

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 13 January 2023

No : R/R 2 of 2023

AMENDMENTS TO THE RULES AND DIRECTIVES OF BURSA MALAYSIA SECURITIES BERHAD (“BMS RULES AND DIRECTIVES”) IN RELATION TO LEVERAGED AND INVERSE EXCHANGE TRADED FUNDS (“AMENDMENTS”)

1.0 INTRODUCTION

- 1.1 Bursa Malaysia Securities Berhad (“**the Exchange**”) has amended the BMS Rules and BMS Directives to facilitate the onboarding of clients for trading in Leveraged and Inverse Exchange Traded Funds (“**L&I ETFs**”) and promote the understanding of L&I ETFs among investors.
- 1.2 The Amendments have been approved by the Securities Commission Malaysia and are detailed in paragraph 2 below.

2.0 AMENDMENTS TO THE BMS RULES AND BMS DIRECTIVES

- 2.1 The salient amendments made are as follows:
 - (a) further clarifying that Participating Organisations may onboard their clients to undertake trading in L&I ETFs based on the clients’ written declaration and the execution of the prescribed risk disclosure statement;
 - (b) inserting a new requirement requiring a Participating Organisation which subsequently receives information that its client does not fulfil any of the qualification criteria for trading in L&I ETFs, to stop the client from trading in L&I ETFs except to close existing positions; and
 - (c) illustrating in the prescribed risk disclosure statement, potential scenarios on how the compounding effect may affect the performance of L&I ETFs in delivering multiple of the underlying index returns and the impact on a client’s investment.
- 2.2 The detailed amendments to the BMS Rules and BMS Directives are set out in **Annexure 1** and **Annexure 2** respectively.

3.0 FREQUENTLY ASKED QUESTIONS (“FAQS”)

- 3.1 Pursuant to the Amendments, the Exchange has also amended the General FAQs on the Rules of Bursa Securities in relation to trading in L&I ETFs, to further clarify the onboarding process for a client to trade in L&I ETFs, what a Participating Organisation is required to do if it subsequently receives information that its client no longer fulfils any one of the qualifying criteria and to provide a template combining the written declaration and the prescribed risk disclosure statement for ease of reference. The FAQs can be accessed at the following link:

https://www.bursamalaysia.com/regulation/faqs_relating_to_bursa_malaysia_rules

4.0 EFFECTIVE DATE

4.1 The amendments to the BMS Rules and BMS Directives will take effect from **20 January 2023**.

5.0 CONTACT PERSON

5.1 In the event of any queries in relation to the above, kindly contact us at the following:

	Contact Details
Origination and Listing	cindysim@bursamalaysia.com
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Regulation