange, as stipulated in **Schedule 18** of this Directive;
 - (iii) securities listed on the Exchange or other Recognised Stock Exchanges; and
 - (iv) government bonds or other Debt Securities that have a ready market.

Discounting

- (2) A Participating Organisation must discount the value of collateral held:
 - (a) in a form other than a RM cash deposit by applying the applicable discounts stipulated in **Schedule 18** of this Directive; and

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- (b) in a form of FI Securities by the amount equivalent to the sum of the applicable specific risk Position Risk factor and the applicable general market risk Position Risk factor stipulated in **Schedule 7** of this Directive.

Deposits and commission

- (3) A Participating Organisation may apply the DR Security Deposit and commission the Participating Organisation holds for a Dealer's Representative against that Dealer's Representative's Client if the Client owes the Participating Organisation any money. A Participating Organisation must not use the DR Security Deposit of one Dealer's Representative as collateral for another Dealer's Representative who has insufficient funds.

Hedging

- (4) A Participating Organisation must calculate the Counterparty Risk Requirement for hedging positions in the manner stipulated in **Schedule 6** of this Directive.

7. Part H of Chapter 13

- (1) Part H of Chapter 13 provides the requirements on Large Exposure Risk.
- (2) Rule 13.23 provides that a Participating Organisation must calculate its 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 13.23.

- (3) In discharging the obligations under the above Rule, a Participating Organisation must comply with the requirements set out below.

7.1 Exposure to single client or counterparty – Debt Securities

If for any reason, a Participating Organisation is unable to calculate the Participating Organisation's Large Exposure Risk Requirement to a single Client in relation to the Participating Organisation's activities in Debt Securities through electronic system, the Participating Organisation must manually calculate it in the manner stipulated in **Schedule 19** of this Directive. This requirement does not apply if the Counterparty exposure has already incurred 100% charge under the Counterparty Risk Requirement.

7.2 Direct exposure to debt – FI Securities

If for any reason, a Participating Organisation is unable to calculate the Participating Organisation's Large Exposure Risk Requirement for its exposure position to debt for FI Securities through electronic system, the Participating Organisation must manually calculate it in the manner stipulated in **Schedule 20** of this Directive.

7.3 Maximum Large Exposure Risk to FI Security issued by the central government or government related agencies that are fully guaranteed by the central government

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- (1) A Participating Organisation is not subject to Rule 13.25(3) if the Debt Securities is an FI Security issued by the central government or government related agencies that are fully guaranteed by the central government.
- (2) A Participating Organisation may bear a Large Exposure Risk to FI Securities issued by the central government or government related agencies that are fully guaranteed by the central government, of up to 500% of the Participating Organisation's Effective Shareholders' Funds.
- (3) In this paragraph, the central government and government related agencies may include (not exhaustive):
 - (a) the Government of Malaysia;
 - (b) Khazanah Nasional Berhad;
 - (c) the Central Bank;
 - (d) Pengurusan Danaharta Nasional Berhad, such as Danaharta Bonds;
 - (e) Danamodal Nasional Berhad, such as Danamodal Bonds;
 - (f) Cagamas Berhad;
 - (g) Syarikat Prasarana Negara Berhad; and
 - (h) KL International Airport Berhad,

where the issuance of the FI Securities are fully guaranteed by the central government.

- (4) A Participating Organisation may bear a Large Exposure Risk to FI Securities that are rated AA or AAA by a credit rating agency recognised by the Commission, of up to 250% of the Participating Organisation's funds.

7.4 Exposure to a single equity – net position or exposure

- (1) A Participating Organisation, in calculating the Participating Organisation's net position or exposure to a single equity must include an equity over-the-counter Options or an equity Warrant that is In the Money at its full underlying value.
- (2) A Participating Organisation, in calculating the Participating Organisation's net position or exposure to a single equity need not include the Participating Organisation's underwriting or sub-underwriting commitment, unless that commitment has become a principal position.
- (3) A Participating Organisation, in calculating the Participating Organisation's net position or exposure to a single equity must not:
 - (a) treat an Out of the Money equity over-the-counter Options or an equity Warrant as an exposure; and
 - (b) treat an Exchange Traded Fund, where the underlying instruments are government or government-related agency bonds, as an exposure.

7.5 Exposure in relation to a net purchase contract value of single equity underlying clients' accounts:

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- (1) A Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement in relation to the net purchase contract value of single equity underlying clients' accounts arising from transactions either under a Ready Basis Contract starting from the date that it has not been paid for on and subsequent to the FDSS due settlement date; and
- (2) A Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement in relation to the net purchase contract value of single equity underlying clients' accounts arising from transactions under a DF Account starting from the date that it has not been paid for on and subsequent to the FDSS due settlement date.

7.6 Exposure to a single equity relative to instrument on issue

- (1) If a Participating Organisation has a Large Exposure to a single equity relative to the Participating Organisation's total issue as specified in Rule 13.26(1)(a), the Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement by multiplying the value of the exposure that is in excess of 10% of the total issue by the Position Risk Factor used in the Standard Approach in the manner stipulated in **Schedule 21** of this Directive.
- (2) If a Participating Organisation has an exposure in excess of 20% of the issuer's capital arising from the Participating Organisation's investment in the stock accounts as stipulated in Rule 13.26(5)(c), the Participating Organisation is considered an associate of the issuer.

7.7 Exposure to a single equity relative to Effective Shareholders' Funds

If a Participating Organisation has a Large Exposure to a single equity relative to the Participating Organisation's Effective Shareholders' Funds as specified in Rule 13.26(1)(b), the Participating Organisation must calculate the Participating Organisation's Large Exposure Risk Requirement by multiplying the value of the exposure that is in excess of 10% of the Participating Organisation's Effective Shareholders' Funds by the Position Risk Factor used in the Standard Approach, in the manner stipulated in **Schedule 21** of this Directive.

7.8 Exposure to a single equity relative to both an instrument on issue and Effective Shareholders' Funds

If a Participating Organisation has both a large exposure to a single equity relative to an instrument on issue and a large exposure to the same equity relative to the Participating Organisation's Effective Shareholders' Funds, the Participating Organisation's Large Exposure Risk Requirement is the higher of the 2 requirements.

8. Part I of Chapter 13

- (1) Part I of Chapter 13 provides the requirements on Underwriting Risk.
- (2) Rule 13.27 states that 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.
- (3) Rule 13.28 states that a Participating Organisation must calculate its Underwriting Risk Requirement in the manner the Exchange determines.
- (4) In discharging the obligations under the above Rules, a Participating Organisation must comply with the requirements set out below.

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8.1 Computation

A Participating Organisation's Underwriting Risk Requirement is 30% of the underwritten commitment multiplied by the Standard Approach Position Risk factor, depending on the type of securities underwritten, as set out in **Schedule 3** of this Directive.

$$\text{URR} = \text{UE} \times \text{PRF} \times 30\%$$

Where,

UE = Underwriting exposure as defined in paragraph 8.2(a)

PRF = Applicable Position Risk factor, as stipulated in **Schedule 3** of this Directive

8.2 Methodology

A Participating Organisation in assessing the Participating Organisation's underwriting and sub-underwriting commitment must comply with the principles set out below.

- (a) An Underwriting exposure is an underwriting commitment that is computed based on the quantity and price in the underwriting agreement or document as amended or supplemented.
- (b) An Underwriting Risk exists from:
 - (i) the date of the Participating Organisation's unequivocal acceptance of the underwriting commitment; or
 - (ii) the date on which the underwriting agreement or document is signed,
 whichever occurs earlier.
- (c) If a third party sub-underwrites part of a Participating Organisation's underwriting commitment, the Participating Organisation's underwriting commitment may be reduced by such sub-underwritten amount if proper documentation or an agreement for the sub-underwriting is executed.
- (d) A Participating Organisation must treat the third party's sub-underwriting amount as a Counterparty Risk.
- (e) If a Participating Organisation undertakes a sub-underwriting commitment, the Participating Organisation must treat the sub-underwriting commitment as an underwriting commitment from the later of the following events:
 - (i) the date of the Participating Organisation's unequivocal acceptance of the sub-underwriting commitment or the date on which the sub-underwriting agreement or document is signed, whichever occurs earlier; or
 - (ii) the date of the lead underwriter's unequivocal acceptance of the underwriting commitment or the date on which the underwriting agreement or document is signed, whichever occurs earlier.
- (f) A Participating Organisation's underwriting commitment continues as an Underwriting Risk until the date the application closes. After that, the Underwriting Risk either:
 - (i) ceases; or

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(ii) becomes a Position Risk.

8.3 Underwriting Risk for Debt Securities

A Participating Organisation must calculate the Participating Organisation's Underwriting Risk Requirement for FI Securities in accordance with the formula set out below.

$$\text{FI URR} = \text{UE} \times \text{PRFs} \times 30\%$$

Where,

FI URR = Underwriting Risk Requirement for FI Securities

UE = Underwriting exposure calculated in the manner stipulated in paragraph 8.2(a).

PRFs = The applicable specific risk Position Risk factor + the applicable general market risk Position Risk factor. The Position Risk factors for FI Securities are set out in **Schedule 7** of this Directive

[End of Directive]

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Schedule 1
[Paragraphs 2(2), 3.1(1) and 3.1(3)]

	<i>RM</i> Total	<i>RM</i> Ranking For Liquid Capita	<i>RM</i> Not Ranking For Liquid Capita
RETURN PRESCRIBED IN PARAGRAPH 2.1(1) OF THE EXCHANGE'S DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS			
Participating Organisation			
Balance Sheet as at _____			
Capital Employed			
Ordinary Share Capital	_____	_____	
Preference Share Capital - Non- Cumulative/Non-Redeemable	-	-	
Reserve Fund - Non distributable	_____	_____	
Share Premium Account	_____	_____	
Capital Reserves	_____	_____	
Audited Retained Earnings	_____	_____	
CORE CAPITAL	_____	_____	
	-	-	
Share Premium Account - Others	_____	_____	
Preference Share Capital – Others	-	-	
Approved Subordinated Loan	_____	_____	
Revaluation Reserves	-	-	(_____)
Unaudited Profits/Unaudited Losses	_____	_____	
Unrealised Gains/Unrealised Losses from principal positions	_____	_____	
Loans secured against Fixed Assets	____/____	____/____	_____
Term Loan))	_____
Unsecured Loans	_____	_____	_____
Deferred Taxation	____/____	____/____	_____
Provision for Taxation))	_____
Hire Purchase Creditors	_____	_____	_____
Total	_____	_____	_____
	Total	Not Ranking For Liquid Capital	Ranking For Liquid Capital
Employment of Capital			
Intangible Assets	_____	_____	
Fixed Assets	_____	_____	
Long Term Investments	-	-	
- Listed Investments	_____	_____	
- Unlisted Investments	_____	_____	
- Subsidiary/Related Companies	_____	_____	
Long-Term Receivables	_____	_____	
Other Non-current Assets/ Tax Assets	_____	_____	
Total Fixed Assets	_____	_____	

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	RM Total	RM Not Ranking For Liquid Capita	RM Ranking For Liquid Capita
Current Assets			
Cash and Bank Balances			
- Trust	_____		_____
- Non-Trust	-		_____
Deposits – approved banks & financial institutions	-		
- Trust	_____		_____
- Non-Trust	-		_____
Deposits – others	_____		
- Trust	-	_____	
- Non-Trust	_____	_____	
	-		
Marketable Securities -Listed Equities	_____		_____
Marketable Securities – FI Securities (corporate)	-		_____
Marketable Securities – FI Securities (government)	_____		_____
	-		
Marketable Securities – Unit Trusts			
Marketable Securities – Others	_____		_____
	-		
Trade Debtors - Dealers (gross)			
Less: Specific Provision for Bad and Doubtful Debts	_____		()
Less: Provision for Interest in Suspense	-		()
Trade Debtors – Clients (gross)	_____		
Less: Specific Provision for Bad & Doubtful Debts	-		()
Less: Provision for Interest In Suspense	-		()
Clients Margin Accounts	_____		
Less: Specific Provision for Bad & Doubtful Debts	()		()
Less: Provision for Interest In Suspense	()		()
Less: General Provision	_____	()	
Outstanding contracts <input type="checkbox"/> T+4	()		
Directors Account	()		_____
Loans & Advances	_____	-	
Amount due from Holding Company	()	-	
Amount due from Subsidiary/Related Companies	()	-	
Prepayment	()		
Other Debtors	_____	-	
	-	-	
Others/Charged Assets			

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RM Total	RM Not Ranking For Liquid Capita	RM Ranking For Liquid Capita
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_____	_____	
-	-	
_____	_____	
-	-	
_____	_____	
-	-	

-		

-		

-		

Total Current Assets

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	RM Total	RM Not Ranking For Liquid Capita	RM Ranking For Liquid Capita
Current Liabilities			
Bank Overdraft/Revolving Credits	_____		_____
Short Term Loans/Borrowings	_____		_____
Trust Accounts - Clients	_____		_____
- Others	_____		_____
Trade Creditors	_____		_____
- Dealers	_____		_____
- Clients	_____		_____
Outstanding Contracts □ T+ 4	-		_____
Directors Account	_____		_____
Other Creditors and Accruals	_____		_____
Remisiers' Accounts	_____		_____
Hire Purchase Creditors	_____		_____
Provision for Taxation	_____		_____
Proposed Dividends	_____		_____
Amount due to Holding Company	_____		_____
Amount due to Subsidiary/Related Companies	_____		_____
	_____		_____
	_____		_____
	-		_____
	_____		_____
	-		_____
	_____		_____
Total Current Liabilities	_____		_____
TOTAL EMPLOYMENT OF CAPITAL	_____		
Less Contingent Liabilities		_____	
Add: Collateral used to secure Deposit with Non-Approved Institution		-	
Add: Collateral used to secure Other Debtors		_____	
Add: Collateral used to secure Other Assets		-	

LIQUID CAPITAL		_____	
		-	
Total Risk Requirement			
LIQUID MARGIN			

CAPITAL ADEQUACY RATIO			

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RETURN PRESCRIBED IN PARAGRAPH 2(2) OF THE EXCHANGE'S DIRECTIVES ON CAPITAL ADEQUACY RATIO

Risk Components that form the Total Risk Requirement:

Ref	Position Risk Requirement (PRR)	
	<i>Total PRR – Standard Approach</i>	
	<i>Total PRR – Foreign Exchange Method</i>	
	<i>Total PRR – MFOPRR</i>	
	<i>Total PRR – Building Block Approach</i>	
	<i>Total PRR – Equity Index Arbitrage Difference</i>	
	<i>Total PRR – Debt Instrument quoted on the KLSE</i>	
	<i>Total PRR – FI Securities-not quoted on the KLSE</i>	
	<i>Total PRR – Loss on conversion</i>	
	<i>Total PRR – Basic Method</i>	
	<i>Total PRR – Margin Method</i>	
	<i>Total PRR – Hedging Method</i>	
	<i>Total PRR – Equity Index Arbitrage</i>	
	Position Risk Requirement	
	Counterparty Risk Requirement (CRR)	
	<i>Total CRR – Debt, Contra Losses and Other Amounts Due</i>	
	<i>Total CRR – Unsettled Agency and Principal Trades</i>	
	<i>Total CRR – Free Deliveries</i>	
	<i>Total CRR – Securities Borrowing and Lending/ISSBNT</i>	
	<i>Total CRR – Exchange Traded Derivatives</i>	
	<i>Total CRR – OTC Derivative Contracts</i>	
	<i>Total CRR – Sub-Underwriting</i>	
	<i>Total CRR – Margin Financing</i>	
	<i>Total CRR – Fixed Income Securities</i>	
	<i>Total CRR – Potential Material Loss</i>	
	<i>Total CRR – Exceptional Instruments</i>	
	<i>Total CRR – Manual SBL/ISSBNT</i>	
	<i>Total CRR – Manual Derivatives</i>	
	Counterparty Risk Requirement	
	Large Exposure Risk Requirement (LERR)	
	<i>Total LERR to Single Client</i>	
	<i>Total LERR to Issuer of Debt</i>	
	<i>Total LERR to Single Equity</i>	
	Large Exposure Risk Requirement	
	Underwriting Risk Requirement (URR)	
	<i>Total Underwriting Risk Requirement</i>	
	Underwriting Risk Requirement	
	Operational Risk Requirement	
	Operational Risk Requirement	
	Operational Risk Requirement	
	Total Risk Requirement	
	Effective Shareholders' Funds	

[End of Schedule 1]

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Schedule 2
[Paragraph 3.4(7)]

**METHODS OF COMPUTATION OF CONTINGENT LIABILITIES ARISING
FROM PUT OPTION(S)**

Purpose of Put Option(s)	Calculation of Amount of Contingent Liabilities for Put Option(s)	
	If EP is more than Price _{MTM}	If EP is equal to or less than Price _{MTM}
To guarantee performance as placement agent	European Option(s): [Q x (EP - Price _{MTM}) x ISDM Fraction] - Collateral	Nil
To support security arrangements for credit facilities	European Option(s): [Q x (EP - Price _{MTM}) x ISDM Fraction] - Collateral American Option(s): [Q x (EP - Price _{MTM})] - Collateral	Nil
<i>Notes:</i>		
American Option(s)	An Option that may be exercised any time between the Option's initiation and expiration dates, inclusive	
ISDM Fraction	A fraction based on Inverse-Sum-of-Digit Method, figured on yearly basis if Option(s) period exceeds 1 year	
European Option(s)	An Option that is only exercisable on the expiration date of the Option	
EP	Exercise Price of the Option(s)	
Price _{MTM}	The Mark to Market price of the underlying securities forming the subject matter of the Option(s)	
Q	Number of underlying securities over which the Option(s) is granted	

[End of Schedule 2]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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Schedule 3
[Paragraph 5.3(2), 5.6(2), 5.13 and 8.1]

POSITION RISK FACTOR FOR STANDARD APPROACH

INSTRUMENT	POSITION RISK FACTOR
<i>Bursa Malaysia Equities</i>	
<ul style="list-style-type: none"> ▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks 	15%
<ul style="list-style-type: none"> ▪ Other stocks, including ACE Market 	21%
<ul style="list-style-type: none"> ▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX futures 	5%
<ul style="list-style-type: none"> ▪ Suspended securities (more than 3 Market Days) 	100%
<i>Bursa Malaysia Derivatives</i>	
<ul style="list-style-type: none"> ▪ FKLI Options 	5%
<ul style="list-style-type: none"> ▪ KLIBOR futures 	5%
<ul style="list-style-type: none"> ▪ Crude Palm Oil futures 	5%
<ul style="list-style-type: none"> ▪ Kernel Palm Oil futures 	5%
<ul style="list-style-type: none"> ▪ Any other futures contract 	5%
<ul style="list-style-type: none"> ▪ Any other option contract 	5%
Unit trust or Exchange Traded Fund	
<ul style="list-style-type: none"> ▪ Equity fund 	15%
<ul style="list-style-type: none"> ▪ Debt securities fund 	5%
<ul style="list-style-type: none"> ▪ Commodities/Metals 	20%
<ul style="list-style-type: none"> ▪ Any other underlying fund 	25%

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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INSTRUMENT	POSITION RISK FACTOR
<p><i>International Equities</i></p> <ul style="list-style-type: none"> ▪ Single stocks in Recognised Market Indices ▪ Other single international stocks of Recognised Stock Exchanges 	<p>12%</p> <p>16%</p>
<p><i>Other Securities/Instruments</i></p> <p>Not being those categorised above</p>	<p>100%</p>

[End of Schedule 3]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 4
[Paragraph 5.7(1) and Schedules 3, 5 and 21]

RECOGNISED MARKET INDICES

<i>Country</i>	<i>Index</i>	<i>Country</i>	<i>Index</i>
Australia	All Ordinaries	Netherlands	EOE 25
Austria	ATX	Spain	IBEX 35
Belgium	BEL 20	Sweden	OMX
Canada	TSE 35	Switzerland	SMI
France	CAC40	UK	FTSE 100
Germany	DAX	UK	FTSE mid-250
Japan	Nikkei 225	USA	S&P 500

[End of Schedule 4]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

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Schedule 5
[Paragraph 5.7(2)]

**POSITION RISK FACTOR FOR BUILDING
BLOCK APPROACH**

INSTRUMENT	POSITION RISK FACTOR
<i>Bursa Malaysia Equities</i>	
Specific Risk	
▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks	10%
▪ Other stocks, including ACE Market	16%
▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX futures	2%
General Risk	
▪ All single stocks and market indices	5%
<i>Bursa Malaysia Derivatives</i>	
Specific Risk	
▪ FKLIOptions	2%
▪ KLIBOR futures	2%
▪ Crude Palm Oil futures	2%
▪ Kernel Palm Oil futures	2%
▪ Any other futures contract	2%
▪ Any other options contract	2%
General Risk	
▪ FKLIOptions	5%
▪ KLIBOR futures	5%
▪ Crude Palm Oil futures	5%
▪ Kernel Palm Oil futures	5%
▪ Any other futures contract	5%
▪ Any other options contract	5%
<i>Unit trust or Exchange Traded Fund</i>	
Specific Risk	
▪ Equity fund	2%
▪ Debt securities fund	2%
▪ Commodities/Metals	2%
▪ Any other underlying fund	2%

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General Risk <ul style="list-style-type: none"> ▪ Equity fund ▪ Debt securities fund ▪ Commodities/Metals ▪ Any other underlying fund 	15% 5% 20% 25%
International Equities Specific Risk <ul style="list-style-type: none"> ▪ Single stocks in Recognised Market Indices ▪ Other single international stocks of Recognised Stock Exchanges General Risk <ul style="list-style-type: none"> ▪ All single stocks and market indices 	4% 8% 8%
Other Securities/Instruments <ul style="list-style-type: none"> ▪ Not being those categorised above 	100%

[End of Schedule 5]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 6
[Paragraphs 5.9(3) and 5.10(2)]

**POSITION RISK REQUIREMENT USING HEDGING
METHOD OR BASIC METHOD**

	Equity Position	Option Position	In the Money \geq PRF %	In the Money $<$ PRF %	Out of the Money
Basic Method	Naked	Long call	NL	NL	NL
		Long put	NL	NL	NL
		Short call	NSO	NSO	NSI
		Short put	NSO	NSO	NSI
Hedging Method	Long in security	Long put Short call	0% SHI	LPI SHI	HO HO
	Short in security	Long call Short put	0% SHI	LCI SHI	HO HO
Key					
PRF	Position Risk Factor				
PRF %	The Standard Approach PRF%				
NL	The lesser of the underlying instrument multiplied by PRF% and the current value of the Option on the Participating Organisation's books				
NSI	The market value of the underlying instrument multiplied by PRF%				
NSO	The market value of the underlying position multiplied by PRF% minus 0.5 times the amount by which the Option is In the Money, subject to a maximum reduction to zero				
LPI	The market value of the underlying position minus (1-PRF%) times the underlying position at the Exercise Price				
HO	The market value of the underlying position times PRF%				
SHI	The market value of the underlying position times PRF% minus Mark to Market value of Option, subject to a maximum reduction to zero				
LCI	(1+PRF%) times the underlying position at the Exercise Price minus the market value of the underlying position, subject to a maximum reduction to zero				

[End of Schedule 6]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 7
[Paragraphs 5.12(2), 6.4(2)(b) and 8.3]

POSITION RISK FACTOR FOR FIXED INCOME SECURITIES

Fixed Income Securities**Specific Risk**

▪ Government – bonds issued and guaranteed by the Malaysian Government, Bank Negara Malaysia, Danaharta, Danamodal and OECD central government and central banks	0%			
▪ State Government / Financial institutions - including bonds issued and guarantees by local/state government, statutory authorities, licensed banking institutions, licensed development financial institutions, discount houses and Cagamas		<u>Remaining Maturities</u>		
	<= 1 year	> 1-5 years	> 5 years	
	1.0%	1.6%	1.6%	
▪ Corporate		<u>Remaining Maturities</u>		
	Ratings	<= 1 years	>1-5 years	>5
	years			
	P1	1.0%		
	P2	1.0%		
	P3	2.0%		
	AAA	1.0%	3.0%	3.5%
	AA	1.0%	3.5%	4.5%
	A	1.0%	4.5%	5.5%
	BBB	2.0%	6.0%	7.0%
	Unrated Instruments/ Below investment grade		8.0%	8.0%
		8.0%		

Fixed Income Securities**General Risk**

All types of Fixed Income Securities

Remaining Maturities

▪ Up to 1 month	0.00%
▪ > 1 to 3 month	0.20%
▪ > 3 to 6 months	0.50%
▪ > 6 to 12 months	0.80%
▪ > 1 to 2 years	1.40%
▪ > 2 to 3 years	2.00%
▪ > 3 to 4 years	2.70%
▪ > 4 to 5 years	3.40%
▪ > 5 to 7 years	4.30%
▪ > 7 to 10 years	4.90%
▪ > 10 to 15 years	6.50%
▪ > 15 to 20 years	7.70%
▪ Over 20 years	9.10%

[End of Schedule 7]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 8
[Paragraph 5.12(3)]

TEMPLATES FOR MANUAL COMPUTATION OF POSITION RISK REQUIREMENT (PRR) FOR FIXED INCOME SECURITIES

Name of Participating Organisation :
 Position as at :

No.	Type of FI Securities	Ratings (RAM and MARC short and long term ratings)	Time to Maturity [[The different between reporting date and the Maturity Date of FI Securities (months/years)]	Quantity	Market Value of the FI Securities (RM) (a)	Position Risk Factors (PRFs)			PRR (RM)
						PRFsp (b)	PRFg (c)	Total PRFs (d) [d=b+c]	(e) [e=axd]
Total PRR									

~~We hereby declare that the information contained herein are true and correct in all aspects.~~

 Date: _____

 Date: _____

[End of Schedule 8]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 9
[Paragraph 5.15]

TEMPLATES FOR MANUAL COMPUTATION OF POSITION RISK REQUIREMENT (PRR) FOR UNIT TRUST

Name of Participating Organisation :
Position as at :

No.	Name of Unit Trust	Quantity of Limit Trust	Market Value of Unit Trust (RM)	Position Risk Factor (PRF)	PRR (RM)
			(a)	(b)	(c) [c=axb]
Category 1 : Equity Fund					
1				15%	
2					
3					
Category 2 : Bond Fund					
1				5%	
2					
3					
Total PRR					

~~We hereby declare that the information contained herein are true and correct in all aspects.~~

Date:

Date:

[End of Schedule 9]

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Schedule 10
[Paragraph 5.16(2)]

**POSITION RISK REQUIREMENT FOR
ONWARD PLEDGED MFF COLLATERAL**

Position Risk Requirement	Calculation
PRR onward pledged collateral	$BO \times (OPMM - OPM)$ Where, $OPM = \frac{\text{Discounted MTM of Onward Pledged MFF Collateral}}{\text{Balance owing to third party}} \times 100\%$
Key:	
BO	The balance owing to the third party secured by Onward Pledged MFF Collateral
OPMM	The Onward Pledge Minimum Margin of Onward Pledged MFF Collateral, after applying the applicable discounts stipulated in Schedule 18, being 150% of BO
OPM	The Onward Pledge Margin
Discounted MTM	The Mark to Market value of the Onward Pledged MFF Collateral after applying the applicable discounts stipulated in Schedule 18

[End of Schedule 10]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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Schedule 11
[Paragraphs 6.2, 6.3(e)(i)(bb) and 6.3(i)(i)]

COUNTERPARTY WEIGHTING

Counterparty Exposure	Weight
Government <ul style="list-style-type: none"> ▪ Central government ▪ Government related agencies 	0%
Cagamas Berhad	10%
State or local Government <ul style="list-style-type: none"> ▪ 	20%
Financial Institutions <ul style="list-style-type: none"> ▪ Banks and financial institutions licensed under BAFIA ▪ Banks licensed under the Islamic Banking Act 1983 	20%
Clearing Houses and Exchanges <ul style="list-style-type: none"> ▪ Clearing HousesRecognised Stock Exchanges ▪ exchange approved by the Minister 	20%
Malaysian authorised investment firms <ul style="list-style-type: none"> ▪ A holder of a Capital Markets Services Licence to carry on the business of fund management under the Capital Markets and Services Act ▪ A registered person under item 4 of Part 1 of Schedule 4 of the Capital Markets and Services Act as to unit trust schemes 	50%
Participating Organisation <ul style="list-style-type: none"> ▪ A Participating Organisation under trading restrictions as announced by the Exchange ▪ A Participating Organisation not under trading restrictions 	100% 50%
Other counterparties (not being those categorised above)	100%

[End of Schedule 11]

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SCHEDULE 12
[Paragraphs 6.3(a)(ii) and 6.3(e)(i)(bb)]

COUNTERPARTY RISK REQUIREMENT
FOR UNSETTLED AGENCY TRADES

Agency Transaction	Time period for application of Percentage	Counterparty Risk Requirement
1. Sales contract	T to T+2 of clients	0.5%
	From T+3 to T+30 of clients	<ul style="list-style-type: none"> ▪ 8% of the Mark to Market Difference of the Contract multiplied by the weighting, if the Mark to Market value less the sales contract value of the stock is positive ▪ 0%, if the Mark to Market value less the sales contract value of the stock is zero or negative
	Beyond T+30 of clients	<ul style="list-style-type: none"> ▪ The Mark to Market Difference multiplied by the weighting, if the Mark to Market value less the sales contract value of the stock is positive ▪ 0%, if the Mark to Market value less the sales contract value of the stock is zero or negative
2. Purchase contracts (cash payments)	T to T+3 of clients	0.5%
	From T+4 to T+30 of clients	<ul style="list-style-type: none"> ▪ 8% of the Mark to Market Difference of the Contract multiplied by the weighting, if the purchase contract value less Mark to Market value of the stock is positive ▪ 0%, if the purchase contract value less Mark to Market value of the stock is zero or negative
	Beyond T+30 of clients	<ul style="list-style-type: none"> ▪ The Mark to Market Difference multiplied by the weighting, if the purchase contract value less Mark to Market value of the stock is positive ▪ 0%, if the purchase contract value less the Mark to Market value of the stock is zero or negative

[End of Schedule 12]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS	No. 13-001
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SCHEDULE 13
[Paragraph 6.3(b)(ii)]

**COUNTERPARTY RISK REQUIREMENT FOR
DEBT, CONTRA LOSSES AND OTHER AMOUNTS DUE**

Contract default Aging Period	Counterparty Risk Requirement
Less than T+16 days	Zero
T+16 to T+30 days	50% of the amount due
Over T+30 days	100% of the amount due

[End of Schedule 13]

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Schedule 14
[Paragraph 6.3(d)(ii)]

COUNTERPARTY RISK REQUIREMENT
FOR SECURITIES BORROWING AND LENDING / ISSBNT TRANSACTIONS

Securities Borrowing and Lending / ISSBNT Transaction		Time period for application of Percentage	Counterparty Risk Requirement
1. Borrowing / Purchase pursuant to ISSBNT	On borrowing / purchase pursuant to ISSBNT	Pre-Recall	CE x CW x 0%
	On Recall	From Recall to Recall + 3 days	CE x CW x 8%
	On Recall	Beyond Recall + 3 days	CE x CW x 100%
2. Lending / Sale pursuant to ISSBNT	On Lending / Sale pursuant to ISSBNT	Pre-Recall	CE x CW x 0%
	On Recall	From Recall to Recall + 3 days	CE x CW x 8%
	On Recall	Beyond Recall + 3 days	CE x CW x 100%

Where:

CE = Counterparty exposure, as determined under Paragraph 6.3(d).

CW = Counterparty weighing, as specified in Schedule 11.

'On Borrowing' means upon crediting of the securities borrowed into the borrower's CDS Account.

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‘On Purchase pursuant to ISSBNT’ means upon crediting of the securities purchased pursuant to ISSBNT into the user’s CDS Account.

‘On Lending’ means upon debiting of the securities lent from the lender’s CDS Account.

‘On Sale pursuant to ISSBNT’ means upon debiting of the securities sold pursuant to ISSBNT from the supplier’s CDS Account.

[End of Schedule 14]

Schedule 15
[Paragraph 6.3(e)(ii)]

**METHODOLOGY FOR CALCULATING COUNTERPARTY EXPOSURES
(CREDIT EQUIVALENT AMOUNTS) FOR
OVER-THE-COUNTER DERIVATIVE TRANSACTIONS**

Type of Over-the-Counter Derivative Transaction	Credit Equivalent Amount	
	If A is positive	If A is negative
Written Options	0 (no risk)	0 (no risk)
Individual share futures, over-the-counter Options, Warrants and equity swaps:		
▪ less than 1 year to maturity	A + 1% of N	1% of N
▪ over 1 year to maturity	A + 5% of N	5% of N
Notes: A = the Mark to Market value of the over-the-counter derivative N = the notional or actual principal amount or value underlying the Contract		

[End of Schedule 15]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 16
[Paragraph 6.3(h)(iii)(aa)]

METHODOLOGY FOR CALCULATING
COUNTERPARTY RISK REQUIREMENT FOR MARGIN FINANCING TRANSACTIONS

Category of Margin Accounts	Counterparty Risk Requirement
Margin Accounts where Equity is above 130% of the Outstanding Balance	$CRR_{\text{margin financing}} = CE \times CW \times CS \times 8\%$ <p>Where, $CS = MEM - EM$ $EM = \frac{\text{Discounted MTM}}{CE} \times 100\%$</p>
Margin Accounts where Equity is below 130% of Outstanding Balance	$CRR_{\text{margin financing}} = (CE - \text{Discounted MTM}) \times SP\%$
Key	
CE	Counterparty exposure, being the Outstanding Balance in the Margin Account
CW	Counterparty weighting, as stipulated in Schedule 11
CS	Collateral Shortfall
MEM	The minimum equity of 150% of the Outstanding Balance, as determined in the manner stipulated in Rule 101.1(1)
EM	Equity Margin
Discounted MTM	The Mark to Market value of the collateral after applying the applicable discounts stipulated in Schedule 18
SP%	The applicable percentage (%) of specific provision required to be made for amounts outstanding in Margin Accounts as may from time to time be classified as doubtful and bad following Rule 1203 and directives issued pursuant to that Rule.

[End of Schedule 16]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 17
[Paragraph 6.3(i)(v)]

TEMPLATES FOR MANUAL COMPUTATION OF COUNTERPARTY RISK REQUIREMENT (CRR) FOR FIXED INCOME SECURITIES

Name of Participating Organisation :

Position as at :

No.	Counterparty Name	Type of FI Securities	Debt Ageing Period (no. of market days overdue)	Counterparty Exposure (RM)	Discounted Collaterals and/or value of provisions made (RM)	Net Counterparty Exposure (RM)	Counterparty Weight (%)	CRR%	CRR (RM)	Total CRR (RM)
				(a)	(b)	(c) [c=a-b]	(d)	(e)	(f) [f=cxdxe]	
Grand Total of CRR										

~~We hereby declare that the information contained herein are true and correct in all aspects.~~

Date: _____

Date: _____

[End of Schedule 17]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

SCHEDULE 18

[Paragraphs 3.3(2), 3.4(9), 5.1(2), 5.11, 5.16, 6.3(h)(ii)(bb), 6.4(1)(b) and 6.4(2)]

DISCOUNTING FOR COLLATERAL

Type of Collateral	Applicable Discount
<p>Foreign Currency Cash Deposit</p> <ul style="list-style-type: none"> ▪ Foreign currency acceptable to the Exchange: <ul style="list-style-type: none"> ▪ US Dollar ▪ Euro and the currency of countries of the European Union that do not use the Euro ▪ Japanese Yen ▪ Hong Kong Dollar ▪ New Zealand Dollar ▪ Singapore Dollar ▪ Australian Dollar ▪ Cash deposits of any other currency that the Exchange specifies ▪ <i>Other foreign currency not acceptable to the Exchange</i> 	<p>8% after conversion into Ringgit by applying the Central Bank's best available exchange rate quoted by commercial banks of Kuala Lumpur or by applying any other rate as the Exchange decides.</p> <p>100% after conversion into Ringgit by applying the Central Bank's best available exchange rate quoted by commercial banks of Kuala Lumpur or by applying any other rate as the Exchange decides.</p>
<p>Quoted Securities Securities listed on the Exchange or other Recognised Stock Exchange (Mark to Market on a daily basis)</p>	<p>Position Risk Factor used in the Standard Approach, as stipulated in Schedule 3.</p>
<p>Suspended Securities</p>	<p>Position Risk Factor used in the Standard Approach, as stipulated in Schedule 3.</p>
<p>Malaysian Government Securities, Khazanah Bonds, Malaysian Treasury Bills, Malaysian Government Investment Certificates</p> <ul style="list-style-type: none"> ▪ Up to 1 year maturity ▪ More than 1 year maturity 	<p>2.5%</p> <p>5.0%</p>

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

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Type of Collateral	Applicable Discount
Cagamas Bonds <ul style="list-style-type: none"> ▪ Up to 1 year maturity ▪ More than 1 year maturity 	<p style="text-align: right;">12.5%</p> <p style="text-align: right;">15.0%</p>
Letters of Credit/Bank Guarantee Letters of credit or bank guarantees guaranteed by financial institutions licensed under BAFIA or the Islamic Banking Act 1983	20%
Negotiable Instruments of Deposit Negotiable instruments of deposit guaranteed by financial institutions licensed under BAFIA or the Islamic Banking Act 1983	20%
Other collateral or security Any other collateral or security (not being those categorised above)	100%

[End of Schedule 18]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 19
[Paragraph 7.1]**TEMPLATES FOR MANUAL COMPUTATION OF LARGE EXPOSURE RISK REQUIREMENT (LERR) TO SINGLE CLIENT**Name of Participating Organisation :
Position as at :

No.	Counterparty Name [only report if (e) >10% of ESF]	Type of FI Securities	Net Counterparty Exposure (CE) for FI Securities (RM)	CRR for FI Securities (RM) (a)	Net CE for the client as extracted from LER_0001 report (RM) (b)	CRR for the client as extracted from LER_0001 report (RM) (c)	Total Net CE (RM) (d)	LERR = Total CRR (RM) (e) [e=a+c]	30% of ESF (RM) (f) [f=b+d]	Breach maximum LER limit if Total CE exceeds 30% of ESF (yes/no)
Grand Total of LERR										

~~We hereby declare that the information contained herein are true and correct in all aspects.~~

Date: _____ Date: _____

[End of Schedule 19]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 20
[Paragraph 7.2]

TEMPLATES FOR MANUAL COMPUTATION OF POSITION RISK REQUIREMENT (PRR) FOR FIXED INCOME SECURITIES

Name of Participating Organisation :

Position as at :

No.	Type of FI Securities (only report if (a) > 15% of ESF)	Ratings (RAM and MARC short and long term ratings)	Time to Maturity (The different between reporting date and the Maturity Date of FI Securities (months/years))	Quantity	Market Value of the FI Securities (a)	Position Risk Factors			LERR (RM)	30%, 250% or 500% of ESF whichever is applicable (RM)	Breach maximum LER limit if (a) exceeds 30%, 250% or 500% of ESF, whichever is applicable (yes/no)
						PRFsp (b)	PRFg (c)	Total PRFs (d) [d=b+c]	(e) [e=axd]		
Category 1: FI Securities issued by the central government or government related agencies											
1											
2											
3											
Category 2: FI Securities issued by company with AA or AAA rating											
1											
2											
3											
Category 3: FI Securities issued by other than the above											
1											
2											
3											
TOTAL LERR											

We hereby declare that the information contained herein are true and correct in all aspect

Date: _____

Date: _____

[End of Schedule 20]

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

Schedule 21
[Paragraph 7.6(1) and 7.7]

LARGE EXPOSURE RISK REQUIREMENT
FOR SINGLE EQUITY

LERR for exposure to Equity Relative to Instrument on Issue	
Types of Equity	LERR
FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks	15% of the amount in excess of the net exposure or position
Other stocks, including ACE Market	21% of the amount in excess of the net exposure or position
<i>Bursa Malaysia Derivatives</i>	
<ul style="list-style-type: none"> ▪ KLCI futures 	5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ KLIBOR futures 	4.5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ Crude Palm Oil futures 	5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ Kernel Palm Oil futures 	5% of the amount in excess of the net exposure or position
Unit trust or Exchange Traded Fund:	
<ul style="list-style-type: none"> ▪ Equity fund 	15% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ Debt securities fund 	5% of the amount in excess of the net exposure or position
Single stocks in Recognised Market Indices	12% of the amount in excess of the net exposure or position
Other single stocks of Recognised Stock Exchanges	16% of the amount in excess of the net exposure or position

DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS

No. 13-001

LERR for exposure to Equity Relative to Effective Shareholders' Funds	
Types of Equity	LERR
FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks	15% of the amount in excess
Other stocks, including ACE Market	21% of the amount in excess
Bursa Malaysia Derivatives	
<ul style="list-style-type: none"> ▪ KLCI futures 	5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ KLIBOR futures 	4.5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ Crude Palm Oil futures 	5% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ <i>Kernel Palm Oil futures</i> 	5% of the amount in excess of the net exposure or position
Unit trust or Exchange Traded Fund:	
<ul style="list-style-type: none"> ▪ Equity fund 	15% of the amount in excess of the net exposure or position
<ul style="list-style-type: none"> ▪ Debt securities fund 	5% of the amount in excess of the net exposure or position
Single stocks in Recognised Market Indices	12% of the amount in excess
Other single stocks of Recognised Stock Exchanges	16% of the amount in excess

[End of Schedule 21]

DIRECTIVES ON MANUAL WORKAROUND COMPUTATION FOR CAPITAL ADEQUACY REQUIREMENTS	No. 13.04(4)-001
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Relevant to : Rule 13.04(4)
 Introduced with effect from : 2 May 2013
 Amended : N/A 1 March 2018 vide R/R 3 of 2018
 POs' Circular No(s). : R/R 14 of 2006
 Refer also to Directive No(s). : N/A13-001

1. Rule 13.04(4)

- (1) Rule 13.04(4) provides that the 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.
- (2) In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.

1.1 Submission of Capital Adequacy Ratio

- (1) Participating Organisation must submit the information and records stated in Rule 13.04(4)(b) to the Exchange through electronic transmission in the manner as prescribed by the Exchange.
- (2) If for any reason, a Participating Organisation is unable to submit the information and records through electronic transmission, the Participating Organisation must manually compute its Capital Adequacy Ratio following the manual workaround template in **Appendix 1** of this Directive and submit to the Exchange the manual computation in the manner and at the times prescribed by the Exchange.
- (3) The Head of Compliance and the Head of Operations of the Participating Organisation will be held responsible for the truthfulness and accuracy of all the information and records contained in the submissions to the Exchange.

[End of Directive]

DIRECTIVES ON MANUAL WORKAROUND COMPUTATION FOR CAPITAL ADEQUACY REQUIREMENTS	No. 13.04(4)-001
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APPENDIX 1

**MANUAL WORKAROUND COMPUTATION FOR CAPITAL ADEQUACY REQUIREMENTS
(CAR)**

NAME OF PARTICIPATING ORGANISATION: _____

CAR ratio as at: _____

CAR COMPUTATION SUMMARY :-

		RM	RM
LIQUID CAPITAL (A)			
1. Position Risk Requirement			
2. Counterparty Risk Requirement			
3. Large Exposure Risk Requirement	(i) to single client		
	(ii) to single debt issuer		
	(iii) to single equity		
4. Underwriting Risk Requirement			
5. Operational Risk Requirement			
TOTAL RISK REQUIREMENT (B)=1+2+3+4+5			
CAR RATIO (A)/(B)			

~~We hereby declare that the information contained herein is true and correct in all aspects.~~

(Head of Operations)

Name:

**DIRECTIVES ON MANUAL WORKAROUND COMPUTATION FOR
CAPITAL ADEQUACY REQUIREMENTS**

No. 13.04(4)-001

Date:

(Head of Compliance)

Name:

Date:

[End of Appendix]

DIRECTIVES ON LIQUIDITY RISK MANAGEMENT FRAMEWORK ("LRM FRAMEWORK")	No. 13.32-001
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Relevant to	: Rule 13.32
Introduced with effect from	: 2 May 2013
Amended	: <u>N/A 1 March 2018 vide R/R 3 of 2018</u>
POs' Circular No(s).	: R/R 3 of 2011
Refer also to Directive No(s).	: N/A
Refer also to Best Practice No(s).	: 13-004 N/A

1. Rule 13.32

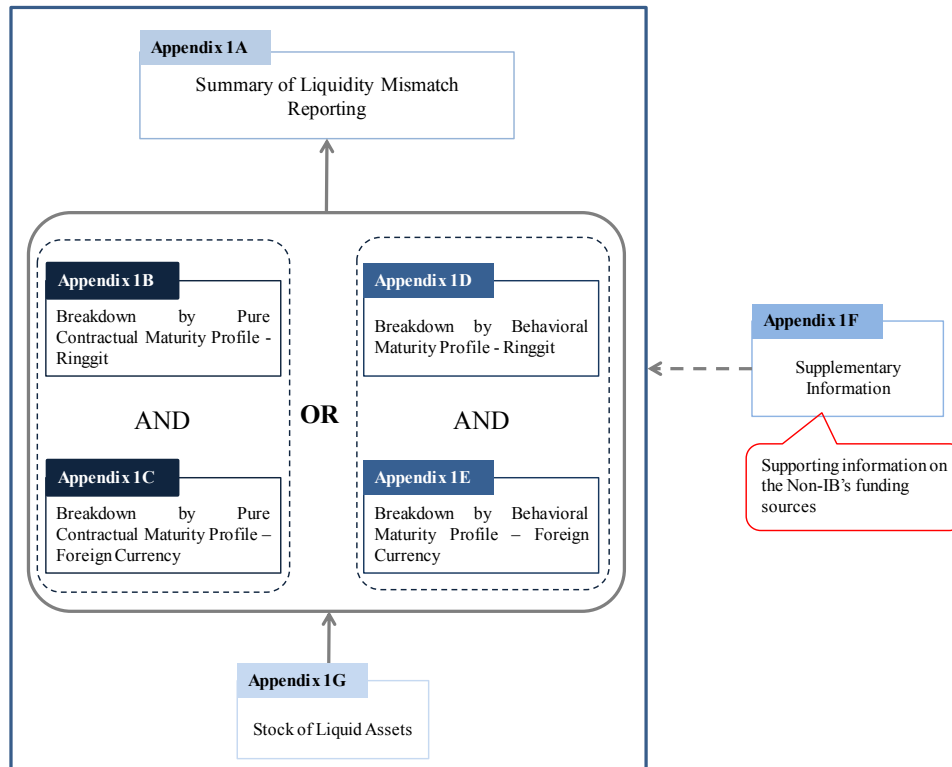
- (1) A Participating Organisation must at all times maintain a cumulative net liquid asset surplus at least at the minimum level(s) as prescribed by the Exchange ("Net Surplus Requirements").
- (2) In discharging the obligations under the said Rule, a Participating Organisation must, amongst others, comply with the requirements set out below.
- (3) For the purpose of this directive, "liquid assets" has the same meaning assigned to that expression in Rule 13.06(a).

1.1 Liquidity Reporting Requirements

- (1) The Participating Organisation must submit the duly completed Liquidity Reporting Forms to the Exchange in the templates prescribed below. The templates and a user guide in completing the templates ("the User Guide") are set out in **Appendix 1** of this Directive.
- (2) The Liquidity Reporting Forms templates are as set out below:

Liquidity Reporting Forms	Details
Appendix 1A	Summary of Maturity Mismatch Reporting
Appendix 1B	Breakdown by Pure Contractual Maturity Profile – RM
Appendix 1C	Breakdown by Pure Contractual Maturity Profile – Foreign Currency
Appendix 1D	Breakdown by Behavioural Maturity Profile – RM
Appendix 1E	Breakdown by Behavioural Maturity Profile – Foreign Currency
Appendix 1F	Supplementary Information
Appendix 1G	Stock of Liquid Assets

- (3) The Liquidity Reporting Forms must be completed in the manner described in the User Guide. The map below provides the user with an overview of the relationships between the Liquidity Reporting Forms.



1.2 Approach to Completing the Liquidity Reporting Forms

- (1) The Participating Organisation must classify the components that make up their Liquid Capital according to the maturity buckets as stated in the table in paragraph 1.3(1). The Participating Organisation may begin by using Form Appendix 1G to report its proprietary positions and available credit line.
- (2) Following from the above, the Participating Organisation must choose, in accordance with established internal policies, one of the following approaches:
 - (a) Forms Appendix 1B and 1C for the breakdown of the maturity profiles based on a contractual basis; or
 - (b) Forms Appendix 1D and 1E for the breakdown of the maturity profiles based on a behavioral basis.
- (3) When choosing to complete either Forms Appendix 1B and 1C, or Forms Appendix 1D and 1E, the Participating Organisation is to be guided by the ~~Best Practice~~ Guidelines on Managing Liquidity Risks for Participating Organisations.
- (4) For the initial stage, the Participating Organisation must rely on categorizing maturity profiles based on contractual basis. When the Participating Organisation becomes proficient in understanding the behaviour of the maturity profile of the assets and liabilities, it may embark on the more sophisticated and refined approach to categorization. The Exchange has not prescribed any specific approaches to be chosen by a Participating Organisation.

- (5) The Participating Organisation must complete Form Appendix 1F. The Participating Organisation must provide information that would enable the Exchange to assess the impact to the Participating Organisation's overall funding structure and liquidity risk in the scenario of a market disruption, including the following information:
- (a) Large customer cash funding;
 - (b) Interbank market (if any); and
 - (c) Offshore market (if any).
- (6) If a Participating Organisation does not have any relevant information, the Participating Organisation must submit the report as 'NIL'.
- (7) The Participating Organisation must submit the forms to the Exchange before the end of every Wednesday based on the previous business day's closing position or in any other reporting frequency as determined by the Exchange.
- (8) If the reporting day falls on a public holiday, the Participating Organisation must submit the said forms to the Exchange before the end of the following business day. For example, if the submission day (Wednesday) falls on a public holiday, the Participating Organisation must submit the said forms to the Exchange before the end of the following business day (Thursday).
- (9) If the day in which the reporting of the closing position is required, (for example, Tuesday) falls on a public holiday, the Participating Organisation must report based on the previous business day's (Monday) closing position.
- (10) The Participating Organisation must ensure that the forms submitted to the Exchange are accurate and true. The Liquidity Reporting Forms must be submitted electronically using the prescribed templates and emailed to the Exchange at psd@bursamalaysia.com.
- (11) The Head of Compliance and the Head of Operations of the Participating Organisation~~The Liquidity Reporting Forms received by the Exchange are deemed to have been duly signed off by the Head of Operations and Head of Compliance.~~ will be held responsible for the truthfulness and accuracy of all the information and records contained in the submissions to the Exchange.

1.3 Net Surplus Requirements Compliance

- (1) The table below stipulates the Net Surplus Requirements ("NSR") minimum levels that the Participating Organisation must comply with according to the maturity buckets:

BUCKET	MATURITY BUCKETS	NET SURPLUS REQUIREMENTS ("NSR") MINIMUM LEVELS
A	Up to three (3) market days	3%
B	Four (4) market days to seven (7) calendar days	5%
C	Eight (8) calendar days to 14 calendar days	7%
D	15 calendar days to 30 calendar days	9%

- (2) The NSR level for Bucket A has been prescribed at 3%. As the maturity progresses from Bucket A to D, the difference of NSR levels between buckets has been prescribed at +2% per bucket on cumulative basis. In this regard, the result for the cumulative NSR level for final Bucket D has been prescribed at 9% as stated in the table above.
- (3) The Exchange may adjust the NSR levels as it deems fit, according to prevailing market conditions.
- (4) The Participating Organisation must determine whether it is able to comply and maintain a minimum cumulative net liquid asset surplus according to the prescribed NSR levels. The cumulative net liquid asset surplus will be calculated automatically and will be reflected in Appendix 1A once the Participating Organisation has completed Appendix 1B (or 1D), Appendix 1C (or 1E) and Appendix 1G.
- (5) The Exchange requires the Participating Organisation's compliance with the NSR based on the average cumulative net liquid asset surplus reported to the Exchange over a period of 1 month. In this regard, the Participating Organisation is considered to have complied with the NSR if on a daily basis the reported cumulative net liquid asset surplus does not fall more than 5% below the required NSR minimum level prescribed for each maturity bucket on any given day.

1.4 **Best Practice Guidelines and Self-Assessment Questionnaire on managing liquidity risk**

- (1) The Exchange has ~~come up with~~set out 15 key principles that form the Exchange's ~~best practice~~ guidelines on managing liquidity risks ("the ~~Best Practice~~ Guidelines"). ~~Effective 31 March 2014, POs must comply with the Best Practice Guidelines, as set out in Appendix 3 of this Directive. In the meantime, POs are encouraged to adopt the Best Practice Guidelines in implementing sound liquidity risk management practices. The Best Practice Guidelines can be found at Best Practice 13-001.~~
- (2) ~~POs are required to submit to the Exchange the duly completed Self-Assessment Questionnaire ("SAQ") in the form marked as Appendix 2 of this Directive. All POs are required to submit the SAQ to the Exchange on a yearly basis no later than 31 January of each calendar year for the reporting date as at 31 December of the previous year or as determined by the Exchange. The SAQ is designed for the Exchange to determine a PO's position on its adoption of the principles set out in the Best Practice Guidelines when managing its liquidity risk. [Deleted]~~

[End of Directive]

APPENDIX 1

User Guide and Reporting Forms

Appendix 2
[Deleted]

~~SELF-ASSESSMENT QUESTIONNAIRES~~

Self Assessment Questionnaires

Liquidity Risk Management Governance Framework – Self Assessment Questionnaires

Bursa will engage Non-IBs from time to time to establish the Non-IBs' position in adopting the leading business practices in managing the liquidity risk. Bursa will use the results of the Self Assessment Questionnaires in order to evaluate the Non-IBs' governance position in managing their liquidity risk. Further to this, the Non-IBs will be required to perform a self-assessment and submit it to Bursa on a yearly basis no later than 31 January of each calendar year for the reporting date as at 31 December of the previous year.

Categories		Yes	No
Strategy and Policy			
1	Do you have a formal liquidity risk policy, i.e., strategies, policies and practices, in place to manage liquidity risk in accordance with the risk tolerance? Do you maintain sufficient liquidity ¹ ?		
2	Have you adequately defined the following in the strategy and policy: <ul style="list-style-type: none"> ▪ Composition of assets & liabilities ▪ Diversity & stability of funding sources ▪ Approach to managing liquidity in different currencies, across borders and across business lines and legal entities; ▪ Approach to intraday liquidity management ▪ Assumptions on asset liquidity 		
3	Did your strategy include various high-level quantitative and qualitative targets such as: <ul style="list-style-type: none"> ▪ Guidelines or limits on the composition of assets and liabilities; ▪ The relative reliance on certain funding sources, both on an ongoing basis and under contingent liquidity scenarios; and ▪ The marketability of assets to be used as contingent sources of liquidity. 		

¹-Sufficient Liquidity means "adequate to meet current and planned business requirements (including known contingencies) while complying with Bursa's requirements".

4	<p>Did your strategy consider the appropriate nature, scale and complexity of your activities, in addition to the followings:</p> <ul style="list-style-type: none"> ▪ Set the objectives for the management of both short term and long term funding risk; ▪ Set the objectives for the management of contingent liquidity risk; ▪ Define the basis for managing liquidity (e.g. whether the liquidity is being managed on regional or central basis); ▪ Set the identification of appropriate or inappropriate risk management tools; ▪ Set the degree of concentrations, potentially affecting liquidity risk, that are acceptable to the firm; and ▪ Define ways of managing its aggregate foreign currency liquidity needs and its needs in each individual currency. 		
5	<p>Did your Board approve your strategies and policies and review them at least annually thereafter?</p>		
6	<p>Have you established and document your liquidity risk management strategies and do you ensure that it is consistent with your funding strategy?</p>		
7	<p>Did your liquidity risk management strategies cover the overall appetite for liquidity risk, such as tolerance that is within compliance parameter of capital adequacy frameworks for concentration and the use of approved funding instruments and markets?</p>		
8	<p>Did your liquidity risk management policy statement include the following areas:-</p> <ul style="list-style-type: none"> ▪ Governance and organisational structure for liquidity risk; ▪ Risk tolerance and limits; ▪ Liquidity risk measurement methodology; ▪ Stress testing and scenario analysis; ▪ Reporting and monitoring policies; and ▪ Liquidity risk contingency plan; 		
9	<p>Have you established and documented your funding strategy that contains overall goals and objectives for short and long term funding?</p> <p>Did it consider correlations between sources of funds and market conditions, strategy for maintaining funding under adverse conditions, different currencies, sources, geographies and inter company funding that may exist in your operations?</p>		
10	<p>Are the strategies and policies demonstrated and represented in the form of operational procedures?</p>		

Organisation & Structure			
4	<p>Have you established appropriate organisational and management structure for liquidity risk and does it at least cover the following areas:</p> <ul style="list-style-type: none"> ▪ Have clear lines of authority and proper delegation of responsibilities; ▪ Have adequate resources skilled for liquidity risk decisions either via Finance unit of the Non-IBs, or some other suitable function depending on size and nature of the organisation which other units could also be responsible; ▪ Should include function which responsible for the identification, measurement and monitoring of liquidity risk; ▪ Support communication network between the Non-IB's personnel responsible for the identification, measurement and monitoring of liquidity risk; ▪ Prompt and flexible decision making and actions; and ▪ Clear segregation of functions in the management of liquidity risk. 		
2	<p>Did your Board approve & monitor liquidity risk strategy & policy, and risk appetite?</p> <p>If yes, is the Board ultimately responsible for:</p> <ul style="list-style-type: none"> ▪ Approving the liquidity risk strategy, liquidity risk policy (including procedures) and risk appetite concerning liquidity risk; ▪ Implementing an appropriate organisation and management structure for liquidity risk; ▪ Monitoring the liquidity risk profile on a regular basis and at an appropriate frequency; ▪ Ensuring that liquidity risks are identified, measured, monitored and controlled; ▪ Ensuring that responsibilities are clearly and comprehensively defined; ▪ Ensuring that liquidity risk is managed and controlled by Senior Management within the established risk management framework; ▪ Reviewing contingency plans; and ▪ Reviewing liquidity decisions. 		
3	<p>Did your Senior management manage risk within established framework? For example, does Senior Management hold responsibilities which include:</p> <ul style="list-style-type: none"> ▪ Adhering to the lines of authority and responsibility defined by the Board; 		

- | | | |
|---|--|--|
| <ul style="list-style-type: none">▪ Implementing and maintaining appropriate policies and procedures that translate the Board's approved objectives and risk tolerances into operating standards;▪ Directing the identification, measurement and monitoring of liquidity risk through the implementation of management information and other systems;▪ Ensuring effective internal controls over the liquidity risk management processes are implemented; in doing so, the managers should request regular standardised reports concerning liquidity risk and conduct regular reviews of the methods and processes used; and▪ Providing guidance on managing and aligning the whole organisation to be risk aware and etc (or risk management in general), as usually liquidity risk is an after-effect of other risk, i.e. market, credit or reputation risk. | | |
|---|--|--|

Risk Tolerance, Ratios and Limits			
1	<p>Do you have an established tolerance, ratios and limits which are in line with business objectives, strategy, and overall risk appetite?</p>		
2	<p>Do you ensure the risk tolerance, ratios, and limits comply with minimum financial requirements?</p> <p>Limits will vary depending on the nature of operations and circumstances. However, limits can also be tied to balance sheet ratios. Do you have the following in practice:</p> <ul style="list-style-type: none"> ▪— Maximum projected cash flow shortfall tolerated for specified time period (for example, one week ahead, one month ahead, one quarter ahead); ▪— Minimum ratio of liquid assets to total assets; ▪— Maximum overnight borrowings to total assets; and ▪— Maximum ratio of total wholesale borrowings to total assets. 		
3	<p>Do you establish target liquidity ratio, maturity mismatch limits, concentration, and diversification?</p> <p>Did your funding liquidity ratios and limits used for liquidity risk management include:</p> <ul style="list-style-type: none"> ▪— Target liquidity ratio; ▪— Maturity mismatch limits for local and foreign currencies; and ▪— Concentration limits and diversification. 		
4	<p>Do you also consider additional ratios or indicators to measure your ability to meet the liquidity needs, in particularly under stressful market conditions? For example:</p> <ul style="list-style-type: none"> ▪— A “barometer” that measures the number of days that the firm could survive with no new sources of funding; ▪— The “liquidation potential,” measuring how a firm could meet its funding needs in the first 14 days of a stress scenario; and ▪— A “maximum cumulative outflow” (“MCO”) standard that establishes the amount of short term unsecured funds required to fund cash outflows in a stress event. 		

Stress Testing and Scenario Analysis

4 Do you conduct regular stress testing and scenario analysis periodically and on timely basis? Do you have in place hypothetical scenarios & impacts that reflect risk appetite and possible risk exposures? For example:

Description	Impact	Magnitude of Shocks
Scenario 1: Global Financial Crisis		
To simulate stress event where there is a local liquidity issue arising from regional / global shortage of credit, such as the 2008 / 09 global financial crisis, resulting in the increase in short term interest rates.	Risk areas: <ul style="list-style-type: none"> Market risk, Liquidity risk. 	<ul style="list-style-type: none"> Based on the maturity buckets as stipulated in the Bursa's Net Surplus Requirements (NSR), increase of liquidity outflow: <ul style="list-style-type: none"> Plausible scenario, 10%; and Worst case scenario, 30% Based on the scenario above, determine the potential shortfall required as per the compliance requirement.
Scenario 2: Illiquid Instruments		
To simulate stress event where there are non-tradable / illiquid instruments / securities.	Risk areas: <ul style="list-style-type: none"> Market risk, Liquidity risk. 	<ul style="list-style-type: none"> Additional cost of executing the illiquid instruments.
Scenario 3: Money Market Crunch		
To simulate stress event where there is a breakdown / crunch in the money market.	Risk areas: <ul style="list-style-type: none"> Market risk, Liquidity risk. 	<ul style="list-style-type: none"> Imbalances between the maturity dates on assets and liabilities Lack of adequate funding liquidity.

2 Are the tests conducted regularly according to scenarios identified and do you report the stress tests results to your Board, Senior Management and relevant business line managers?

Stress Testing and Scenario Analysis

	<p>If yes, do you perform the following, at the minimum, to ensure that stress testing technique applied is reflective of your risk appetite and possible risk exposures:</p> <ul style="list-style-type: none">▪ Verify all relevant assumptions and model parameters periodically taking into considerations their experience in any crisis;▪ Review and modify existing stress scenarios and parameters periodically, if necessary reflecting the current market conditions or new experiences; and▪ Review entire business profile periodically to assess the need of additional stress scenarios.	
3	<p>Do you review & modify existing stress scenarios and parameters periodically, reflecting the current market conditions or new experiences?</p>	

Measurement			
1	<p>Have you established the processes for measuring the liquidity risk to which you are exposed to by using a robust and consistent methodology?</p> <p>If yes, is the measurement method responsive to dynamic nature of your liquidity profile, economic, and market conditions?</p>		
2	<p>Do you have in place a methodology for comparing cash inflows and outflows over future timeframes to calculate the cumulative net excess or deficit of funds at selected maturity dates?</p> <p>Did your methodology consider the following:-</p> <ul style="list-style-type: none"> ▪—Robustly measure the extent of liquidity risk; ▪—Be forward looking; ▪—Be responsive to the dynamic nature of the institution's liquidity profile, economic and market conditions; ▪—Appropriate level of sophistication for the nature, size and complexity according to the Non-IB's activities; ▪—Be able to accommodate stress and scenario analysis; and ▪—Be applied consistently and based on accurate data. 		
3	<p>Have you ensured the measurement / method is able to accommodate stress & scenario analysis, applied consistently based on accurate data?</p> <p>Did the liquidity measurement method consider:</p> <ul style="list-style-type: none"> ▪—Assessing Cash Inflows against Cash Outflows; ▪—Determining the Liquid Value of its assets (securities or other current assets which have a ready market, or which are capable of realisation within one (1) week in relation to the portfolio); ▪—Measuring and forecasting cash flows for: <ul style="list-style-type: none"> ➤—Assets; ➤—Liabilities; ➤—Off-balance sheet commitments; and ➤—Derivatives; and <p>In terms of market liquidity, do you consider factors such as:</p> <ul style="list-style-type: none"> ▪—Bid / ask spread; ▪—Quote size; ▪—Volume of trade in an instrument / number of trades in that instrument; ▪—Days of no price quotation, particularly bid price; and ▪—Days of no transaction. 		

Monitoring & Reporting			
1	<p>Have you established and maintained appropriate monitoring systems to examine and manage the amount of liquidity risk to which you are exposed to, based on established strategies, policies and procedures defined by the entity?</p> <p>If yes, do you have a framework of policies containing specific and detailed guidelines for the day to day monitoring of your liquidity risk, with proper communication processes in place throughout the organisation?</p>		
2	<p>Do you use appropriate reporting measures that would include documentations, approvals, internal transfer pricing and compliance?</p> <p>If yes, do you document the assumptions following the maturity buckets in measuring liquidity risk and the plan in place to mitigate any identified gaps (if any) in the internally generated behavioural maturity mismatches in the relevant policy such as liquidity management policy?</p> <p>Are the guidelines mentioned above properly documented and approved by Senior Management?</p>		
3	<p>Did your Internal Audit report any audit findings to the Board incorporating corrective & preventive measures?</p>		
4	<p>Do you have a proper management information system and reporting frequency which is in accordance with the business and the risks undertaken? Is your reporting on the funding capacity, capital utilisation etc. being carried out according to appropriate frequency?</p> <p>If yes, do you have reporting lines and responsibilities that are clearly established and followed? Do you provide the weekly reports and monthly reports to the Board?</p>		
5	<p>Do you have a comprehensive review process including daily monitoring of funding capacity and capacity utilisation, weekly reports of the firm's balance sheet usage, and a formal quarterly review of the system conducted by an appropriate committee?</p> <p>Do you monitor your liquidity positions daily using, for example, ledger balances (supplemented with spread sheet analysis), loans and placement systems, trading systems, Cash Capital models, daily liquidity positions, and reconciliation of data and aggregate balances to the firm's financial accounting and / or regulatory reports?</p>		

Contingency Planning			
1	Do you have in place a contingency plan that addresses the strategy for handling unexpected events that will severely impact the entity's liquidity, including specific procedures for raising cash in emergency situations?		
2	Do your contingency plans generally focus on conserving and/or creating liquidity, by specifying the order in which liquidity reserves are to be accessed and any limitation or modification of trading activity? For example, do the key components of the contingency plans include: <ul style="list-style-type: none"> ▪— Estimating the funding requirements or potential fund erosion for material legal entities; ▪— Determining the pledge value of firm collaterals; and ▪— Preparing cash projections for the company's funding chain. 		
3	Is your estimation of funding requirements documented, approved and reviewed regularly? If yes, have you considered the following during the formulation of contingency plan: <ul style="list-style-type: none"> ▪— Early warning indicators; ▪— Contingency scenarios; ▪— Triggers; ▪— Contingency funding strategies; and ▪— Contingency procedures. 		
4	Have you considered the following when formulating contingency plans or identifying opportunities: <ul style="list-style-type: none"> ▪— Revisit business strategy; ▪— Allocate and plan capital and liquid assets, including re-allocation and sourcing of alternative funding; ▪— Review of trading limits or introduction of new limits (i.e. stop-loss limits, sensitivity limits); ▪— Conduct supplementary stress testing; ▪— Closely monitor exposures in negative outlook / vulnerable risk areas; ▪— Source additional liquid assets to cope with potential negative impact arising from stressed conditions; and ▪— Conduct portfolio re-balancing to avoid concentration and diversifying exposures, while also looking identifying opportunities. 		
5	Have you established key considerations e.g. early warning signs and measurable characteristics trigger? For example, internal indicators are specific, such as assets, funding costs, concentration, and cash flows. Market indicators refer to warning signals picked out from interaction with the market such as the clients, credit providers or counterparties. Breaches of the limits for the cumulative cash flow gaps are an example of a possible trigger.		
6	Do you identify and quantify funding sources and rank them by preference in the contingency funding strategies?		

	<p>If yes, have you considered the following:</p> <ul style="list-style-type: none"> ▪ In times of liquidity crisis, even committed lines of credit may not be honoured; ▪ Although “excess” capital may be available to the Non-IB, the amount of the cushion may diminish substantially in a time of crisis, as the firm may have higher liquidity needs and little ability to secure new funds; ▪ “Downsizing the balance sheet” through the selling of assets to raise money could accelerate a Non-IB’s financial deterioration by forcing sales in a weak market, thus substantially reducing proceeds; and ▪ The potential impacts of the scenarios arising from the institution’s secondary market credit activities such as providing underwriting facilities for the issuance of bonds. 		
6	<p>Are the established contingency plans reviewed periodically, at least yearly, in light of market events and their impact on the firm’s liquidity?</p>		
7	<p>Did the contingency plan contain the procedures which enable the plan to be executed once a contingency arises?</p> <p>Did the corrective action plans include the following:</p> <ul style="list-style-type: none"> ▪ Allocating responsibilities during a funding crisis— reporting paths and responsibilities not only by function but also for each of Non-IBs’ personnel needs to be defined; ▪ Having procedures for internal reporting and communication to enable timely decision making and monitoring; ▪ Establishing timeframes within which each action should be taken; ▪ Having procedures for communication with external stakeholders such as customers, analysts, shareholders and regulators; ▪ Dealing with the press and the wider public— public disclosure is a crucial part of liquidity management, as market perceptions need to be managed especially during crisis situations; and ▪ Before implementing any of the contingency funding procedures, assessing the likely impact of particular courses of action on the market’s perception of the Non-IB. 		

[End of Appendix 2]

BEST PRACTICE GUIDELINES ON MANAGING LIQUIDITY RISKS

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1.2.1	<u>Strategy and Policy</u>	Error! Bookmark not defined.
1.2.2	<u>Organisation and Structure</u>	Error! Bookmark not defined.
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2.7	<u>Contingency Planning</u>	Error! Bookmark not defined.
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1.0 Introduction to ~~Best Practice~~ Guidelines on Managing Liquidity Risks (~~"Best Practice~~the Guidelines")

Introduction

An important step in managing liquidity risk effectively is to be able to identify manners in which a firm's activities and external influences can affect its liquidity risk profile. It is also essential to establish a common definition of "liquidity" and "liquidity risk."

Liquidity is the ability of an institution to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk is inherent in the financial intermediation process that transforms short-term liabilities into long-term assets. Liquidity risk appears in two forms, namely:

- I. Funding liquidity risk - the risk in which an institution will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either its daily operations or the financial condition; and
- II. Market liquidity risk - the risk that an institution cannot easily offset or eliminate a position without significantly affecting the market price due to inadequate market depth or market disruption.

As the interaction between funding and market liquidity is more critical during stressed market conditions as they are intertwined, Non-IBs should manage both funding and market liquidity in a holistic way, through established and well-thought liquidity risk measurements that prompt Non-IBs of any impending liquidity crunch.

Summary of Key Principles

There are 15 key principles contained in the ~~Best Practice~~ Guidelines, which will serve as guidance to Non-IBs. Those key principles were developed based on Bursa's regulatory principles which are aimed at achieving their regulatory goals and ensuring a consistent and cohesive approach to their actions and decisions. The relevant Bursa's regulatory principles are:-

- Value-based approach
- Risk-based approach
- Outcome focused; and
- Transparency.

In implementing sound liquidity risk management practices, all Non-IBs should adopt the key principles which are grouped into seven (7) categories as below:

- Strategy and Policy
- Organisation and Structure
- Risk Tolerance, Ratios and Limits
- Stress Testing and Scenario Analysis
- Measurement
- Monitoring and Reporting
- Contingency Planning

~~Error! Reference source not found.~~**Principle 1** - Non-IBs shall develop strategies, policies and practices to manage liquidity risk in accordance with the risk tolerance and maintain sufficient liquidity. ²

² Sufficient Liquidity means "adequate to meet current and planned business requirements (including known contingencies) while complying with Bursa's requirements".

Principle 2 - Non-IBs shall establish and document liquidity risk management strategies and ensure that it is consistent with their funding strategy.

Principle 3 - Non-IBs shall establish and document funding strategy that contains the overall goals and objectives for short and long term funding.

1.1.1 Organisation and Structure

Principle 4 - Non-IBs shall establish an appropriate organisational and management structure for liquidity risk. Both Non-IBs' Board of Directors ("Board") and Senior Management shall be responsible to ensure a robust and coherent oversight structure for liquidity risk management is established and communicated throughout the organisation.

Principle 5 - Non-IBs' Board shall have the ultimate responsibility for the risks and exposures incurred and for establishing a level of tolerance for risk, including liquidity risk, though it may delegate that task to certain committees.

Principle 6 - Non-IBs' Senior Management shall have primary responsibility to develop, establish and maintain policies and procedures that translate the goals, objectives and risk tolerances of Non-IBs into operating standards which are consistent with the liquidity risk strategy approved by the Board.

1.1.2 Risk tolerance, ratios, and limits

Principle 7 - Non-IBs shall clearly articulate liquidity risk tolerance that is suitable for the business strategy of the organisation and its role in the securities market.

Principle 8 - Non-IBs shall establish liquidity ratios and set limits to control the nature and level of liquidity risk that the entity is capable to undertake.

1.1.3 Stress Testing and Scenario Analysis

Principle 9 - Non-IBs shall conduct regular stress testing and scenario analysis to test the liquidity risk that they may be exposed to and also to ensure that they have adequate liquidity to cope with stressed conditions. Stress-tests results shall then be timely reported to the Non-IBs' Board, Senior Management and relevant business line managers periodically.

1.1.4 Error! Reference source not found.

Principle 10 - Non-IBs shall establish processes for measuring liquidity risk to which they are exposed to using a robust and consistent methodology.

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Principle 11 - Non-IBs shall establish and maintain appropriate monitoring systems to examine and manage the amount of liquidity risk to which they are exposed to, based on established strategies, policies and procedures defined by the entity.

Principle 12 - Non-IBs shall establish a proper management information system and reporting frequency in accordance with the business and the risks undertaken.

1.1.5 Contingency Planning

Principle 13 - Non-IBs shall have in place a contingency plan that will address the strategy for handling unexpected events that will severely impact the entity's liquidity, including specific procedures for raising cash in emergency situations. These "Funding Action Plans" or "Contingency Financing Plans"

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shall detail "key tasks" that need to be performed within certain timelines. The tasks may be dependent upon the severity of the crisis at hand as outlined in a variety of scenarios.

Principle 14 - Non-IBs shall identify and quantify funding sources and rank them by preference in its contingency funding strategies.

Principle 15 - Non-IBs' contingency plan shall contain the procedures which will enable the plan to be executed once a contingency arises.

2.0 Scope of ~~Best Practice~~the Guidelines

Strategy and Policy

2.1.1

Principle 1 - Non-IBs shall develop strategies, policies and practices to manage liquidity risk in accordance with the risk tolerance and maintain sufficient liquidity.

The Board and Senior Management of the Non-IB are responsible for developing and implementing a liquidity risk management strategy in accordance with the Non-IB's risk tolerance. The strategy should include specific policies on liquidity management, for example:

- The composition of assets and liabilities;
- The diversity and stability of funding sources;
- The approach to manage liquidity in different currencies, across borders, and across business lines and legal entities;
- The approach to intraday liquidity management; and
- The assumptions on the liquidity and marketability of assets.

The strategy should take into account liquidity needs under normal conditions as well as under periods of liquidity stress, the nature of which may be institution-specific or market-wide or a combination of the two. The strategy may include various high-level quantitative and qualitative targets. The targets that may be considered are as follows:

- Guidelines or limits on the composition of assets and liabilities;
- The relative reliance on certain funding sources, both on an ongoing basis and under contingent liquidity scenarios; and
- The marketability of assets to be used as contingent sources of liquidity.

As appropriate to the nature, scale and complexity of the Non-IB's activities, the strategy shall also:

- Set the objectives for the management of both short-term and long-term funding risk;
- Set the objectives for the management of contingent liquidity risk;
- Define the basis for managing liquidity (e.g. whether the liquidity is being managed on regional or central basis);
- Set the identification of appropriate or inappropriate risk management tools;
- Set the degree of concentrations that could potentially affecting liquidity risk, that are acceptable to the firm; and
- Define ways of managing its aggregate foreign currency liquidity needs and its needs in each individual currency.

The Board should approve the strategy and critical policies and practices and review them at least annually. The Board shall ensure that Senior Management translates the strategy into clear guidance and operating standards (e.g. in the form of operational policies, controls or procedures).

The liquidity strategy, key policies for implementing the strategy, and the liquidity risk management structure shall be communicated throughout the organisation by Senior Management. All business units conducting activities that have an impact on liquidity shall be fully aware of the liquidity strategy and operate under the approved policies, procedures, limits and controls. The Non-IB's personnel responsible for liquidity risk management shall maintain close links with those monitoring market conditions, as well as with other personnel with access to critical information.

2.1.2

Principle 2 - Non-IBs shall establish and document liquidity risk management strategies and ensure that it is consistent with the funding strategy.

The liquidity risk management strategies shall cover the overall appetite for liquidity risk, such as tolerance that is within compliance parameter of capital adequacy frameworks for concentration and the use of approved funding instruments and markets.

The liquidity risk management strategies must complement Non-IBs' business strategies and goals and should be appropriate to the nature, scale and complexity of the institutions' activities. Other than the liquidity strategy, their liquidity risk management policy statement should include the following areas:

- Governance and organisational structure for liquidity risk;
- Risk tolerance and limits;
- Liquidity risk measurement methodology;
- Stress testing and scenario analysis;
- Reporting and monitoring policies; and
- Liquidity risk contingency plan;

Details on the above areas are given in the following subsections.

2.1.3

Principle 3 - Non-IBs shall establish and document funding strategy that contains the overall goals and objectives for short and long term funding.

The funding strategy shall describe how funding should be maintained under various financial conditions, covering the use of liability diversification and asset realisation. Taking into consideration correlations between sources of funds and market conditions, it should contain the strategy for maintaining funding under adverse conditions, which is where contingency planning comes in. The funding strategy shall appropriately consider different currencies, sources, geographies and inter-company funding that may exist in the Non-IBs' operation.

Non-IBs must demonstrate that these strategies and policies have been established and represented in the form of operational procedures which is ready to promptly mitigate the identified risks. Hence it is not sufficient to just establish a strategy; it also has to be fortified with according policies and guidelines as well as procedure manuals where applicable.

Organisation and Structure

2.1.4

Principle 4 - Non-IBs shall establish an appropriate organisational and management structure for liquidity risk. Both Non-IBs' Board of Directors ("Board") and Senior Management shall be responsible to ensure a robust and coherent oversight structure for liquidity risk management is established and communicated throughout the organisation.

The organisational and management structure shall at least cover the following areas:

- Have clear lines of authority and proper delegation of responsibilities;
- Have adequate resources skilled for liquidity risk decisions either via Finance unit of the Non-IBs, or some other suitable function depending on size and nature of the Non-IBs which other units could also be responsible;

- Should include function which responsible for the identification, measurement and monitoring of liquidity risk;
- Support communication network between the Non-IB's personnel responsible for the identification, measurement and monitoring of liquidity risk;
- Prompt and flexible decision making and actions; and
- Clear segregation of functions in the management of liquidity risk.

2.1.5

Principle 5 - Non-IBs' Board shall have the ultimate responsibility for the risks and exposures incurred and for establishing a level of tolerance for risk, including liquidity risk, though it may delegate that task to certain committees.

The Board's role shall include approving Non-IB's liquidity risk strategy in line with the expressed risk tolerance. The Board should establish a structure for the management of liquidity risk including the allocation of appropriate senior managers who have both the authority and responsibility to undertake the firm's day-to-day liquidity management.

The Board shall be ultimately responsible for:

- Approving the liquidity risk strategy, liquidity risk policy (including procedures) and risk appetite concerning liquidity risk;
- Implementing an appropriate organisation and management structure for liquidity risk;
- Monitoring the liquidity risk profile on a regular basis and at an appropriate frequency;
- Ensuring that liquidity risks are identified, measured, monitored and controlled;
- Ensuring that responsibilities are clearly and comprehensively defined;
- Ensuring that liquidity risk is managed and controlled by Senior Management within the established risk management framework;
- Reviewing contingency plans; and
- Reviewing liquidity decisions.

2.1.6

Principle 6 - Non-IBs' Senior Management shall have primary responsibility to develop, establish and maintain policies and procedures that translate the goals, objectives and risk tolerances of Non-IBs into operating standards which are consistent with the liquidity risk strategy approved by the Board.

The Senior Management of Non-IBs shall develop, establish and maintain policies and procedures to manage the liquidity risk. Their responsibilities shall include:

- Adhering to the lines of authority and responsibility defined by the Board;
- Implementing and maintaining appropriate policies and procedures that translate the Board's approved objectives and risk tolerances into operating standards;
- Directing the identification, measurement and monitoring of liquidity risk through the implementation of management information and other systems;
- Ensuring effective internal controls over the liquidity risk management processes are implemented; in doing so, the managers should request regular standardised reports concerning liquidity risk and conduct regular reviews of the methods and processes used; and

- Providing guidance on managing and aligning the whole organisation to be risk aware and etc (or risk management in general), as usually liquidity risk is an after-effect of other risk, i.e. market, credit or reputation risk.

Risk tolerance, ratios, and limits

2.1.7

Principle 7 - Non-IBs shall clearly articulate liquidity risk tolerance that is suitable for the business strategy of the organisation and its role in the securities market.

The liquidity risk tolerance shall be in line with its business objectives, strategic direction and overall risk appetite. In the earlier part of this document states the applicable definition of liquidity risk.

The Board is ultimately responsible for the risks and exposures incurred by a Non-IB and for establishing a level of tolerance for risk, including liquidity risk. The tolerance shall be appropriate with the Non-IB's financial condition and funding capacity which defines the level of liquidity risk that the Non-IB is willing to assume. The tolerance shall ensure that the firm manages its liquidity appropriately at all times according to the stress levels imposed by the conditions of the overall financial environment. At the same time, it is essential that the approved risk tolerance must continue to ensure that compliance to the minimum financial requirements remains uncompromised. This is in addition to complying with the current Capital Adequacy Framework prescribed under the Rules of Bursa Securities. A Non-IB, may for example, expresses its risk tolerance by quantifying its liquidity risk tolerance in terms of the level of unmitigated funding liquidity risk the Non-IB decides to take under normal and stressed business conditions. It is the Board's responsibility to approve the Non-IB's liquidity risk strategy in line with the firm's expressed risk tolerance.

2.1.8

Principle 8 - Non-IBs shall establish liquidity ratios and set limits to control the nature and level of liquidity risk that they are capable to undertake.

The minimum limits shall be prescribed, but Non-IBs may set higher standards based on their own business strategies and activities, past performance, level of earnings and capital available to absorb potential losses, as well as its tolerance for risk. It should match the nature, scale and complexity of the Non-IB itself. Suggested funding liquidity ratios and limits used by Non-IBs for liquidity risk management include³:

- Target liquidity ratio;
- Maturity mismatch limits for local and foreign currencies; and
- Concentration limits and diversification.

Limits will vary depending on the nature of Non-IBs operations and circumstances. Limits can also be tied to balance sheet ratios. For example:

- Maximum projected cash flow shortfall tolerated for specified time period (for example, one week ahead, one month ahead, one quarter ahead);
- Minimum ratio of liquid assets to total assets;
- Maximum overnight borrowings to total assets; and
- Maximum ratio of total wholesale borrowings to total assets.

³ Further clarifications in Appendix 1

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Non-IBs shall also consider additional ratios or indicators to measure their ability to meet their liquidity needs, in particularly under stressful market conditions. These other indicators include amongst others, for example:

- A "barometer" that measures the number of days that the firm could survive with no new sources of funding;
- The "liquidation potential," measuring how a firm could meet its funding needs in the first 14 days of a stress scenario; and
- A "maximum cumulative outflow" ("MCO") standard that establishes the amount of short term unsecured funds required to fund cash outflows in a stress event.

As for market liquidity, Non-IBs should determine the level of liquidity of the market, based on certain instruments held within their portfolio. Traditional measures of market liquidity or high quality liquid assets may include trade volume (or the number of trades), market turnover, bid-ask spreads and trading velocity. Additionally, liquidity is also highly dependable on various macroeconomic and market fundamentals namely, fiscal policy, market sentiment, investor's confidence etc would be key factors in determining liquidity conditions or liquidity cost which in term translates into 'Force Sale' discount factor.

The Non-IBs shall leverage on the Volume Weighted Average Price ("VWAP") in measuring the liquidity of the securities as it measures the cost of executing a single trade of limited size as well as the price impact of a trade. Furthermore, this approach is simple to calculate with data that are widely available on a real time basis.

Stress Testing and Scenario Analysis

2.1.9

Principle 9 - Non-IBs shall conduct regular stress testing and scenario analysis to test the liquidity risk that they may be exposed to and also to ensure that they have adequate liquidity to cope with stressed conditions. Stress-tests results shall then be timely reported to the Non-IBs' Board, Senior Management and relevant business line managers periodically.

Non-IBs shall simulate distress market / financial conditions and introduce hypothetical scenarios to their positions when conducting stress testing and scenario analysis, i.e., by applying various "what-ifs" scenarios on their liquidity position, in order to consider the effects both on and off balance sheet and on both assets and liabilities.

Scenario Analysis: Example of the Development of Hypothetical Scenarios

The scenarios shown in Figure 1 below shall be used as a guideline when developing hypothetical scenarios during stress testing and the spill over impact of other risk areas.

Description	Impact	Magnitude of Shocks
Scenario 1: Global Financial Crisis		
To simulate stress event where there is a local liquidity issue arising from regional / global shortage of credit, such as the 2008 / 09 global	Risk areas: ▪ Market risk, Liquidity risk.	▪ Based on the maturity buckets as stipulated in the Bursa's Net Surplus Requirements (NSR), increase of liquidity outflow:

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Description	Impact	Magnitude of Shocks
financial crisis, resulting in the increase in short-term interest rates.		<ul style="list-style-type: none"> – Plausible scenario, 10%; and – Worst case scenario, 30% ▪ Based on the scenario above, determine the potential shortfall required as per the compliance requirement.
Scenario 2: Illiquid Instruments		
To simulate stress event where there are non-tradable / illiquid instruments / securities.	Risk areas: <ul style="list-style-type: none"> ▪ Market risk, ▪ Liquidity risk. 	<ul style="list-style-type: none"> ▪ Additional cost of executing the illiquid instruments.
Scenario 3: Money Market Crunch		
To simulate stress event where there is a breakdown / crunch in the money market.	Risk areas: <ul style="list-style-type: none"> ▪ Market risk, ▪ Liquidity risk. 	<ul style="list-style-type: none"> ▪ Imbalances between the maturity dates on assets and liabilities ▪ Lack of adequate funding liquidity.

Figure 1: Guidance to Hypothetical Scenarios

Non-IBs should construct appropriate adverse scenarios and examine the results on the liquidity needs, varying degrees of stress based on among others firm-specific elements and market wide crisis. Historical market events may provide a basis for choosing appropriate scenarios but it is unlikely that such historical event will repeat again. Hence, Non-IBs are encouraged to break away from historical trends, spreads and normal market conditions when deciding on the appropriate scenarios.

Non-IBs should also consider possible changes such as effect of market's perception of the firm on its access to the markets and also market turbulence which may trigger substantial increase in the drawdown of contingent commitments.

Non-IBs should perform the following, at the minimum, to ensure that stress testing technique applied is reflective of its risk appetite and possible risk exposures:

- Verify all relevant assumptions and model parameters periodically taking into considerations their experience in any crisis;
- Review and modify existing stress scenarios and parameters periodically, if necessary reflecting the current market conditions or new experiences; and
- Review entire business profile periodically to assess the need of additional stress scenarios.

Non-IBs should be guided by a clear set of internal principles in determining whether remedial actions should be taken in response to stress-testing results. The level of authority for determining remedial actions to be taken should also be clearly designated. Remedial actions recommended should be properly documented and implemented.

Measurement

2.1.10

Principle 10 - Non-IBs shall establish processes for measuring liquidity risk to which they are exposed to using a robust and consistent methodology.

In terms of funding liquidity, Non-IBs shall have in place a methodology for the comparison of cash inflows and outflows over future timeframes to calculate the cumulative net excess or deficit of funds at selected maturity dates (referred to as a maturity ladder or cash flow gap analysis). This should:

- Robustly measure the extent of liquidity risk;
- Be forward looking;
- Be responsive to the dynamic nature of the institution's liquidity profile, economic and market conditions;
- Appropriate level of sophistication for the nature, size and complexity according to the Non-IB's activities;
- Be able to accommodate stress and scenario analysis; and
- Be applied consistently and based on accurate data.

The maturity time bands prescribed should be reflective of the short term nature of the equity business, where the maturity time bucket is categorised as stipulated by Bursa's NSR.

The bucketing days are made up of market / trading days and calendar days.

The basis for determining the appropriate time bands for both assets and liabilities is to reference it against the contractual cash and security flows of their residual contractual maturity or when the cash flow materialises. However, adjustments are permitted for those assets and liabilities that have distinct characteristics such as roll-in and roll-out, embedded options etc in the contracts in order to indicate those said contracts as 'behavioural maturity' instead of contractual maturity. Non-IBs shall then adjust the cash flows on a behavioural basis, as the contractual maturities pertaining to some assets and liabilities do not bear close relation to their actual behavioural characteristics.

The assumptions to design the behavioural maturity profile should be reflective of the equity business and demonstrate consistency and reasonableness for each scenario / portfolio. The assumptions selected should be verified and supported by sufficient evidence, experience and performance rather than arbitrarily selected. As such, it is encouraged that the Non-IBs utilise at least one (1) year historical observation period to be used as the basis of the assumptions.

Non-IBs liquidity measurement methods shall consider:

- Assessing Cash Inflows against Cash Outflows;
- Determining the Liquid Value of its assets (securities or other current assets which have a ready market, or which are capable of realisation within one (1) week in relation to the Non-IBs' portfolio);
- Measuring and forecasting cash flows for:
 - Assets;
 - Liabilities;
 - Off-balance sheet commitments; and
 - Derivatives; and

In terms of market liquidity, among the factors considered to measure⁴ liquidity include:

- Bid / ask spread;
- Quote size;
- Volume of trade in an instrument / number of trades in that instrument;
- Days of no price quotation, particularly bid price; and
- Days of no transaction.

Monitoring and Reporting

2.1.11

Principle 11 - Non-IBs shall establish and maintain appropriate monitoring systems to examine and manage the amount of liquidity risk to which they are exposed to, based on established strategies, policies and procedures defined by the entity.

Non-IBs shall have a framework of policies containing specific and detailed guidelines for day-to-day monitoring of their liquidity risk, with proper communication processes in place throughout the organisation.

Non-IBs shall use appropriate reporting measures that would include documentations, approvals, internal transfer pricing and compliance. Non-IBs should document the assumptions following the maturity buckets in measuring liquidity risk and the plan in place to mitigate any identified gaps (if any) in the internally generated behavioural maturity mismatches in the relevant policy such as liquidity management policy. This is to ensure its relevancy and applicability to the Non-IBs and their business activities. All of these should be approved by Senior Management and should be reviewed regularly.

Consistent with Rule 510.3 of the Rules of Bursa Securities, Non-IBs' internal audit should present any audit findings in this regards to the Board, including any course action and / or with any corrective measures taken in order to address any non compliance or irregularities stated in the audit report. The Board shall be responsible for the submission of all documents referred to in Rule 510.3(2).

2.1.12

Principle 12 - Non-IBs shall establish a proper management information system and reporting frequency in accordance with the business and the risks undertaken.

Non-IBs shall have reporting lines and responsibilities that are clearly established and followed. Weekly reports are provided to key personnel and monthly reports are provided to the Board. Non-IBs should assign relevant personnel to hold the responsibility of compiling the relevant reports.

Non-IBs shall have a comprehensive review process including daily monitoring of funding capacity and capacity utilisation, weekly reports of the firm's balance sheet usage, and a formal quarterly review of the system conducted by an appropriate committee.

Non-IBs shall monitor their liquidity positions daily, using for example, ledger balances (supplemented with spread sheet analysis), loans and placement systems, trading systems, Cash Capital models, daily liquidity positions, and reconciliation of data and aggregate balances to the firm's financial accounting

⁴ More explanation in Appendix 1

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and / or regulatory reports. These are done while taking into account of the ratios being set as mentioned in the strategy section earlier.

Contingency Planning

2.1.13

Principle 13 - Non-IBs shall have in place a contingency plan that will address the strategy for handling unexpected events that will severely impact the entity's liquidity, including specific procedures for raising cash in emergency situations. These "Funding Action Plans" or "Contingency Financing Plans" shall detail "key tasks" that need to be performed within certain timelines. The tasks may be dependent upon the severity of the crisis at hand as outlined in a variety of scenarios.

The plans should generally focus on conserving or creating liquidity, by specifying the order in which liquidity reserves are to be accessed and any limitation or modification of trading activity. Key components of these plans include:

- Estimating the funding requirements or potential fund erosion for material legal entities;
- Determining the pledge value of firm collaterals; and
- Preparing cash projections for the company's funding chain.

Non-IBs should also include estimates of additional needs for liquidity in a crisis, such as limited repurchase of long-term debt to demonstrate that the Non-IB has sufficient liquidity sources.

The contingency plan should be documented, approved and reviewed regularly. Considerations in formulating the contingency plan include:

- Early warning indicators;
- Contingency scenarios;
- Triggers;
- Contingency funding strategies; and
- Contingency procedures.

Examples of key considerations to be used as a guideline when formulating contingency plans or identifying opportunities are:

- Revisit business strategy;
- Allocate and plan capital and liquid assets, including re-allocation and sourcing of alternative funding;
- Review of trading limits or introduction of new limits (i.e. stop-loss limits, sensitivity limits);
- Conduct supplementary stress testing;
- Closely monitor exposures in negative outlook / vulnerable risk areas;
- Source additional liquid assets to cope with potential negative impact arising from stressed conditions; and
- Conduct portfolio re-balancing to avoid concentration and diversifying exposures, while also looking identifying opportunities.

Internal indicators and market indicators as warning signs

Internal indicators are Non-IB specific, such as its assets, funding costs, concentration, and cash flows. Non-IBs should identify internal indicators that can be used to warn of a potential liquidity crisis which may be driven by internal actions. Market indicators refer to warning signals picked out from the Non-IBs interaction with the market such as the clients, credit providers or counterparties.

In either case, whether through its internal indicators or market indicators, Non-IBs should establish a system for identifying and tracking such indicators to spot potential problems even at an early stage.

Observable and measurable characteristics trigger

The contingency plan should define the circumstances and specific triggers will lead the institution to put any part of its contingency plan into action. Breaches of limits for the cumulative cash flow gaps are an example of a possible trigger.

2.1.14

Principle 14 - A Non-IB shall identify and quantify funding sources and rank them by preference in its contingency funding strategies

The contingency plan should consider funding strategies and action plans relating to the Non-IB's assets as well as liabilities.

Non-IB's shall consider the following:

- In times of liquidity crisis, even committed lines of credit may not be honoured;
- Although "excess" capital may be available to the Non-IB, the amount of the cushion may diminish substantially in a time of crisis, as the firm may have higher liquidity needs and little ability to secure new funds;
- "Downsizing the balance sheet" through the selling of assets to raise money could accelerate a Non-IB's financial deterioration by forcing sales in a weak market, thus substantially reducing proceeds; and
- The potential impacts of the scenarios arising from the institution's secondary market credit activities such as providing underwriting facilities for the issuance of bonds.

The established contingency plans should be reviewed periodically, at least yearly, in light of market events and their impact on the firm's liquidity.

2.1.15

Principle 15 – A Non-IB's contingency plan shall contain the procedures which will enable the plan to be executed once a contingency arises.

The corrective action plans shall include the following:

- Allocation of responsibilities during a funding crisis – reporting paths and responsibilities not only by function but also for each of Non-IBs' personnel needs to be defined;
- Procedures for internal reporting and communication to enable timely decision making and monitoring;
- Timeframes within which each action should be taken;
- Procedures for communication with external stakeholders such as customers, analysts, shareholders and regulators;
- Dealing with the press and the wider public – public disclosure is a crucial part of liquidity management, as market perceptions need to be managed especially during crisis situations; and
- Before implementing any of the contingency funding procedures, the Non-IB should assess the likely impact of particular courses of action on the market's perception of the Non-IB.

Once established, the contingency plan should also be subjected to regular review and revision to ensure it remains robust over time and continues to reflect the Non-IB's changing operating circumstances.

APPENDIX A

Further Clarification on Funding Liquidity Ratios, Limits, and Measurements.

Target liquidity ratio – Based on various liquidity ratios that have been established as a liquidity monitoring tool, Non-IBs should set a target for these ratios. The actual position of liquidity ratios should be compared with the targets and any breaches and follow-up action taken by management to restore the ratios should be properly documented.

Maturity mismatch limits – Will control the size of the cumulative net mismatch position (i.e. cumulative cash outflows exceeding cumulative cash inflows), and are usually set for short term time bands up to one month, i.e. next day, 7 days and 1 month.

Concentration limits and diversification – Diversification is a tool to spread risk such that the impact of the materialisation of the risk factor in one area is contained within reasonable limits or the damage in one area is offset by a positive effect in another area. Similarly, concentration in one area would normally be subjected to limits and controls to ensure the materialisation of the risk are contained. Among the diversification that can undertaken by Non-IBs include:

- Creditor diversification - such as limiting the amount or percentage of holding of commercial paper by one investor / issuer.
- Spreading debt maturities.
- Diversify debt instruments – secured and unsecured.
- Diversify markets or country of issuance.

Bid / ask spread – The difference between the bid price and the asking price of the instrument. The measurement can be based on the width of the bid / ask spread, which will indicate the likelihood of a successful transaction in the market. In addition, if this factor is monitored together with the Days of no transaction, it will provide a better definitive of the illiquidity status of the instrument.

Quote size – In the eyes of the public, quote size of the best bid and ask prices are visible, leaving the rest of the order book invisible to market participants. However, Bursa should be able to observe the quote size, not only at the best bid and ask prices. The quantity that can be traded at the bid and ask prices helps account for the depth of the market and complements the bid / ask spread as a measure of market liquidity

Volume of trade in an instrument / number of trades in an instrument – These two factors may seem similar but further analysis would demonstrate that one factor highlights a better liquidity position as compared to the other. Number of trades in an instrument demonstrates better liquidity as there is more demand in comparison to a single large transaction performed on an instrument.

Days of no price quotation – Measures the number of days in which a certain instrument has no demand or supply, but for the purpose of measuring illiquidity, the focus would be on bid price as it constitutes the demand for the instrument.

[End of Appendix A]