

DIRECTIVE ON PILOT MARKET MAKING PROGRAMME FOR ELIGIBLE STOCKS	No. 4-002
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Relevant to	:	Chapter 4
Introduced with effect from	:	1 June 2021
Amended	:	N/A
POs' Circular No(s).	:	R/R 2 of 2021
Refer also to Directive No(s).	:	4-001

1. Introduction

- (1) Rule 2.01(2)(d) of these Rules provides that the powers of the Exchange include issuing Directives for the purposes of or in connection with any of these Rules.
- (2) Pursuant to this rule, the Exchange is prescribing the details and requirements in relation to the pilot programme for qualified applicants to be registered with the Exchange as a stock market maker of eligible stocks ("**Pilot Market Making Programme**" or "**PMMP**").
- (3) The following terms have the following meanings in this Directive unless the context requires otherwise.

Term	Meaning
Eligible PMMP Stocks	Any of the stocks traded on the stock market of the Exchange that is prescribed by the Exchange for the purposes of PMMP.
Stock Market Maker	An entity which fulfils the requirement in Rule 4.01 of these Rules and is registered with the Exchange under the PMMP in accordance with this Directive.

2. Application of relevant Rules and Directives

- (1) A reference made to the following terms in these Rules and Directives will be construed as follows:
 - (a) "Market Maker" will be construed as including a reference to "Stock Market Maker"; and
 - (b) "Specified Security" and "PSS securities" will be construed as including a reference to "Eligible PMMP Stocks".
- (2) Parts A, B, D and E of Chapter 4 under these Rules and Participating Organisations' Directive in relation to Market Makers and Derivatives Specialists (No. 4-001) ("**Directive No. 4-001**") are applicable to Stock Market Makers under the PMMP (with the necessary modifications), unless stated otherwise in this Directive. The following provisions do not apply to Stock Market Makers under the PMMP:
 - (a) Rules 4.04, 4.06(2) and (4), 4.13(1)(b) and 4.17(1) under Chapter 4; and
 - (b) Paragraphs 2, 3.2, 4, 7 and 8, Appendix 1 and Appendix 3 of Directive No. 4-001.

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3. Eligible PMMP Stocks

- (1) The criteria for an Eligible PMMP Stock are as follows:
 - (a) the stock is admitted to the Official List;
 - (b) the stock has a daily market capitalisation of RM500,000,000.00 and above and stock velocity of 35% and below; and
 - (c) the stock has at least 15% free float¹.
- (2) The Exchange may remove any stock from the list of Eligible PMMP Stocks at any time if:
 - (a) the stock no longer meets the criteria for Eligible PMMP Stocks; or
 - (b) in any other circumstance it deems fit.
- (3) The Exchange may, in its absolute discretion choose not to include any stock as an Eligible PMMP Stock even though the stock fulfils the criteria for Eligible PMMP Stocks.
- (4) The Exchange may vary the criteria for Eligible PMMP Stocks, with the prior approval of the Commission.

4. Notification of designated accounts

A Stock Market Maker must submit to the Exchange information in relation to Market Making for a particular Eligible PMMP Stock as required under Part A of Appendix 4 of Directive No. 4-001.

5. Permitted Short Selling

- (1) A Stock Market Maker may carry out Permitted Short Selling on an Eligible PMMP Stock in the manner prescribed in Part E of Chapter 4 under these Rules, as part of its market making activities under the PMMP.
- (2) In relation to a Stock Market Maker intending to short sell Eligible PMMP Stocks by using Permitted Short Selling, the Stock Market Maker must first enter into an agreement to borrow the Eligible PMMP Stocks for the settlement of Permitted Short Selling.
- (3) If a Stock Market Maker executes a purchase of Eligible PMMP Stock in a Securities Account designated for both market making and Permitted Short Selling ("**PSS/MM Account**") and the purchase is not for any of the following purposes:
 - (a) to contra in full or in part any Permitted Short Selling executed by the Stock Market Maker; or

¹ The criterion of "free float" is as determined by the Exchange using international benchmarks such as the Bloomberg Terminal.

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- (b) for redelivery under a SBL Agreement or an ISSBNT Agreement, the Stock Market Maker must, notwithstanding Rule 8.08(3)(a) of these Rules, rectify the purchase Contract executed in its PSS/MM Account in the following manner:
- (i) replace the Securities Account for the purchase Contract with the Stock Market Maker's Securities Account designated for market making only; and
 - (ii) effect the rectification on the day of the trade, within the time specified by the Exchange.

[End of Directive]