



Annexure 3

**BURSA MALAYSIA DEPOSITORY SDN BHD**

**PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES  
DISCLOSURE FRAMEWORK**

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**Responding Institution:**

Bursa Malaysia Depository Sdn Bhd

**Jurisdiction(s) in which the FMI operates:**

Malaysia

**Authority regulating, supervising, or overseeing the FMI:**

Securities Commission Malaysia

The date of this disclosure is 30 June 2023

This disclosure can also be found at:

[https://www.bursamalaysia.com/trade/risk\\_and\\_compliance/pfmi\\_disclosure](https://www.bursamalaysia.com/trade/risk_and_compliance/pfmi_disclosure)

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## Abbreviations:

AC	Audit Committee
ADA	Authorised Depository Agent
ADM	Authorised Depository Member
APC	Appeals Committee
BCM	Business Continuity Management
BCP	Business Continuity Plan
BMD	Bursa Malaysia Derivatives Berhad (the derivatives exchange)
BMDC	Bursa Malaysia Derivatives Clearing Berhad (the derivatives clearing house)
BM Depo	Bursa Malaysia Depository Sdn Bhd (the central depository)
BMS	Bursa Malaysia Securities Berhad
BMSC	Bursa Malaysia Securities Clearing Sdn Bhd (the securities clearing house)
BNM	Bank Negara Malaysia (the central bank of Malaysia)
Board	Bursa Malaysia Board of Directors
Bursa Malaysia	Bursa Malaysia Berhad (the exchange holding company)
CCP	Central Counterparty
CDS	Central Depository System
CEO	Chief Executive Officer
CGF	Clearing Guarantee Fund
CMSA	Capital Markets and Services Act 2007
CP	Clearing Participant of BMDC
CPSS-IOSCO	Committee on Payment and Settlement Systems and the Technical Committee of the IOSCO
CSD	Central Securities Depository
DCS	Derivatives Clearing & Settlement System
DMC	Default Management Committee
DR	Disaster Recovery
eFIX	Bursa Malaysia Depository Sdn Bhd's infrastructure which enable nominee companies to apply for rights issues electronically
EHC	Exchange Holding Company
EOD	End of day
eRapid	a web-based solution to facilitate electronic transmission of circulars containing these operational procedures as well as other notices addressed to the participants of BM Depo
eRights	eRights is a service which allows individual shareholders to subscribe for rights issue via the ATM and internet banking facility of participating banks
ERMF	Enterprise Risk Management Framework
FIs	Financial Institutions
FMI	Financial Market Infrastructure
Group	Bursa Malaysia and its subsidiaries and/or associated companies

INED	Independent Non-Executive Director
ISO	International Organization for Standard
IT	Information Technology
ITIL	IT Infrastructure Library
KPI	Key Performance Indicator
LC	Listing Committee
Management	Management team of Bursa Malaysia
MARC	Malaysian Rating Corporation Berhad
MMLR	Main Market Listing Requirement
MPC	Market Participants Committee
MYR	Malaysian Ringgit
NRC	Nomination and Remuneration Committee
PFMI	CPSS-IOSCO Principles for Financial Markets Infrastructures
PID	Public Interest Director
PLC	Public Listed Company
PO	Participating Organisation
RACC	Regulatory and Conflicts Committee
RAM	Rating Agency Malaysia
RENTAS	Real-time Electronic Transfer of Funds and Securities
RMC	Risk Management Committee
RTO	Recovery Time Objective
Rules of BM Depo	Rules of Bursa Malaysia Depository Sdn Bhd
SC	Securities Commission Malaysia
SCMA	Securities Commission Malaysia Act 1993
SDC	Sustainability & Development Committee
SICDA	Securities Industry (Central Depositories) Act 1991
Stock Exchange	Securities Stock Exchange operated by BMS
TCC	Technology & Cybersecurity Committee
TCP	Trading Clearing Participant of BMSC

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## I. Executive Summary

BM Depo is an approved central depository for the Malaysian securities market under supervision of the SC and is governed primarily under the SICDA and it is a wholly owned subsidiary of Bursa Malaysia. It was incorporated on 26 October 1987 and is subject to regulatory oversight by the SC.

The primary duty of BM Depo as the central depository is to take all steps and do all things necessary to ensure orderly dealings in securities deposited or lodged with it and in this regard, BM Depo is responsible for, among others, the recording of deposited securities that are traded on the Stock Exchange as well as the transfer and withdrawal of such securities. BM Depo also provides ancillary services in relation to the distribution of dividends and other corporate actions that includes processing of bonus issues, share consolidation, payment of cash distribution/dividend to shareholders on behalf of issuer and facilitating electronic corporate actions such as electronic rights issue, electronic dividend reinvestment plan and electronic general offer.

This document aims to provide an overview of the relevant disclosure and explains how BM Depo operates, aligned with and observes the following:-

1. PFMI developed by the CPMI-IOSCO; and
2. SC's Guidelines on Financial Market Infrastructures.

## II. Summary of Major Changes Since the Last Update of the Disclosure

This document is an update to the version dated June 2022, published as recommended by the PFMI and to continuously assist understanding of BM Depo's profiles, as well as risk management practices. Changes to BM Depo's organisation, services, design, markets served and regulatory environment since the last disclosure are as follows:-

- Amendments to the Rules of BM Depo to facilitate operations on a surprise holiday, with effect from 10 January 2023.

## III. BM Depo Background Information

### General Description of the FMI And the Market It Serves

BM Depo formerly known as Malaysian Central Depository Sdn Bhd was incorporated in 1987. BM Depo operates and maintains a central depository for all securities and instruments listed that includes securities that have been delisted subsequently, on BMS, the operator of the Stock Exchange.

BM Depo provides for central book-keeping of securities and facilitates the settlement of securities transactions in scripless manner through the CDS. BM Depo uses a beneficial owner account structure, where the securities accounts are either held under the name of the end client with the depository or where the instructing client is named in the account in the case of nominee account. The investors in the securities market are required to open securities accounts with BM Depo through its participants i.e. stock brokers before being able to deal in the Stock Exchange. BM Depo's participants are provided access to the CDS to open and manage securities account and to perform other related transaction in the CDS on behalf of the end clients upon receiving the authorisation from these account holders.

Please refer to the following statistic as at 30 June 2023 for the basic data and performance of BM Depo:-

- (a) Number of CDS accounts: 3.1 million
- (b) BM Depo participants:
  - ADA: 32
  - ADM: 21
- (c) Total shares immobilised: 1.2 trillion
- (d) Number of lines of securities in the CDS: 2,935
- (e) Number of traded shares settled: 10.9 trillion
- (f) Number of corporate exercises processed: 133,854
- (g) Number of transfer transactions processed: 24.2 million
- (h) Number of record of depositors produced: 481,417

### **General Organisation of the FMI**

As a wholly owned subsidiary of Bursa Malaysia, BM Depo adopts the governance model of Bursa Malaysia and the Group's corporate authority manual. BM Depo has a nominal Board where its Board size has been reduced to a minimum of two (2) Directors comprising members of the management, since all major decisions are to be made at the holding company level. Information regarding the governance, ownership and board and management structure of Bursa Malaysia, including that of BM Depo is publicly available on Bursa Malaysia website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

The Governance Model sets out the clear and direct lines of responsibility and accountability of the Board of Bursa Malaysia, Bursa Malaysia CEO and the Board governance committees for the Group (i.e. AC, RMC and NRC); the Board regulatory committees for the Group (i.e. RACC, LC, MPC and APC); and the Board Development Committees for the Group (i.e. SDC and TCC). The terms of reference of the Board committees are available on Bursa Malaysia website at [www.bursamalaysia.com](http://www.bursamalaysia.com) > About Us > Corporate Governance > Governance Model Document

## Legal and Regulatory Framework

The law and relevant rules governing BM Depo's activities consists of the SICDA, the CMSA, the Rules of BM Depo as well as the contractual agreement between BM Depo and its participants. BM Depo as a central depository under SICDA is subject to the regulatory oversight of the SC.

BM Depo's operations as a Central Depository are governed by the Rules of BM Depo. The Rules of BM Depo are approved by the SC except for rule changes that have been specifically exempted from the SC's approval, for example, amendments that are consequential to law changes. BM Depo also has a process to seek external legal opinions where necessary, to ensure the enforceability of the relevant rule or contract. These processes ensure that the Rules of BM Depo are clear, understandable, enforceable and consistent with the Malaysian legal framework.

Please refer to Principle 1 for the legal basis for each material aspect of BM Depo's activities.

## System Design and Operations

BM Depo provides a computer system namely the CDS to custodise securities in scripless form to support all the depository related activities by providing real time access to the CDS that is available from 8.30 a.m. till 7:00 p.m. to its participants such as ADAs, ADMs and listed issuers or their agents i.e. share registrars. Among the functionalities provided under the CDS are as follows:-

- (a) Opening of securities account.
- (b) Online maintenance of securities accounts that includes updating of account particulars, reactivation of dormant account or inactive accounts and closure of a securities account.
- (c) Deposit of physical certificate, part of the process to dematerialisation from physical to scripless.
- (d) Withdrawal of certificate, option for investor to remove their holdings in scripless form and convert it to physical certificate to be held outside the depository. However, this is only applicable to securities of companies that are no longer listed on the Stock Exchange.
- (e) Transfer of securities, enabling account holders to move their holdings in scripless form from one securities account to another with the condition it is within the approved reasons for transfer as prescribed by BM Depo.
- (f) Providing shareholders listing to issuer or their agent i.e. share registrars electronically. These details may also include bank account details to facilitate crediting of any cash entitlement directly into the account holders' bank accounts.
- (g) Performing additional crediting of securities arising from corporate action such as rights issue, private placement, shares option to employee, conversion of non-equities securities i.e. loan stock, and from initial public offering.



- (h) Performing corporate action such as share consolidation, share split, bonus issue in CDS by computing the revised holdings and crediting into the entitled shareholders' securities accounts to ensure continuance trading in such securities by shareholders.
- (i) Issuance of periodic CDS statement of account that includes CDS notices arising from changes in account particulars directly to account holders. Such notification is delivered in hardcopy via postal service or sent electronically via email. With the launch of Bursa Anywhere mobile app ("Bursa Anywhere"), the individual account holders who are registered users of Bursa Anywhere are to access their CDS statements of accounts and CDS notices via the mobile app.
- (j) eRights which enable accountholders to subscribe for their entitled rights shares electronically. BM Depo has developed a customised solution to nominee accountholders of ADA/ADMs to submit their application electronically via files. Whereas, retailers will apply through banking facility of participating banks and all such applications will be submitted to the relevant issuer via BM Depo.
- (k) The launch of Bursa Anywhere has provided alternate options to shareholders of listed issuers that appoint BM Depo as the service provider, to apply rights issue, dividend reinvestment plan and general offer electronically via the mobile app.
- (l) Providing end-of-day files consisting of transaction and changes in balances to all participants to perform reconciliation and update their back-office system.

Additionally, BM Depo performs the book entry settlement of trades executed on BMS according to the timing and settlement cycle prescribed by BMSC.

### **Book Entry Settlement Process**

BM Depo book entry settlement is an ongoing process where it receives trade data from the clearing house by 8:00 p.m. on T-day. Thereafter, BM Depo participants are able to generate online reports from the CDS on any potential fail trade and pre-empt their clients to cover any such shortfall in their securities account before the share settlement process take place in the securities accounts of the respective selling and buying clients that is based on the current settlement cycle of T+2 day.

#### IV. Disclosure of 24 Principles for BM Depo

Principle-by-principle summary narrative disclosure	
<b>Principle 1: Legal basis</b>	
<b><i>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</i></b>	
Summary narrative	<p>The high degree of certainty in the legal framework for the relevant material aspects of the BM Depo's activities stems from clear and unambiguous law, rules and contractual arrangements between BM Depo and its participants.</p> <p>The legal framework governing BM Depo's activities consists of the SICDA, the CMSA, the Rules of BM Depo as well as the contractual agreement between BM Depo and its participants.</p> <p>In addition, certain aspects relating to the activities of BM Depo are governed by the provisions of the Evidence Act 1950, Companies Act 2016, Digital Signature Act 1997, Contracts Act 1950, and SCMA.</p> <p>The legal basis (and consequently the legal certainty) for each material aspect of BM Depo's activities is described below:-</p> <p>(a) Immobilisation: Pursuant to Section 14 of the SICDA, all securities listed or to be listed for quotation on the securities exchange must be deposited with the central depository. Pursuant to the Securities Industry (Central Depositories) (Exemption) Order 2013 and the Securities Industry (Central Depositories) (Retail Debentures and Retail Sukuk) Regulations 2013, exchange traded bonds and sukuk that are listed and traded on the stock exchange are deemed to be deposited with BM Depo where BM Depo has entered into an arrangement with BNM or an entity acting on behalf of BNM to hold legal title or physical possession of the physical scrips on behalf of BM Depo as bare trustee for the depositors. Section 24 of the SICDA prohibits withdrawal of securities except in circumstances specified in the Rules of BM Depo. The Rules of BM Depo (in Chapter 28) sets out the circumstances in which withdrawal of securities are permitted and it includes cases of where the company has been removed from the official list of the stock exchange and to facilitate company restructuring process. Currently, over 99% of all securities listed and traded on the stock exchange are immobilised in BM Depo. The SICDA requires lodging of physical scrips with BM Depo and all transfers to be subsequently carried out in electronic book entry form at BM Depo. Subdivision 8, Division 1, Part III of the Companies Act 2016 sets out provisions applicable to companies whose securities are deposited with the central depository including Section 148 of the Companies Act 2016 which states</p>

	<p>that the transfer of any deposited securities shall be by way of book entry by the central depository.</p> <p>(b) Ownership of securities: Pursuant to Section 21 of the SICDA, BM Depo is deemed to be a bare trustee. Section 35 of the SICDA deems the persons named in the record of depositors issued by BM Depo as being entitled to all rights and subject to all liabilities in respect of the securities as if they appeared in the relevant records of the issuer of the securities.</p> <p>(c) Applicability of the Rules of BM Depo: The Rules of BM Depo are binding on the participants of BM Depo (which includes all securities account holders) by virtue of the contractual relationship between the parties.</p> <p>(d) Regulation and oversight of BM Depo: BM Depo is regulated under SICDA and is subject to regulatory oversight by the SC. The SC's role to supervise and monitor the activities of a central depository is stipulated in Section 15(1)(f) of the SCMA and the SC's Guidelines on Financial Market Infrastructures.</p> <p>(e) Other aspects: The rules for the operational aspects are described in the Rules of BM Depo supplemented by the procedure manuals. The SICDA provides for BM Depo to develop the Rules of BM Depo and amendments made to the Rules of BM Depo are also subject to the review and approval of the SC (Section 7 of the SICDA).</p> <p>(f) Relevant jurisdictions: BM Depo is incorporated in Malaysia as a wholly owned subsidiary of Bursa Malaysia and the participants of BM Depo, including foreign institutions, are subject to Malaysian laws. Consequently, the relevant jurisdiction is only Malaysia.</p> <p>Where necessary, BM Depo seeks external legal opinions, to ensure the enforceability of the relevant rule or contract. These processes ensure that the Rules of BM Depo are clear, understandable, enforceable and consistent with the Malaysian legal framework. For the period of this disclosure, BM Depo has not encountered a situation where the court has held BM Depo's activities or arrangements under its rules and procedures as unenforceable.</p> <p>The rule-making process is a robust one, involving benchmarking analysis, review and consultation to ensure that BM Depo arrives at balanced and proportionate rules. Specifically, the rules are formulated based on a multi-tiered internal process which includes:-</p>
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- (a) consideration of the regulatory objectives to be achieved, concerns to be addressed and the implications of the proposed rule amendments;
- (b) benchmarking the proposed rule amendments to those of other more developed markets and which has a similar framework so that the rules are on par with international standards, where applicable;
- (c) consultation with the relevant stakeholders, including market participants and at times the public to ensure that the rules are clear, practical and are aligned with stakeholders' expectations;
- (d) review of the proposed rule amendments by qualified staff, senior management and the management regulatory committee prior to the approval of the chief regulatory officer;
- (e) for major rule amendments, it would require the review and approval of a Board regulatory committee i.e. RACC, comprising four (4) members who are external independent individuals and three (3) members who are PIDs of Bursa Malaysia, all of whom are professionals and market experts from the various related fields of the capital market; and
- (f) approval of the SC for all rule changes except for those that are specifically exempted from the SC's approval, for example, amendments that are editorial or consequential in nature pursuant to changes made to other relevant rules approved by the SC.

Where there is a change in the law or regulations which have an impact to BM Depo's regulatory framework, BM Depo will undertake an assessment, and review its rules where necessary to ensure they remain consistent with the legislative framework. The robust rule amendment process described above will apply if BM Depo makes any consequential amendments to reflect the change in law or regulations. For instance, in 2017, BM Depo amended its rules to ensure consistency with the revamped Companies Act 2016.

For the period of this disclosure, there were no amendments to the relevant laws and regulations which were applicable to BM Depo that necessitated a review, and as such no rules needed to be remedied.

The Rules of BM Depo are also made available in Bahasa Malaysia on Bursa Malaysia website to enhance clarity and transparency of the Rules of BM Depo for market participants and investors.

	<p>The Rules of BM Depo are publicly available on Bursa Malaysia website at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a>. In addition, all ADAs, ADMs, issuers, share registrars are notified of any amendments to the Rules of BM Depo via circulars.</p> <p>BM Depo takes an independent legal opinion on the potential legal issues with respect to immobilisation of the securities of a foreign issuer, in addition, BM Depo requires the issuers to comply with the SICDA.</p> <p>Section 9 of the SICDA provides that a user (which includes ADAs and issuers) as well as depositors must comply with the Rules of BM Depo and as such, a user who is a foreign participant would similarly be required to comply with the Rules of BM Depo.</p>
<p><b>Principle 2: Governance</b>  <i>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</i></p>	
<p>Summary narrative</p>	<p>BM Depo is a wholly owned subsidiary of Bursa Malaysia which is an approved EHC under Section 15 of the CMSA. Bursa Malaysia is also a PLC on the Stock Exchange and as a PLC, it is required to comply with the corporate governance practices as stipulated under the MMLR of the stock exchange. As an EHC, Bursa Malaysia’s objectives are reflective of its duties and responsibilities under the CMSA amongst others, to ensure there are orderly dealings in securities deposited with the central depository through the facilities of its subsidiary that is duly approved as a central depository (i.e. BM Depo).</p> <p>The CMSA also requires Bursa Malaysia as an EHC to ensure prudent risk management of its business and operations, and it shall prioritise public interest over its commercial business interests. In this respect, the objectives of BM Depo as a central depository are similar, and the same are documented in its constitution.</p> <p>The Governance Model of Bursa Malaysia sets out the clear and direct lines of responsibility and accountability of the Board of Bursa Malaysia, Bursa Malaysia CEO, the Board Governance Committees for the Group (i.e. AC, RMC and NRC); the Board Regulatory Committees for the Group (i.e. RACC, LC, MPC and APC); and the Board Development Committees for the Group (i.e. SDC and TCC).</p> <p>Section 21 of the CMSA provides that in performing its duties, the EHC shall act in the public interest, having particular regard to the need for the protection of investors. Further, the EHC shall ensure that where its own interest conflicts with the public interest, the latter shall prevail.</p>

Bursa Malaysia is also a company listed on the Main Board of the Stock Exchange since 2005 and hence, it has dual objectives i.e. commercial and regulatory.

To further strengthen Bursa Malaysia's governance structure and the framework for handling conflicts of interest ("COI") and to address the potential or perceived COI arising from Bursa Malaysia's dual roles as a business entity and as a frontline regulator, the RACC was established on 1 August 2013. The RACC is given the mandate to oversee the regulatory function of Bursa Malaysia Group, and in the performance of its regulatory duties, it shall exercise its judgement independently of Bursa Malaysia's business functions.

The RACC comprises four (4) members who are external independent individuals and three (3) members who are PIDs of Bursa Malaysia. The independent individuals were appointed by the Board of Bursa Malaysia in consultation with the SC, and one of them is designated as the RACC Chairman. The Chief Regulatory Officer reports directly to the RACC in relation to the performance of the regulatory function of the Group. This direct line of reporting further strengthens the independence of the RACC.

As the wholly owned subsidiary of Bursa Malaysia, BM Depo adopts the Group Governance Model. The administration and operations of BM Depo are carried out at the Group level.

In this respect, BM Depo functionally falls under the purview of the Market Operations division of Bursa Malaysia. All heads of divisions in Bursa Malaysia including the Director of Market Operations of Bursa Malaysia participate in monthly meetings with Bursa Malaysia CEO. This meeting is used for discussion on all business, strategic and operational issues.

BM Depo has a nominal Board (with minimum number of directors i.e. two (2) only) as most of the functions of BM Depo are discharged/carried out at holding company level. The Board of Bursa Malaysia has primary responsibility for the governance and management of this wholly owned subsidiary. In addition, the Board of Bursa Malaysia oversees the functioning of the Board Governance and Regulatory Committees of the Group.

Information regarding the governance, ownership and board and management structure of Bursa Malaysia, including that of BM Depo is publicly available on Bursa Malaysia website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

Currently, the Board of Bursa Malaysia consists of nine (9) directors, of which four (4) directors are PIDs and also INEDs, four (4) Directors are INEDs and there is one (1) Executive Director, who is also the Bursa Malaysia CEO. The four (4) PIDs are appointed by the Minister of Finance in line with the requirements under the CMSA for Bursa Malaysia



to act in the public interest, having particular regard to the need for the protection of investors in performing its duties as EHC. The Chairman of the Board is also a PID.

In addition, Section 10(1)(b) of the CMSA states that no person other than a PID shall accept appointment, re-appointment, election and re-election as a director of Bursa Malaysia unless the concurrence of the SC is obtained.

The composition of the Board is governed by the provisions in the CMSA, the constitution of Bursa Malaysia and the MMLR. Except for the PIDs, all the remaining directors of Bursa Malaysia are appointed by the Board (or the shareholders of the Company at general meeting) with the SC's concurrence. The nomination process is undertaken by the NRC.

The Board through the NRC ensures that its composition is refreshed from time to time with new directors having the right mix of skills/ experience and diversity. The Board has in place the Board Charter and the "Protocol for Appointment of directors and Committee members" which sets out a clear and transparent process for Directors' recruitment. The NRC has been tasked with the responsibility to ensure the incoming INEDs have the requisite expertise, knowledge, integrity and professionalism. Based on the annual Board composition review, the NRC would determine any possible gaps having regard to the objectives and strategic direction of the company. These gaps would be reviewed and may be translated into possible "selection criteria" for new directors in a Board refreshment exercise.

The Board has established a formal and transparent process for approving the remuneration of the Board and Board Committees of Bursa Malaysia.

The NRC annually reviews the remuneration policy for the Board and Board Committees to ensure the same remain competitive, appropriate, and in alignment with the prevalent market practices.

The Board remuneration review ("BRR") is conducted annually to ascertain the competitiveness of the Board remuneration having regard to various factors including the Board remuneration of comparator companies in the financial services sector, dominant providers and those with similar market capitalisation in Malaysia as well as comparable stock exchanges. An external consultant may be engaged for this BRR exercise once every three (3) years, to provide the NRC with an objective and independent perspective.

For the BRR, the NRC will take into consideration the demands, complexities and performance of the Group particularly, the core activities and responsibilities of the members of the Board and Board Committees of Bursa Malaysia as well as their

<p>contributions in terms of statutory duties, fiduciary duties, risk, intensity/complexity of work, time commitment and effort.</p> <p>The outcome of the BRR together with the proposed Directors' remuneration to be paid will then be tabled to the Board and thereafter shareholders' approval will be sought at the Annual General Meeting of Bursa Malaysia.</p> <p>The NRC carries out the Board effectiveness evaluation ("BEE") annually. An external consultant is engaged once every three (3) years to assist the NRC to facilitate an objective and candid Board evaluation.</p> <p>Save for the above, annual BEE is conducted internally and facilitated by the Company Secretaries. The BEE questionnaires generally comprise the Board and Board Committee effectiveness assessments, Directors and Board Committee members' self and peer assessments. A 360° assessment questionnaire has been issued to the Senior Management to seek their feedback.</p> <p>In addition to BEE questionnaires, usually one-on-one interview sessions are held between the external consultant and the Directors (including the CEO) and members of the Key Senior Management.</p> <p>The results from the BEE questionnaires, feedbacks and observations made during the one-on-one interview sessions, if any, will be compiled and presented to the NRC and the Board during meetings for notation and deliberation on any action plans to further enhance its effectiveness.</p> <p>Where external consultants are engaged, the Directors' individual assessment results are shared by the consultants to the respective Directors for their personal development and enhancement. At the same time, a copy of the Directors' individual assessment results are also shared to the Chairman of the Board, where the Chairman may have a one-to-one engagement session with the respective Directors, if required.</p> <p>Relevant disclosures on the BEE were made in the Integrated Annual Report under Corporate Governance Overview, disclosing the name of the external consultant appointed (if any), the manner the BEE was conducted, average rating of the BEE results, reporting process and recommended action plans, if any for continuous improvement.</p> <p>The ongoing training needs of the Board members are assessed as part of the annual review of the Board performance. In general, the programmes are focused on relevant</p>
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areas for example, corporate governance, risk and compliance, the trends in global exchanges and capital markets development, cyber threats.

The directors' continued independence is assessed as part of the annual Board performance evaluation, which includes a peer review by other Board members.

The recruitment process for all senior positions includes interviews with the senior management, the CEO and HOGAN & Virtual assessment. In addition, detailed reference checks are conducted. The CMSA requires Bursa Malaysia to ensure that the staff has the requisite knowledge. Bursa Malaysia has incorporated this into its Human Resources policies and ensures that all the senior management staff has all the requisite skills. With reference to the Guidance on the Regulatory Role of Bursa Malaysia, Bursa Malaysia shall consult the SC on the proposed appointment of any person for a Management Committee position prior to the appointment of such person. Bursa Malaysia also attempts to maintain a pool of internal successors in the ratio of 1:2 for all senior and critical positions. There is a well-established performance evaluation process against KPIs for all employees. The performance of the CEO is assessed by the Board and that of the senior management by the NRC in consultation with the CEO. The performance evaluation process is used to guide the career growth and if need be, any termination. Pursuant to Section 30(1) of the CMSA, the SC can submit its recommendation to the Minister of Finance to impose an order to suspend the functions of the principal officer who is responsible for the conduct of the business and operations of BM Depo. The members of Key Senior Management are principal officers of Bursa Malaysia.

A clear and documented ERMF at the Group level is used to identify and monitor the specific business risk for each business entity. FMI's risk tolerance is measured by the impact rating parameters in the ERMF. The ERMF sets out the roles and responsibilities of Board, RMC, CEO, Management Committee, Risk & Compliance and business owners. The Risk & Compliance division ensures that Bursa Malaysia has an effective framework and ability to manage all risks as a fully integrated part of the Group including BM Depo. The ERMF is being reviewed at least once every two (2) years or whenever there is a material change. Review process for the ERMF is carried out in consultation with the business units and deliberated at the Management Committee meeting, prior to seeking the RMC's concurrence and the Board's approval respectively.

Risk & Compliance division reports to the RMC. The RMC considers the adequacy of resources for the risk and compliance functions to assist the RMC in risk management, assessment and monitoring. Internal Audit division is independent from all other functions within the Group and reports directly to the AC in providing assurance to the Board on the

	<p>effectiveness of the risk management controls. In this respect, the adequacy of resources is reviewed by the AC for discharging the internal audit function.</p> <p>The Board carries the overall accountability for the governance and oversight of risk management. The RMC is authorised by the Board to assist in overseeing risk management matters and managing the overall risk exposure of the Group.</p> <p>All the participants of BMSC are also participants of BM Depo. The default of a participant is handled as per the default management procedures of BMSC, where BM Depo can be required to execute transfer of securities to meet the settlement obligations of the BMSC participants and suspend the defaulting participants' accounts. Please refer to Principle 13 for BM Depo's role as a CSD.</p> <p>Bursa Malaysia adopts a consultative and inclusive approach to take into account the interest of its participants and other relevant stakeholders in its decision making in relation to its design, rules, overall strategy and major decisions. Prior to initiating changes to its system, services, operations and rules, Bursa Malaysia conducts consultation with its participants and other related users of the system and services. Further, any proposed amendments to rules are subject to the SC's approval. In practice, all major rules amendment requires submission to the SC for approval which includes Bursa Malaysia obtaining feedback from the industry and other relevant users via a consultation process. All rules and amendments are publicly available on Bursa Malaysia website. Operational procedures for depository participants are disseminated to ADA and ADM via circulars.</p>
<p><b>Principle 3: Framework for the comprehensive management of risks</b>  <b><i>An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.</i></b></p>	
<p>Summary narrative</p>	<p>The Group has put in place an established risk management framework for managing risks affecting its business and operations which are aligned with the ISO 31000:2018 Risk Management – Guidelines and the PFMI.</p> <p>The Group's risk management framework is embedded in the ERMF document which is applicable to all the business entities within the Group such as BM Depo. With the establishment of the ERMF, the accountability, authority and responsibilities of the relevant parties in the Group for managing risk, including implementing and maintaining the risk management process as well as ensuring the adequacy, effectiveness and efficiency of controls have been clearly outlined. Within the ERMF, there is an established and structured process for the identification, assessment, communication, monitoring as well as continual review of risks and effectiveness of risk mitigation strategies and controls at the divisional and enterprise levels. The analysis and evaluation of Bursa Malaysia's risks are</p>

	<p>guided by the approved risk criteria, impact parameters and financial or non-financial thresholds.</p> <p>At the Group level, the Risk &amp; Compliance division comprises six (6) departments namely Financial Risk Management, Operational Risk Management, Strategic Risk Management, Compliance, Assurance &amp; Risk Analytics and Governance &amp; Strategy Development. The objective of the set up was to consolidate the risk management and compliance functions across the Group to provide a holistic and integrated view of risk management and compliance at the enterprise-wide level. The Operational Risk Management department covers two (2) units namely Operations, Policy &amp; Technology Risk and Business Continuity Management.</p> <p>The RMC reviews the risk management aspects every quarter and tables all important developments and plans to the Board. In addition, the Internal Audit team reviews the adequacy of the risk management measures periodically. The Risk &amp; Compliance division also conducts continual review of the risk management framework and process for improvement and ensure that they remain relevant to the Group.</p> <p>The Rules of BM Depo clearly explain the requirements and responsibilities of the participants, and the responsibilities of BM Depo. Bursa Malaysia has established a group approach to supervise the ongoing compliance of the participants to the requirements of the BM Depo. The Participants Supervision department of Bursa Malaysia is entrusted with the responsibility for managing this. The supervision approach is combination of off-site supervision and on-site inspections. As part of the off-site supervision, weekly, monthly and annual submission of various financial indicators and data is required.</p> <p>Bursa Malaysia has a BCM Framework in place, that has identified four (4) broad components within BCM, i.e. governance, policy and process, tools and methodology and effective practices. There are various recovery strategies in place to minimise business disruption during crisis or disaster and are periodically tested through regular BCP tests. The BCM Guidelines and BCP are reviewed regularly based on new developments and BCP test findings.</p> <p>A key component of the risk management measure related to the system risk is to institute BCPs and periodically test and revise them based on new development and the test findings.</p>
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<b>Principle 4: Credit risk</b>	
<i>An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.</i>	
Summary narrative	Not Applicable
<b>Principle 5: Collateral</b>	
<i>An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.</i>	
Summary narrative	Not Applicable
<b>Principle 6: Margin</b>	
<i>A CCP should cover its exposure to its participants for all products through an effective margin system that is risk-based and regularly reviewed.</i>	
Summary narrative	Not Applicable
<b>Principle 7: Liquidity risk</b>	
<i>An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.</i>	
Summary narrative	Not Applicable

<b>Principle 8: Settlement finality</b>	
<b><i>An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.</i></b>	
Summary narrative	Not Applicable
<b>Principle 9: Money settlements</b>	
<b><i>An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risks arising from the use of commercial bank money.</i></b>	
Summary narrative	Not Applicable
<b>Principle 10: Physical deliveries</b>	
<b><i>An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.</i></b>	
Summary narrative	Not Applicable
<b>Principle 11: Central securities depositories</b>	
<b><i>A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry.</i></b>	
Summary narrative	<p>BM Depo maintains accounts at the level of beneficial owners. The accounts are, however, tied to a participant of the BM Depo and instructions for transfers can only originate directly from the account holder. Section 35 of the SICDA provides all the rights of securities ownership to the beneficial owner as recorded in the books of a CSD. Securities are created in BM Depo as a result of new public offerings, corporate actions or dematerialisation of listed securities. In all cases this is done based on express instructions of the issuer or its registrar. The Rules of BM Depo govern what information is required, how it is to be exchanged and the timelines involved. Similarly, securities can be withdrawn only upon specific instructions by the concerned issuers or their registrars. The eRapid system is used for exchange of information between issuer/registrars and BM Depo.</p> <p>Account holder's interests is protected under Section 43 of the SICDA that requires BM Depo as an approved CSD to protect the confidentiality of the account owners. Section 26 of the SICDA specifies the obligation of BM Depo to provide statements of accounts and Chapter 32 of the Rules of BM Depo require the provision of periodic account statements. The Rules of BM Depo further require customer permission for any securities transfers or changes to account particulars of the customer. The BM Depo operational controls and the governance model also require maintenance of strict audit trails and periodic audit of all critical procedures.</p>

Securities issuers interests are covered under Section 28 of the SICDA which requires BM Depo to conduct a quarterly stock-take and reconcile the total securities as recorded in the jumbo certificates and the actual holdings as per the books of the CSD. Upon completion of the stock-take, BM Depo submits a report on details of securities held with the CSD to each of the issuer in addition to submitting a full report to the Stock Exchange and the SC. The SICDA further requires the CSD to provide in a timely manner requests from the issuer for list of all securities holders and processing of any corporate actions. Internal Audit team of Bursa Malaysia performs an audit of BM Depo's operations periodically. In addition, the SC also conducts periodic audits on BM Depo.

The relevant rules and procedures for customers of CSD with regards to BM Depo are posted on Bursa Malaysia website.

BM Depo has instituted very strict maker-checker procedures for all activities that result in creation and removal of securities. In addition, there is a daily automated reconciliation of all securities transactions and detailed audit trails are maintained. Additionally, the computer system of BM Depo prohibits any overdraft and debit balance in securities accounts of customers.

The SICDA mandates immobilisation of all securities listed on the Stock Exchange. As of 30 June 2023, 99.95% of securities in existence are immobilised in BM Depo. The ones which are still held in paper form are the ones which were created before 1998.

Rule 34 of the Rules of BM Depo provides for establishment of a compensation fund that can be used to recompense any loss to clients due to any negligence of BM Depo, internal fraud or because of any computer crimes. The size of the compensation fund currently is MYR 50 million. In addition, there is an insurance policy with a limit of indemnity of MYR 25 million. The maximum amount of compensation payable to a claimant is MYR 100,000 per claim.

Additionally, BM Depo framework requires asset of customers to be clearly segregated from the asset of its participants by maintaining accounts at beneficiary level. Transactions such as transfer of securities, withdrawal of securities and any changes to the account particulars of the customer are only performed upon receiving the express permission from the customers in the manner prescribed by BM Depo.

Account of the customer is directly held under the customer's name and it is clearly separated from the accounts of the participants. Securities account under Section 25 of the SICDA specify the type of account and how accounts are to be maintained with the CSD.



	<p>BM Depo is prohibited as per the provisions in Section 36 of the SICDA from holding, purchasing or dealing in any securities which it immobilises. BM Depo provides portability arrangement for BMSC whereby securities of a client can be ported, i.e. transferred from one participant to another should the need arises. The ability of BM Depo to port (transfer) client's securities is tested during Bursa Malaysia's industry wide BCP annual exercise.</p> <p>Lastly, in addition to the primary function of BM Depo of recording of securities issuance, transfer of securities and removal of securities, BM Depo also provides services such as distribution of dividends and handling of corporate actions that includes processing of bonus issues, share consolidation, payment of cash distribution/dividend to shareholders on behalf of issuer and facilitating electronic corporate actions such as electronic rights issue, electronic dividend reinvestment plan, electronic general offer. The risks associated with these services are primarily operational risk in nature. BM Depo has instituted appropriate operational controls and agreements to mitigate the risks.</p>
<p><b>Principle 12: Exchange-of-value settlement systems</b>  <i>If an FMI settles transactions that involve the settlement of two linked obligations (for example securities or foreign exchange transactions) it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.</i></p>	
<p>Summary narrative</p>	<p>Not Applicable</p>
<p><b>Principle 13: Participant-default rules and procedures</b>  <i>An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.</i></p>	
<p>Summary narrative</p>	<p>BM Depo functions as a CSD only involve movement of securities from seller customer's account to buyer customer's account and is not responsible or have any role in the fund's settlement with the participants. The CCP function is performed by BMSC. All the participants of BMSC are also participants of BM Depo. The default of a participant is handled as per the default management procedures of BMSC. As per the default procedures, BM Depo can be required to execute transfer of securities to meet the settlement obligations of the BMSC participants and suspend the defaulting participants' accounts. Beyond this, BM Depo does not have direct role in the default of a participant. The role of BM Depo is limited to executing specific transfer and suspending the defaulting participants' accounts. BM Depo is operationally well prepared to manage this.</p> <p>The default management procedures describe the roles, obligations, and responsibilities of the various parties, including non-defaulting participants. The first step in these procedures is for the DMC to convene. The roles defined are:-</p>

	<ul style="list-style-type: none"> <li>(a) Declaration of default by Chairman of DMC.</li> <li>(b) Suspension of accounts by BM Depo.</li> <li>(c) Selection and liquidation of securities by Financial Risk Management department and approved by Chairman of DMC.</li> <li>(d) Panel of non-defaulting participants to assist in the liquidation process.</li> <li>(e) Payment of CGF/ other financial resources by Finance department.</li> <li>(f) Non-defaulting TCPs to replenish the CGF upon notification by Financial Risk Management department.</li> <li>(g) Communication and press release by Default Recovery Management Committee.</li> </ul> <p>The default management procedures are reviewed as and when there are significant local or international developments. Additionally, an annual default handling drill is conducted to ensure effectiveness of the default management procedures.</p> <p>The interests of the participant's customers are protected by BM Depo. This is provided under Rule 3.01(2) and Rule 3.03 of the Rules of BM Depo, which include the following to be followed by BM Depo in the event of a participant default:-</p> <ul style="list-style-type: none"> <li>(a) Establish task force team to monitor CSD operations of the defaulting ADA while waiting for special administrator to be appointed;</li> <li>(b) Special administrator to take over the task of overseeing the CSD operations;</li> <li>(c) Identify new ADA to take over the CSD accounts of the depositors; and</li> <li>(d) Transfer all CSD accounts to the new ADA.</li> </ul>
<p><b>Principle 14: Segregation and portability</b> <b><i>A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.</i></b></p>	
<p>Summary narrative</p>	<p>Not Applicable</p>
<p><b>Principle 15: General business risk</b> <b><i>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</i></b></p>	
<p>Summary narrative</p>	<p>Bursa Malaysia is guided by the ERMF and risk related guidelines to identify, assess, control, monitor and report key risks under the ERMF which also cover general business risks. The oversight, responsibilities and accountability of the risk management process are defined by Bursa Malaysia's risk governance structure where key risks are managed by the three lines of defence comprising the line managers, risk management and internal audit.</p>



These risks are regularly reported to the senior management of Bursa Malaysia, the RMC and the Board.

Among others, the review of the annual business plan which includes strategic planning and annual budgeting plays a significant role in the management of both internal and external general business risks of Bursa Malaysia. The risk areas relating to general business risks under the ERMF include:-

- (a) Administration and operation of the Group as a business enterprise which could impair the business of Bursa Malaysia;
- (b) Potential risks which can cause the decline in Bursa Malaysia's revenue, growth in expenses or loss charges against capital;
- (c) Business impairment resulting in adverse reputational effects;
- (d) Poor execution of business strategy;
- (e) Ineffective response to competition;
- (f) Fluctuations in macroeconomic and market activities;
- (g) Ineffective talent management;
- (h) Lack of technology and product innovation; and
- (i) Legal and regulatory changes to the business landscape.

In addition, Bursa Malaysia monitors the general business risk on its financial position for its subsidiaries including BM Depo to ensure quality and sufficient liquid net assets are maintained to meet its obligations. On a stand-alone basis, BM Depo maintains liquid net assets to cover at least six (6) months of operational expenses. These assets are held in fixed deposits and money market placements with approved FIs and liquid money market or fixed income securities which are rated 'AA3' and above by RAM or equivalent rating by MARC. BM Depo does not hold other capital or financial resources under any risk-based standards. The adequacy of the liquid funds is reviewed on a quarterly basis. BM Depo's investment policy and practices are further explained in Principle 16 below.

To further strengthen defences against general business risk, the Group has already initiated the development of a RP to recover from non-default related events which aligns with the global standard of the "Recovery of financial market infrastructures" as set out by the IOSCO. The RP has been reviewed and approved by the RMC on 12 September 2022 and necessary steps are in progress to facilitate the roll-out.

As a wholly owned subsidiary of Bursa Malaysia, BM Depo is required by the CMSA to ensure orderly arrangements for the CSD function. In the event BM Depo cannot continue as a viable entity, then Bursa Malaysia, as the holding company, is ultimately responsible for ensuring alternative arrangements are implemented and BM Depo is smoothly wound

	<p>down. Given that BM Depo is wholly owned subsidiary of Bursa Malaysia, the holding company is readily available to inject equity capital into BM Depo if required. In addition, the holding company, being a listed entity, may raise additional funds via the capital market for injection of equity capital to BM Depo.</p>
<p><b>Principle 16: Custody and investment risks</b>  <i>An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.</i></p>	
<p>Summary narrative</p>	<p>Under the Groups Investment &amp; Treasury Policy (GITP), BM Depo is only allowed to invest in deposits or placements with pre-approved FIs that meet strict credit requirements (and within the counterparty limits), money market and fixed income instruments that meet Bursa Malaysia's stringent credit parameters, and securities issued by or guaranteed by Malaysian government or the BNM.</p> <p>BM Depo remains conservative by investing all of its cash assets in highly liquid and short-term deposits with pre-approved FIs and permitted fixed income securities. Around 76.26% of BM Depo's assets are invested in deposits with pre-approved FIs, while the remaining 23.74% are invested in fixed income securities. As for the BM Depo compensation fund, 100% of the fund are invested in deposits with pre-approved FIs. All investments are MYR-denominated, with the FIs being incorporated in Malaysia and supervised by BNM. BM Depo has prompt access to these assets with low credit, liquidity and market risks.</p> <p>The GITP sets out stringent credit parameters for approved FIs, and the single counterparty exposure limit in each FI. There is no significant exposure to a single FI, as BM Depo adheres to the exposure limits which aim to spread out exposures to multiple counterparties. In addition, the list of approved banks and exposure limits are reviewed at least, on an annual basis or as and when required (e.g. in adverse financial condition). BM Depo is only permitted to invest in fixed income securities with a minimum rating of 'AA3' as rated by RAM, or the equivalent rating by MARC or minimum foreign rating of 'A-' as rated by Standard &amp; Poor's (or the equivalent rating by Moody's and Fitch).</p>

**Principle 17: Operational risk**

***An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI’s obligations, including in the event of a wide-scale or major disruption.***

<p>Summary narrative</p>	<p>The Risk and Compliance division of Bursa Malaysia has established an ERMF, which was designed based on ISO 31000:2018, Risk Management - Principle and Guidelines. One of the risk categories classified in the ERMF is Operational Risk which is defined as risks arising from deficiencies in information systems or internal processes, human errors, management failures, or disruptions from external events that could result in the reduction, deterioration, or breakdown of services provided by the Group. The ERMF is supported by the risk related guidelines. The risk related guidelines serve to guide the Group in identifying, monitoring and managing the risks it faces in the course of achieving its operations, strategic and business objectives. In the contexts of operational risk, the risk assessment process involves identifying major processes, measuring risk events in terms of likelihood of occurrence and impact and management of current mitigation controls that are in place and action plans if needed.</p> <p>The ERMF which was approved by the Board defines the roles and responsibilities of the relevant parties including the Board, the RMC and the Management, respectively for managing risks and implementing risk management processes, and ensuring the adequacy and effectiveness of risk mitigation controls. The Board have tasked the RMC with the responsibility of ensuring that the risk management framework of the Group operates effectively. Periodically, the Board will receive updates from the RMC on the progress and assessment of risk management of the Group.</p> <p>The risk management statement is being reviewed by the RMC for incorporation as part of the Statement on Internal Control and Risk Management (“SICRM”) which is further reviewed by the external auditors in line with the requirements of Paragraph 15.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements (“MMLR”). The said SICRM is recommended for the Board’s approval for inclusion in the Integrated Annual Report in accordance with Paragraph 15.26(b) of the MMLR.</p> <p>The operational risk of Bursa Malaysia is now governed under the ERMF which covers the scope below:-</p> <ol style="list-style-type: none"> <li>i. a common definition and risk categories to enable a uniform understanding and consistent approach of managing operational risk across the Group;</li> </ol>
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- ii. a governance and oversight structure for operational risk;
- iii. roles and responsibilities including reporting lines;
- iv. a sound operational risk management approach and process by introducing methodologies/tools and techniques to perform risks assessment/ analysis/ treatment/ monitoring and reporting in a structured, systematic and consistent manner; and
- v. effective communication to cultivate operational risk awareness building.

The interdependency risk assessment is carried out every half yearly using the Risk Control Self-Assessment questionnaires for each business unit within the FMI to identify and assess the risk.

Operational risk of Bursa Malaysia is further strengthened by the following frameworks and guidelines amongst others:-

- (a) Technology and Cybersecurity Risk Guidelines:
  - i. To create a common approach for addressing technology and cyber security within the Group; and
  - ii. To ensure technology and cyber security risks are properly managed throughout Bursa Malaysia.
- (b) Framework for Risk Management on Outsourcing Arrangements:
  - i. To define the required environment and organizational components for managing outsourcing risk in a structured, systematic and consistent manner within the Group; and
  - ii. The framework describes risk management practices of risk assessment; due diligence assessment; performance assessment; contract considerations; business continuity requirements; and cyber security requirements.
- (c) Anti-Fraud, Bribery & Corruption Policy and Guidelines:
  - i. To set the policy stand of Bursa Malaysia in areas relevant to fraud, bribery and corruption and how Bursa Malaysia staff are expected to conduct themselves in adhering to the highest level of integrity and ethics; and
  - ii. To assist in performing a sound risk management approach with regard to fraud, bribery and corruption risk and its prevention which involves risk assessment, analysis, treatment, monitoring and reporting of fraud, bribery and corruption in a structured, systematic and consistent manner.

Recruitment of employees shall be based on their qualifications, knowledge, skillsets, experience, and aptitude against the requirements of the job positions. The Group Human

	<p>Capital together with the respective Hiring Managers and the Head of Department will determine the state of employment to identify quality candidates or talent pools to be hired.</p> <p>Ongoing training programmes have been organised and held for employees as part of Bursa Malaysia's efforts to provide career development and growth as well as to promote core values within the employee community.</p> <p>For employee retention, various programmes on capturing employee experience, strengthening communication platform and fostering employee engagement through wellbeing and branding initiatives have been introduced.</p> <p>The CDS is a system that is fully owned and operated by BM Depo. Henceforth, the operational reliability objectives of the BM Depo are dependable on the performance of the CDS. Investors use the CDS to transfer securities from one CDS account to another, provided the transfers are within the reasons approved by BM Depo. Other transactions that depositors can perform via the CDS are registering of bank account information, updating of account particulars, reactivation of dormant CDS account, reactivation of inactive CDS account, depositing of share certificate, withdrawal of shares of delisted company and closing of CDS account. The operational reliability objectives of Bursa Malaysia are to ensure confidentiality and integrity of the securities accounts and to provide an efficient, reliable and stable provision of depository services. The CDS is maintained regularly to ensure a high degree of security, performance, operational reliability and scalable capacity. This is achieved through the IT initiatives undertaken by Bursa Malaysia's Group Technology together with the ongoing support and maintenance arrangements with the IT vendors. For instance, the performance of the CDS is measured and monitored at its average and peak central processing unit utilisation level, whereas its capacity is observed via its average and maximum daily transactions processing.</p> <p>Based on the total number of CDS accounts opened over the last few years, the CDS system is able to sufficiently meet the scalable capacity adequacy to handle increasing volumes and its service-level objectives. There was no breach on the capacity limits of the CDS for the period of reporting from 1 July 2022 to 30 June 2023.</p> <p>To ensure the reliability and availability of the CDS, the following controls are in place:-</p> <p>(a) Incident management and problem management procedures are available and in compliance with IT Infrastructure Library (ITIL). All incidents are centrally logged into the Enterprise Service Management system and categorised by priority. Incidents are escalated to relevant IT support teams, and respective vendors with 24/7 support service for resolution.</p>
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- (b) As one of Bursa Malaysia's critical systems, all major components of the system are in cluster mode at the main site and it has redundant servers at Bursa Malaysia's DR site. This is to cater for high availability and reliability of the system. A series of testing is conducted by Group Technology namely regression test, performance test, vulnerabilities assessment and penetration testing to ensure stability of all the systems with adequate and scalable capacity to meet the projected capacity requirement.
- (c) Performance of the system is monitored using specific monitoring tools which have alert capabilities to trigger alarms in the event that thresholds are being breached.
- (d) Quality assurance of the changes to the system undergoes testing by vendors and internal users. For critical and major changes, an industry wide mock testing is conducted with the market participants.
- (e) Change, Incident and Problem management process is in place where all changes to the system are centrally logged at the Enterprise Service Management system, managed and assessed in respect of impact and risk of the change to the system.

In the context of project management, scope management and change controls are established in the Project Planning and Management Guidebook to assist in the management of changes that impact project scope, benefits, deliverables, schedules and costs. Change request requires the Management Committee's approval and recorded in the Change Control Log.

In the context of system change management, the requirements form part of the Bursa Malaysia Information Security Standards (BMISS) in "Section 13.32 – Technological Changes – Change Management" that subjects all changes to information processing facilities and information systems to change management procedures.

Periodic review of risk assessment on key projects is conducted to ensure that risk profiles of the projects are updated, and new risks/ heightened risks are identified and mitigated early.

Audit engagements and independent reviews are carried out by Internal Audit on operational systems, processes, policies and procedures based on an annual audit plan approved by the AC. All key operational areas and processes are audited within an approved cycle with higher frequency of coverage depending on its criticality and Internal Audit risk assessment. The auditable areas will be audited according to risk priority i.e. once in 12 months for High, once in 12 to 24 months for Medium and once in 24 to 36 months



for Low. Using a risk-based audit approach, Internal Audit assesses the selected areas under the audit scope in relation to effective mitigation of risk exposures, compliance towards the approved policies and procedures and relevant laws and regulations as well as improvement to the overall internal control system.

As part of the risk-based audit plan, system readiness reviews are conducted to assess the progress of project implementations according to the pre-determined timelines, milestones and objectives of selected key projects and to ensure that due process is complied with prior to the implementation or launch of significant systems development and enhancement projects. Internal Audit also conducts post implementation reviews after a predefined period to assess the realised benefits of the implemented significant systems and projects.

In relation to physical and information security control and policies in addressing the confidentiality, integrity, availability and potential vulnerabilities and threats of BM Depo and CDS, several policies and controls have been implemented by Group Technology division. These policies and controls encompass the following:-

Bursa Malaysia Information Security Policy and Standards

- Bursa Malaysia Information Security Policy (BMISP)
- Bursa Malaysia Information Security Standards (BMISS)

Bursa Malaysia has implemented appropriate protective and detective controls to minimise the likelihood and impact of a cyber-attack on critical business functions and information assets.

The controls for physical and logical access are the following:-

- (a) Entry into data centers and sensitive areas are controlled using combination of access cards and security identification codes and restricted only to authorised personnel.
- (b) Super IDs or privilege-IDs are centrally controlled and managed by Privilege Access management system.
- (c) System and data owners identified and access matrix defined; access to confidential and restricted information on need basis and upon approval.

Bursa Malaysia is certified with ISMS - ISO 27001:2013 for Depository Services. The ISMS re-certification assessment was completed successfully in November 2020. The certification is valid until 1 December 2023.

	<p>Bursa Malaysia's Cyber Security Strategy Roadmap is a 3-year (2021-2023) roadmap and actions designed to continuously improve the cyber security preparedness and resilience of Bursa Malaysia's infrastructure and services. This is in line and to support the overall business strategy and business plans of the Group.</p> <p>Bursa Malaysia has invested and implemented tools, process, and mechanisms to enhance the cyber resilience capabilities to anticipate, withstand, contain and rapidly recover from a cyber incident with the objective of limiting the escalating risks that cyber threats pose to Bursa Malaysia and its stakeholders. Amongst the controls that have been put in place are:-</p> <ul style="list-style-type: none"><li>(a) Vulnerability assessment and penetration test conducted regularly to proactively identify security vulnerabilities in systems and the appropriate remedial actions taken to address any weaknesses.</li><li>(b) Security monitoring of Bursa Malaysia's network and infrastructure is in in place to continuously monitor, detect and mitigate malicious activity or suspicious traffic on the network. Technology refresh on security devices and technologies was carried out to ensure adequate threat mitigation is in place for strengthening the security of Bursa Malaysia's network.</li><li>(c) Re-designed staff Internet access to use a separate network firewall and broadband line to minimise Internet bandwidth contention during peak utilisation for business application/ traffic and to prevent cyber-attack.</li><li>(d) Anti-virus software implemented for all desktops, servers, email exchange and gateway.</li><li>(e) Information leakage control to avoid unauthorised access and data leakage.</li><li>(f) Independent consultant to conduct social engineering test to evaluate staff awareness in identifying scam (e.g. email phishing and physical tailgating test), granting access permission to restricted areas and sharing of sensitive information.</li><li>(g) External professional to conduct source code review for in-house developed software to provide comprehensive assurance that Bursa Malaysia's application is secured in terms of application flaw.</li><li>(h) Established Bursa Malaysia Computer Emergency Response Team (BMCERT) to elevate the operational improvement and instil a culture of cyber risk awareness on incident response to cyber threats.</li></ul>
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- (i) Participated in Capital Market Cyber Drill Simulation (“CMCDS”) organised by the SC on 10 November 2022. Bursa Malaysia was identified as a key participant to participate in the CMCDS with the aim to strengthen the market preparedness in responding and recovering from potential cyber incidents. It is crucial for Bursa Malaysia to remain vigilant and maintain visibility on cyber preparedness and resilience. The objective of the Drill is to identify potential gaps in technology capabilities and incident response processes. Overall cyber simulation result for capital market has improved in 2022. Bursa Malaysia will be participating in CMCDS for 2023 scheduled on 5 October 2023.
- (j) The cyber security core functions and controls are reviewed and assessed to observe with the Guidance on Cyber Resilience for Financial Market Infrastructures issued by IOSCO as well as to comply with the Guidelines on Management of Cyber Risk issued by the SC.

In relation to BM Depo having a BCP, the following are put in place:-

**(a) BCP**

The overall approach is geared towards ensuring adequate back-up arrangements for all critical office facilities and system components; online data replication from the main site to the DR site and data back-ups to ensure no data loss; and developing business continuity procedures and testing them periodically. The failure of the critical system components is mitigated with clustering and redundant systems/infrastructure facilities at Bursa Malaysia’s main site, hence minimising the needs to failover to Bursa Malaysia’s DR site/systems. The systems at the Bursa Malaysia’s DR site are capable of running all functionalities that are currently available at the main site.

**(b) Alternate Site and Backup Systems and Office Facilities**

The Group’s back-up systems and office facilities are housed in its own DR site which is away from the main site. These two (2) different sites are provisioned from different power sub-stations and different telecom exchanges for electricity supply and telecommunication services respectively, to mitigate the risk of concurrent impact to both sites. The DR site is having adequate capacity and as part of the annual BCP testing has been found to be capable of handling the operations for a sustained period.

**(c) BCP and Testing**

The Group has a comprehensive group wide BCP. The BCP is tested annually with the participation of all stakeholders with target RTO of two (2) to four (4) hours. The BCP test includes participation of the BM Depo participants, they are required to connect to Bursa Malaysia's DR site and verify their ability to conduct their usual services and the integrity of their data. During the testing, the market participants will simulate failure at their ends by bringing up Bursa Malaysia's critical production systems including CDS at DR site to support and enable the said tests. After the simulation, appropriate recalibration of the BCP is made and if required these are re-tested. Procedures in the BCP for mitigating business interruption risks are tested at least once a year. These procedures are also subjected to external audits by the SC and the appointed external auditor of Bursa Malaysia.

**(d) BM Depo's Workflow and Recovery Time Window**

BM Depo performs the book entry settlement of trades executed on the Stock Exchange on T+2 (ready basis) and T+1 (designated or immediate basis) respectively by debiting the seller's securities account and crediting the buyers' securities accounts accordingly. The CDS business (production) hours are from 8:30 a.m. to 7:00 p.m. Monday to Friday. Upon completion of the book entry settlement process the information will be transmitted to BMSC to compute the fund settlement between BMSC and its members. The EOD is from 9:30 p.m. to 1:30 a.m. After the EOD processes, the transaction files, balance files and depository activities related reports are successfully generated and transmitted via eFIX to depository participants which are stockbrokers and custodian banks. During the CDS business hours, depository participants amongst others will be opening new securities accounts, updating particulars of securities account holders, executing transfer of securities and performing balance enquiries in relation to their own securities account and securities account of their clients maintained with them. In the event of critical systems disruption and after recovery, BM Depo could extend the production hours of the affected critical systems and delay the EOD processes accordingly so long as the affected EOD processes can be completed at around 8:30 a.m. on the following day.

**(e) RTO and BCP Test Results**

Both the securities trading and depository systems are classified as critical systems with RTO of three (3) hours and two (2) hours respectively. The recovery time achieved for a start of day failure scenario for the securities trading and depository systems during the Industry Wide Testing for Securities and Bond Market for the year 2022 were within this recovery timeframe.

	<p><b>(f) Market Participant's DR Site, BCP and Testing</b></p> <p>In addressing the risks of key participants may pose to its operations, Bursa Malaysia requires all market participants to maintain robust BCP and this is ascertained as part of the ongoing supervision activities which includes on-site audits of the DR sites of the participants. The participants are also required to participate in the industry-wide securities market BCP tests of Bursa Malaysia.</p> <p>In relation to risk arising from other FMIs, BM Depo has stringent requirements which must be fulfilled before establishing its linkages with other FMIs (see Principle 20 on FMI links).</p> <p>Bursa Malaysia has in place a crisis communication matrix which provides an overview of the stakeholders that need to be notified based on different severity level/ scenario.</p>
<p><b>Principle 18: Access and participation requirements</b>  <i>An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.</i></p>	
<p>Summary narrative</p>	<p>Criteria and requirements for participation, which are objective and risk-based, are set out in the Rules of BM Depo which are made available on Bursa Malaysia website.</p> <p>BM Depo has two (2) types of participants – ADA and ADM. The ADAs are essentially the TCPs of BMSC and the ADMs are the Non-Trading Clearing Participant (“NTCP”) which acts as custodians for clients of BMSC.</p> <p>Application for ADM is open to:-</p> <ul style="list-style-type: none"> <li>(a) a body corporate that is incorporated within Malaysia and is by notice published in the Gazette declared to be a public authority or an instrumentality or agency of the Government of Malaysia or of any State;</li> <li>(b) a statutory body (other than a bank under category (d)) established under an Act of Parliament;</li> <li>(c) a licensed Islamic bank, licensed bank or licensed investment bank;</li> <li>(d) a bank established under an Act of Parliament;</li> <li>(e) a licensed insurer under the Financial Services Act 2013;</li> <li>(f) a management company for a unit trust fund which has been approved by the SC (or any other relevant authority);</li> <li>(g) an asset management company in possession of a valid licence under the CMSA;</li> <li>(h) a body corporate which is, primarily or, in the ordinary course of its business, engaged in the making of investments in marketable securities, with an aggregate</li> </ul>

	<p>investment fund for trading on the stock market of the stock exchange in excess of one hundred million ringgit; or</p> <p>(i) a body corporate (other than any of the above) which has been approved by the Depository upon consultation with the SC.</p> <p>Application for ADA is open to:-</p> <p>(a) a stock exchange; (b) a clearing house; (c) a participating organisation; (d) a licensed Islamic bank; (e) a licensed bank or licensed investment bank; (f) a bank established under an Act of Parliament; or (g) a body corporate of a type prescribed by the minister under SICDA.</p> <p>The rules pertaining to participation requirements can be found under Part II Chapter 20 and Part III Chapter 14 of the Rules of BM Depo. In addition, relevant operating manuals are given to new participants and all changes are communicated to the participants.</p> <p>A participants' eligibility for admission as an ADA participant of BM Depo is assessed based on, general criteria for admission which includes financial integrity, absence of adverse legal proceeding and operational capability, including personnel with adequate skill and experience, data processing capacity and suitable premises.</p> <p>The minimum financial requirements for ADAs and ADMs are as laid down in the respective laws, rules or requirements that the ADAs/ADMs are subjected to. For example, an ADA which is also a licensed bank is required to comply with the minimum financial requirements under the Financial Services Act 2013.</p> <p>Applicant for ADA of BM Depo is required to undergo a readiness audit before being allowed admission. Applicant for ADM is not required to undergo a readiness audit as it is only operating its own accounts.</p> <p>Bursa Malaysia monitors ongoing compliance of ADAs. Bursa Malaysia uses a combination of off-site supervision based on periodic submissions and on-site inspections in order to ensure that the ADAs comply with the rules. The scope of the on-site and off-site supervision activities include, among others, verifying participants' ability to meet payment obligations and ensuring that appropriate policies and procedures are in place for the areas of risk management, governance, compliance, human resources, internal audit and security of IT systems. On-site inspection frequency is guided by a risk-based profile of each</p>
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	<p>participant. Participants with a higher risk profile are audited more frequently and thematic/limited scope inspections are carried out when the need arises.</p> <p>ADMs are only subjected to off-site supervision in respect of share transfer requirements as they are only operating their own accounts.</p> <p>As ADAs are also POs, the compliance head of a PO is also required to report any violation of the Rules of BM Depo to the Stock Exchange. There is no requirement of a compliance officer for an ADM.</p> <p>As the ADAs are also POs, all POs are required to report their capital adequacy ratio, liquidity position, analysis of client positions, profit and loss statement and compliance to the clients' trust account requirement on a periodic basis. ADMs are not subjected to these requirements as they are only operating their own accounts.</p> <p>The exit of a participant could arise from either a resignation (Rule 3A.03 of the Rules of BM Depo) or actions taken under a disciplinary proceeding where the participant is deregistered due to breaches of the rules or failure to meet the minimum financial requirement. We have clearly defined procedures to handle the orderly exit of a participant which will ensure that clients' assets are returned or transferred to another participant and all obligations between the participant and the clearing house are settled.</p> <p>The overview of the enforcement/ disciplinary proceedings and processes are set out in Bursa Malaysia's Intermediaries Communication on Enforcement/Disciplinary Proceedings and Processes ("ICON-DP") (PCN 2/2017) which is published on Bursa Malaysia website. The ICON-DP covers all enforcement/disciplinary proceedings of the Business Rules, which fulfils the public disclosure procedures as mentioned in Principle 18. In addition, a copy of the Explanatory Notes on Enforcement Proceedings will be enclosed with the Requisite Notice ("RN") upon issuance of the RN to the errant participant.</p>
<p><b>Principle 19: Tiered participation arrangements</b>  <i>An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.</i></p>	
<p>Summary narrative</p>	<p>Not Applicable</p>
<p><b>Principle 20: FMI links</b>  <i>An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link related risks.</i></p>	
<p>Summary narrative</p>	<p>BM Depo has links with BMSC and BMDC for settlement of securities and depositing equities collaterals collected from the participants of these clearing houses. Hence, BM</p>

	<p>Depo effectively carries out instructions issued by BMSC and BMDC. The operational risks arising from this linkage are included in the overall operational reliability planning of the Group. The plan addresses operational risks that are associated with failure in software, infrastructure, network, or processes. Periodic industry wide BCP exercise is conducted among BM Depo, BMSC and the market participants. Incident report is raised for any significant technical or operational incidents with coverage of assessment, mitigating actions to prevent the recurrence of the incident.</p> <p>BMSC and BM Depo are institutions that have been established and approved in accordance with the provisions in the CMSA and SICDA respectively. These are also supervised and overseen by the SC. In addition, BMSC and BM Depo are part of the Group and are subject to the Group's governance model.</p> <p>Notwithstanding the above, BM Depo is not dependent upon the links with BMSC and BMDC to function as a CSD. In this respect, Principle 20 is not applicable to BM Depo.</p>
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**Principle 21: Efficiency and effectiveness**

***An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.***

<p>Summary narrative</p>	<p>BM Depo is designed as a CSD. BM Depo's operational procedures, membership and technology arrangements are geared towards achieving efficient operations. BM Depo has enhanced its services for its participants or stakeholders to enable seamless processing and subscription of electronic services offered by BM Depo including corporate actions activities such as cash payments, bonus issue, rights issue, general offers and dividend reinvestment. Amongst the initiatives that were introduced are as follows:-</p> <ul style="list-style-type: none"> <li>(a) Electronic Share Application: Investors are able to apply Initial Public Offering via participating banks internet portal or automated teller machines electronically by making payment directly from their bank account.</li> <li>(b) CDS-Straight Through Processing: Allows participants to have a straight through processing for CDS transactions. This enables BM Depo participants to automate certain process at their end by eliminating the need to perform data entry of transactions into the CDS.</li> <li>(c) Electronic Dividend: Direct crediting of cash entitlement (including dividend) into depositors' bank account instead of payment made using cheques. This ensures fast and convenient way for shareholders to receive their cash entitlement directly into their bank accounts.</li> <li>(d) Electronic Rights Issue: Electronic subscription and payments for rights issue by shareholders using banking facility and in addition BM Depo has developed a solution namely Nominee Rights Subscription for nominee companies to subscribe their rights</li> </ul>
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	<p>entitlements electronically. Effectively from 15 March 2021, shareholders are also able to subscribe and made payment for rights issue through Bursa Anywhere mobile apps.</p> <p>(e) Electronic CDS Statement and Notices: Depositors have the option to receive CDS Statement and CDS Notices electronically by having the statements and notices delivered directly to their email addresses. This ensures fast, safe and timely receipt of such notification from BM Depo. Depositors who have chosen to receive their CDS statements electronically will also receive mark-to-market information of their shareholdings in their CDS statements.</p> <p>(f) Electronic Notification: BM Depo has further enhanced its system to facilitate shareholders' notification to be delivered electronically via email by listed issuers.</p> <p>(g) Mobile App for CDS: On 30 May 2019, BM Depo launched a mobile app known as Bursa Anywhere that allows the depositors to view their CDS accounts balances with mark-to-market portfolio information, view their CDS statement of accounts, updates their CDS account information and receive corporate action notifications. On 2 October 2019, the features in Bursa Anywhere was enhanced to allow the depositors to perform securities transfer between depositor's own CDS accounts as well as multi-mode payment (FPX) capability to enable the depositors to make payment for CDS transactions electronically and facilitate refund for unsuccessful or rejected CDS transactions. On 10 April 2020, BM Depo accelerated the release of a new feature, namely reactivation of inactive/ dormant CDS account to help the depositors to manage their CDS accounts remotely in light of the COVID-19 outbreak. On 22 June 2020, Bursa Anywhere was further enhanced with a new set of features that enable new or existing depositors to apply online for new CDS accounts and register for e-Dividends via the app. On 15 March 2021, electronic rights issue (eRights) was added to Bursa Anywhere that allows the depositors to apply and made payment for rights issue electronically. On 27 September 2021, the electronic general offer subscription (eGO) was launched on Bursa Anywhere which allows the depositors to electronically accept their general offers in a convenient and seamless manner via the mobile app. On 18 March 2022, the electronic dividend reinvestment plan (eDRP) feature was released that enables the depositors to participate for dividend reinvestment plan corporate exercise electronically. On 29 November 2022, Shares2share Share Donation feature was made available on Bursa Anywhere. Investors who wish to donate their listed securities or proceed from the sale of listed securities towards charities, can do so via the mobile app.</p> <p>(h) ISO20022 Messaging Standards for Corporate Announcements: BM Depo launched the initiative on 31 March 2020. Market participants that subscribe to corporate announcement in ISO20022 messaging standards will receive listed issuer's corporate announcement in the following format:-</p> <ol style="list-style-type: none"><li>i. Actionable corporate announcement in ISO20022 messaging standards; and</li><li>ii. Non-actionable corporate announcement in XML messaging standards.</li></ol>
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	<p>The adoption of corporate announcement in ISO20022 messaging standards by the market participants would facilitate straight through processing which enables information from the listed issuers to flow directly to the market participants' target systems. This would reduce the need for manual processing of information, thus elevating processing efficiency.</p> <p>(i) Introduction of SPEEDS Indicative Shareholding File ("SISF") on 27 April 2020 for certain types of corporate exercise, i.e. bonus issues, sub-division of shares, shares consolidation, capital repayment and rights issues whereby the SISF contains information on the anticipated shareholdings in terms of stock code and the quantity of a specific stock of the depositors in the event of the stock's corporate exercise. The anticipated shareholdings will be computed in accordance with the depositors' holdings at the close of business on Cum-Date (Ex Date-1).</p> <p>(j) On 21 May 2020, the CDS Procedures Manual for ADA was updated to reflect the acceptance of Securities Transfer Request Form sent by the depositors via email attachment to their ADAs. The objective of introducing submission of prescribed form via electronic means is to increase the convenience and reach, as well as promoting efficiency among the stakeholders.</p> <p>(k) On 27 June 2022, the Digitization on Forms and Reports Submission initiative was implemented. The initiative is BM Depo's effort to create greater efficiency and ease of submission of digitized CDS forms and reports by the ADAs to BM Depo via digital platform made available by BM Depo.</p> <p>Apart from the above initiatives, BM Depo has also built direct electronic communication channels with issuers/share registrar via eRapid for shareholders' information and corporate action activities and eFIX for data transfer of daily transactions/balances information to its participants to perform reconciliation.</p> <p>On top of that, BM Depo obtains feedback from the participants through survey and other periodic consultations. BM Depo also performs a post implementation review for any new initiatives, which involves consultation with the participants as required by the SC for any new approved initiatives/projects. The review report is then tabled to the management for their acknowledgement.</p> <p>The goals of BM Depo are to:-</p> <p>(a) Protect confidentiality of securities account holders' information at all times. (b) Prevent any unauthorised usage of securities accounts.</p>
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	<p>(c) Provide efficient services when dealing with securities account holders' request for any services related to the depository as prescribed in the timeline in the CDS Procedures Manual for the ADA/ADM and the User Guide for Depositors of BM Depo.</p> <p>(d) Continuously monitor all submission by securities accountholders ensuring they have been attended to within the scope of request and authorised by the securities account holders.</p> <p>(e) Ensure adequate risk management measures.</p> <p>(f) Ensure safe custody of securities in accounts of securities holders.</p> <p>(g) Facilitate efficient deposit of securities.</p> <p>(h) Facilitate registration of dealings in securities.</p> <p>(i) Establish a proper and efficient system for recording of all securities held by securities account holders.</p> <p>(j) Provide efficient services when dealing with stakeholders i.e. share registrar for any corporate exercise services.</p> <p>(k) Guard against any falsification of records or accounts maintained with BM Depo.</p> <p>BM Depo has identified and established risk profiles for all risk related to its operations or activities and provides the possible control mechanism on how to mitigate those risks. Furthermore, on a yearly basis, BM Depo conducts quarterly review on its identified risks profiles to ensure the control effectiveness and updates the risk profiles if there is any new risk identified with the introduction of any new services or products by BM Depo.</p> <p>There are KPIs established for tracking achievement of these objectives both at organisational level and at the level of the personnel.</p> <p>In addition, BM Depo has a role to play in the efficient functioning of BMSC and as such the operational indicators of BMSC are applicable for BM Depo as well. BMSC has identified and established targets for key operational indicators as follows:-</p> <p>(a) Time taken to complete trade processing;</p> <p>(b) Adherence to cut-off times; and</p> <p>(c) System availability.</p> <p>Industry and/or public consultation is also conducted prior to introduction of any changes to the Rules of BM Depo and/or product offering and launching.</p>
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<p><b>Principle 22: Communication procedures and standards</b> <b><i>An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.</i></b></p>	
Summary narrative	<p>BM Depo uses a proprietary message format and system interfaces built on the industry standard protocols like Transmission Control Protocol/Internet Protocol (TCP/IP) to communicate with its participants.</p>
<p><b>Principle 23: Disclosure of rules, key procedures, and market data</b> <b><i>An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks and fees and other material costs they incur by participant in the FMI. All relevant rules and key procedures should be publicly disclosed.</i></b></p>	
Summary narrative	<p>BM Depo has clear and comprehensive rules to govern its participants, complemented by procedure manuals. The rule-making process is a robust one, involving benchmarking, analysis, review and consultation to ensure that BM Depo arrives at appropriate rules. Specifically, the rules are formulated based on a multi-tiered internal process which includes:-</p> <ul style="list-style-type: none"> <li>(a) consideration of the regulatory objectives to be achieved, concerns to be addressed and the implications of the proposed rule amendments;</li> <li>(b) benchmarking the proposed rule amendments to those of other more developed markets and which has a similar framework so that the rules are on par with international standards, where applicable;</li> <li>(c) consultation with the relevant stakeholders including market participants and at times the public to ensure that the rules are clear, practical and are aligned with stakeholders' expectations;</li> <li>(d) review of the proposed rule amendments by qualified staff, senior management and the management regulatory committee prior to the approval of the chief regulatory officer;</li> <li>(e) for major rule amendments, it would require the review and approval of a Board regulatory committee i.e. RACC, comprising four (4) members who are external independent individuals and three (3) members who are PIDs of Bursa Malaysia, all of whom are professionals and market experts from the various related fields of the capital market; and</li> </ul>

(f) approval of the SC for all rule amendments except for those that are specifically exempted from the SC's approval, for example, amendments that are editorial or consequential in nature pursuant to changes made to other relevant rules approved by the SC.

BM Depo also has a process to seek external legal opinions to ensure the enforceability of the relevant rule or contract.

The Rules of BM Depo and operational procedures are available on Bursa Malaysia website at [www.bursamalaysia.com](http://www.bursamalaysia.com). The Rules of BM Depo are also available in Bahasa Malaysia as part of Bursa Malaysia's effort to promote greater inclusivity and accessibility among market participants and investors. In addition, all participants of BM Depo are notified of any amendments to the rules and operational procedures via circulars through eRapid system, a web-based solution to facilitate electronic transmission of circulars as well as other notices addressed to the participants.

The participants are provided with network connectivity file specifications and message specifications for system connectivity and interface requirements. Technical documents on the system processes and designs are sent to participants through circulars.

The fees and charges are provided to all new participants and changes are notified through circulars.

The fees and charges structure in respect of CDS services applicable to investors/depositors, ADA, ADM and issuers are available on Bursa Malaysia website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

Information relating to technology and communication procedures are available on Bursa Malaysia website under Trade – Our Product and Services. Information about the operating costs of BM Depo can be obtained through the audited financial statements of Bursa Malaysia Berhad which are publicly disclosed, and through the audited financial statements of BM Depo which are filed with the Companies Commission of Malaysia.

BM Depo's annual Disclosure Framework is published at Bursa Malaysia website as follows: [https://www.bursamalaysia.com/trade/risk\\_and\\_compliance/pfmi\\_disclosure](https://www.bursamalaysia.com/trade/risk_and_compliance/pfmi_disclosure). Basic data on transaction volume and values are not applicable to BM Depo as CSD only.

**Principle 24: Disclosure of market data by trade repositories**

***A trade repository should provide timely and accurate data to relevant authorities and the public in line with their respective needs.***

Summary narrative	Not Applicable
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## V. List of Publicly Available Resources

**Relevant information pertaining to BM Depo can be found at:**

[https://www.bursamalaysia.com/market\\_information/announcements/speeds](https://www.bursamalaysia.com/market_information/announcements/speeds)

**Links to documents referenced within this Disclosure Framework are below:**

Rules of BM Depo

[https://www.bursamalaysia.com/regulation/securities/rules\\_of\\_bursa\\_malaysia\\_depository](https://www.bursamalaysia.com/regulation/securities/rules_of_bursa_malaysia_depository)

Capital Markets and Services Act 2007

<https://www.sc.com.my/regulation/acts/capital-markets-and-services-act-2007>

Securities Industry (Central Depositories) Act 1991

<https://www.sc.com.my/regulation/acts/securities-industry-central-depositories-act-1991>

Corporate governance model

[https://www.bursamalaysia.com/about\\_bursa/about\\_us/corporate\\_governance/governance\\_model](https://www.bursamalaysia.com/about_bursa/about_us/corporate_governance/governance_model)

Fee and Charges

[https://www.bursamalaysia.com/trade/our\\_products\\_services/central\\_depository\\_system/schedule\\_of\\_fees](https://www.bursamalaysia.com/trade/our_products_services/central_depository_system/schedule_of_fees)