

**CONSULTATION PAPER ON THE PROPOSED AMENDMENTS TO THE RULES OF  
BURSA MALAYSIA SECURITIES CLEARING SDN BHD, THE RULES OF BURSA  
MALAYSIA DEPOSITORY SDN BHD AND THE RULES OF BURSA MALAYSIA  
SECURITIES BERHAD IN RELATION TO SECURITIES BORROWING AND LENDING  
(SBL) NEGOTIATED TRANSACTIONS**

**1. INTRODUCTION**

- 1.1 Securities Borrowing and Lending (“Bursa SBL”) was introduced on 3 January 2007 whereby the approved clearing house for the equities market, Bursa Malaysia Securities Clearing Sdn Bhd (“Bursa Clearing (S)”) acts as a central lending agency to all securities borrowing and lending transactions (“Bursa SBL Transactions”) entered into by lenders and borrowers in relation to the Bursa SBL (“SBL-CLA model”).
- 1.2 In order to improve liquidity of the securities borrowing and lending market in Malaysia, Bursa Malaysia Berhad (“Bursa”) has embarked on an initiative to introduce an over-the-counter securities borrowing and lending model, namely, the Securities Borrowing and Lending Negotiated Transactions (“SBL Negotiated Transactions/SBLNT”) model. Pursuant to the SBLNT model, lenders approved by Bursa Clearing (S) (“Approved Lender”) can lend eligible securities directly to borrowers approved by Bursa Clearing (S) (“Approved Borrower”) and Approved Borrowers can borrow eligible securities directly from Approved Lenders.
- 1.3 Bursa is proposing to amend the Rules of Malaysia Securities Clearing Sdn Bhd (“the Rules of Bursa Clearing (S)”, the Rules of Bursa Malaysia Depository Sdn Bhd (“the Rules of Bursa Depository”) and the Rules of Bursa Malaysia Securities Berhad (“the Rules of Bursa Securities”) to cater for SBL Negotiated Transactions. The primary objective of these Rules is to ensure that all SBL Negotiated Transactions are executed in a fair, orderly and efficient manner.
- 1.4 The proposed amendments to the Rules of Bursa Clearing (S), the Rules of Bursa Depository and the Rules of Bursa Securities are subject to the approval of the Securities Commission (“SC”).

**2. KEY FEATURES OF SBLNT MODEL**

- 2.1 The proposed SBLNT model is based on the core principle that Bursa Clearing (S) will act as an intermediary for all SBL Negotiated Transactions. An Approved Lender and an Approved Borrower will transact with each other in relation to the SBL Negotiated Transactions and each will be represented by a lending agent and a borrowing agent respectively who will key in entries into the system for SBL Negotiated Transactions (“SBLNT System”) in respect of the SBL Negotiated Transactions entered into by the Approved Lender and the Approved Borrower. An overview of the SBLNT model is set out in the flowchart appended herewith for your easy reference and further understanding.

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2.2 The key features of the proposed SBLNT model are summarised below :-

2.2.1 Securities eligible for SBL Negotiated Transactions (“Eligible Securities”) shall be those as prescribed by Bursa Clearing (S).

2.2.2 The borrowing and lending of Eligible Securities may only be for any one of the following three (3) purposes subject to such requirements prescribed by Bursa Clearing (S) :-

- (a) to facilitate the settlement of a regulated short sale in Eligible Securities executed in accordance with the rules of the stock exchange i.e. Rules of Bursa Malaysia Securities Berhad (“the Rules of Bursa Securities”);
- (b) to facilitate the settlement of a sale of Eligible Securities where there are no securities or insufficient securities in the securities account of the Approved Borrower or its client, i.e. the seller, as will enable the seller to meet its delivery obligations to the purchaser (in accordance with the Rules of Bursa Securities relating to delivery and settlement) as a result of a mistake howsoever made when executing the sale provided always that the mistake was made in good faith and discovered only after the sale has been executed; and
- (c) to facilitate the settlement of a sale in the Exchange Traded Fund (“ETF”) related securities executed in accordance with the Rules of Bursa Securities.

2.2.3 Lending to Approved Borrower

- (a) Any person approved by Bursa Clearing (S) to be an Approved Lender may lend Eligible Securities to an Approved Borrower but all Approved Lenders must appoint a clearing participant who will act as an agent in respect of reporting the lending transaction (“the Lending Agent”).
- (b) The Lending Agent shall be a clearing participant (i.e. either a Trading Clearing Participant or a Non Trading Clearing Participant of Bursa Clearing (S)) who has been approved by Bursa Clearing (S) to act as a Lending Agent. All communications between the Approved Lender and Bursa Clearing (S) will go through the Lending Agent who will be given access to the SBLNT System to

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key-in notifications, receive notices, etc on behalf of the Approved Lender in respect of all loan transactions. All payments to or from the Bursa Clearing (S) shall also be made through the Lending Agent.

- (c) The requirement on the minimum units of Eligible Securities for lending which is currently imposed on a lender under the SBL-CLA model will not apply to the SBLNT model.
- (d) The Approved Lender and the Approved Borrower will negotiate and agree on the terms of the SBL Negotiated Transactions which will be reported to and facilitated by Bursa Clearing (S).

#### 2.2.4 Borrowing from Approved Lender

- (a) Only persons who are Authorised Nominees (as defined in the Rules of Bursa Depository) prescribed in the Operational Procedures and are approved by Bursa Clearing (S) to be Approved Borrowers may borrow Eligible Securities. The list of persons who will be prescribed as being eligible to apply to be Approved Borrowers is as follows (subject to further changes by Bursa Clearing (S), if any) :-
  - (i) A licensed institution as defined in the Banking and Financial Institutions Act 1989 and its wholly-owned subsidiary that is a nominee company;
  - (ii) A scheduled institution under the Banking and Financial Institutions Act 1989 which carries on development finance business as defined under the Banking and Financial Institutions Act 1989 and its wholly-owned subsidiary that is a nominee company;
  - (iii) A financial institution established under any Act of Parliament and its wholly-owned subsidiary that is a nominee company;
  - (iv) An Islamic bank as defined in the Islamic Banking Act 1983 and its wholly-owned subsidiary that is a nominee company;

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- (v) A prescribed institution as defined in the Development Financial Institutions Act 2002 and its wholly-owned subsidiary that is a nominee company;
- (vi) A licensed offshore bank as defined under the Offshore Banking Act 1990 and its wholly-owned subsidiary that is a nominee company;
- (vii) A holder of a Capital Markets Services Licence for the purposes of carrying on the business of dealing in securities and its wholly-owned subsidiary that is a nominee company;
- (viii) A clearing house approved under section 38 of the Capital Markets and Services Act 2007;
- (ix) The Minister of Finance;
- (x) The Minister of Finance Incorporated;
- (xi) The Accountant General;
- (xii) A holder of a Capital Markets Services Licence for the purposes of carrying on the business of fund management, its wholly-owned subsidiary that is a nominee company and its custodian appointed pursuant to section 121 of the Capital Markets and Services Act 2007;
- (xiii) A closed-end fund that is approved by the SC under section 212 of the Capital Markets and Services Act 2007 and its custodian in relation to the closed-end fund's investments;
- (xiv) A foreign fund manager;
- (xv) A stockbroking company who is a member of other recognised stock exchanges defined in the Rules of Bursa Securities;
- (xvi) A securities dealer who is not a member of other recognised stock exchanges but is authorised to carry out the business of dealing in securities by the relevant

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authorities in jurisdictions of the recognised stock exchanges defined in the Rules of Bursa Securities;

- (xvii) A foreign financial institution;
  - (xviii) A person appointed by Bursa Depository to be an authorised depository agent and its wholly-owned subsidiary that is a nominee company; and
  - (xix) A person appointed by Bursa Depository to be an authorised direct member and its wholly-owned subsidiary that is a nominee company.
- (b) All Approved Borrowers must appoint a clearing participant who will act as an agent in respect of reporting the borrowing transactions (“Borrowing Agent”).
- (c) The Borrowing Agent shall be a Trading Clearing Participant who has been approved by Bursa Clearing (S) to act as a Borrowing Agent. All communications between the Approved Borrower and Bursa Clearing (S) will go through the Borrowing Agent who will be given access to the SBLNT System to key-in notifications, receive notices, etc on behalf of the Approved Lender in respect of all loan transactions. All payments to or from the Bursa Clearing (S) shall also be made through the Borrowing Agent or at the point of adjusting or returning the loaned securities.

#### 2.2.5 SBL Agreement

Both the Approved Lender and the Approved Borrower are free to execute their own SBL agreements. There is no requirement for this agreement to be submitted to Bursa Clearing (S) for approval or registration. Both parties are only required to report the SBL transaction at the point of moving the loaned securities from the Approved Lender to the Approved Borrower.

#### 2.2.6 Tax Treatment

- (a) Transfers of securities pursuant to SBL Negotiated Transactions  
Transfers of loaned securities from the Approved Lender to the Approved Borrower and subsequent return of loaned securities, and transfers of securities from the Approved Borrower to the

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Approved Lender as collateral for securities borrowed and the subsequent return of securities collateral are tax-exempt.

(b) Manufactured Payments<sup>1</sup> & Interest on Collateral

There will be no tax implications under Malaysian tax laws if manufactured payments or interest on collateral are paid off-shore.

However, if manufactured payment or interest on collateral are paid on-shore, then the payment of the manufactured payment or interest on collateral to a Malaysian resident is subject to income tax in accordance with the Income Tax Act 1967 (“the ITA”) whereas such payments to a non-resident is subject to Withholding Tax in accordance with the ITA.

#### 2.2.7 Lending Fees

There will be no tax implications under Malaysian tax laws if lending fees are paid by the Approved Borrower to the Approved Lender offshore. Where the Approved Borrower pays lending fees to the Approved Lender which is a Malaysian resident onshore, the payment is subjected to income tax in accordance with the ITA. Where the Approved Borrower pays lending fees to the Approved Lender which is a non-resident onshore, the payment is subject to Withholding Tax in accordance with the ITA.

### 3. OBJECTIVE OF THIS PAPER

- 3.1 This paper is to seek views on the proposed amendments to the Rules of Bursa Clearing (S), the Rules of Bursa Depository and the Rules of Bursa Securities in relation to SBL Negotiated Transactions (“the Proposed Amended Rules”).
- 3.2 The respondents to this consultation paper are invited to provide comments on the Proposed Amended Rules”, in particular on the following areas:

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<sup>1</sup> A manufactured payment is a payment made during the loan period by a borrower to a lender in place of any distribution of dividend or interest in respect of loaned securities (including debt securities).

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- (a) Whether the Proposed Amended Rules are clear on the legal framework governing SBL Negotiated Transactions;
  - (b) To highlight any specific issues or request for clarification in relation to any of the Proposed Amended Rules;
  - (c) To comment on issues specifically posed in this paper; and
  - (d) Whether the Proposed Amended Rules are easy to understand in terms of the language and the arrangement;
- 3.3 The Proposed Amended Rules are attached herewith and marked as **“ANNEXURE 1”, “ANNEXURE 2” and “ANNEXURE 3”**.
- 3.4 A summary of the Proposed Amended Rules is provided in item 4 of this paper and the issues to be addressed are set out in item 5 of this paper.

#### **4. SUMMARY OF THE PROPOSED AMENDED RULES**

##### **4.1 Rules of Bursa Clearing (S) (“ANNEXURE 1”)**

4.1.1 The existing Interpretation section, Chapter 3 and Chapter 7 of the Rules of Bursa Clearing (S) under the respective headings are proposed to be amended to provide for SBL Negotiated Transactions, as summarised below :-

- (a) Definitions – Interpretation Section;
  - (b) Disciplinary Action – Chapter 3; and
  - (c) Securities Borrowing and Lending – Chapter 7.
- 4.1.2 Definitions - Interpretation Section
- (a) The key terminologies used in the proposed amendments to the Rules of Bursa Clearing (S) are defined in the Interpretation section. The purpose of defining is to ensure that there is clarity in the context and the scope in which those terminologies are used in the proposed amendments to the Rules of Bursa Clearing (S).
  - (b) Further, changes are proposed to be made to the relevant existing definitions in the Rules of Bursa Clearing (S) in relation to the SBL-CLA

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model to expand the application of such definitions to encompass the SBLNT model.

#### 4.1.3 Disciplinary Action – Chapter 3

The proposed amendments to the existing Chapter 3 of the Rules of Bursa Clearing (S) are primarily to widen the ambit of the provisions in Chapter 3 in relation to the types of disciplinary action which Bursa Clearing (S) is empowered to take and the circumstances under which such action may be taken, to also cover any act of misconduct by lenders, borrowers, Lending Agents and Borrowing Agents in relation to Bursa SBL Transactions and SBL Negotiated Transactions (please refer to Rule 3.1.1 and Rule 3.1.2).

#### 4.1.4 Securities Borrowing and Lending – Chapter 7

In essence, the proposed key changes to Chapter 7 of the Rules of Bursa Clearing (S) include the following :-

- (a) To set out clearly the eligible persons who may participate in SBL services. Please refer to Rule 7.2;
- (b) To set out the eligibility criteria, application procedures and continuing obligations of an Approved Lender and an Approved Borrower in relation to SBL Negotiated Transactions (“SBLNT Participants”). Please refer to Rule 7.3 and Rule 7.4;
- (c) To provide for Bursa Clearing (S)’s discretionary power to :-
  - decide whether or not to approve any application made by a lender or a borrower in relation to Bursa SBL Transactions and SBL Negotiated Transactions; and
  - revoke any approval of application granted to SBLNT Participants in relation to SBL Negotiated Transactions under the prescribed circumstancesPlease refer to Rule 7.5;
- (d) To expand the purpose of SBL to encompass the SBLNT model. Please refer to Rule 7.7;



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- (e) To specify the respective functions and responsibilities of a Lending Agent and a Borrowing Agent acting in relation to SBL Negotiated Transactions. Please refer to Rule 7.10 and Rule 7.12;
- (f) To provide for, in relation to SBL Negotiated Transactions :-
- the requirement for an Approved Borrower to obtain the relevant confirmation in the prescribed format from an Approved Lender on the availability of the Eligible Securities for lending to the Approved Borrower;
  - the mechanism for the lending and borrowing of Eligible Securities;
  - the authorisation given to Bursa Clearing (S) to instruct Bursa Depository to make the relevant entries in the respective securities accounts of SBLNT Participants; and
  - the return of Loaned Securities;  
Please refer to Rule 7.14;
- (g) To set out clearly the types of summary enforcement action which Bursa Clearing (S) may take against any of the lenders, borrowers, Lending Agents or Borrowing Agents in relation to the SBL-CLA model or the SBLNT model (“SBL Participants/Agents”) and the circumstances under which such summary enforcement action may be taken against the SBL Participants/Agents. Please refer to Rule 7.15;
- (h) To provide for the duty of SBL Participants/Agents to provide any SBL-related information or documents to Bursa Clearing (S) or the SC. Please refer to Rule 7.16;
- (i) To provide for the right of Bursa Clearing (S) to disclose any SBL-related information or documents to the SC and Bursa Securities under the prescribed circumstances, including granting such authorities access to the Bursa SBL System or the SBLNT System to facilitate the performance of their duties and functions. Please refer to Rule 7.17;
- (j) To provide for the obligation of a SBL Participant/Agent to pay the relevant fees and charges for the services and facilities provided by Bursa Clearing (S) in relation to SBL. Please refer to Rule 7.18;

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- (k) To clarify the extent of liability of Bursa Clearing (S) in the event of force majeure. This provision is consistent with the provisions contained in the existing Terms and Conditions for the SBL-CLA model. Please refer to Rule 7.20;
- (l) To provide for the duty of SBL Participants to indemnify Bursa Clearing (S) for any losses incurred or damage suffered by Bursa Clearing (S) as a result of any action or omission of Bursa Clearing (S) in relation to SBL transactions where such act or omission was done in good faith. Such provision is consistent with Section 376 of the Capital Markets and Services Act 2007. Please refer to Rule 7.21;
- (m) To provide for the requirement to ensure that SBL Participants/Agents do not enter into agreements which contravene any of the rules and requirements prescribed by Bursa Clearing (S) in relation to SBL Negotiated Transactions. Please refer to Rule 7.23;
- (n) To prescribe the format of the declaration and undertaking which is required to be submitted to Bursa Clearing (S) by a Lending Agent and a Borrowing Agent who act in relation to SBL Negotiated Transactions. Please refer to Appendix 1 and Appendix 4;
- (o) To provide for the prescribed matters which must be contained in the agreement entered into between a Lending Agent and an Approved Lender and the agreement entered into between a Borrowing Agent and an Approved Borrower, which include, inter alia, the provision to ensure that the Approved Lender or the Approved Borrower consents to the Lending Agent or the Borrowing Agent providing any SBL-related information or documents to Bursa Clearing (S) and the SC as required from time to time. Please refer to Appendix 3 and Appendix 5;
- (p) To expand the application of the relevant existing provisions in the Rules of Bursa Clearing (S) to encompass the proposed SBLNT model; and
- (q) To refine the relevant existing provisions in the Rules of Bursa Clearing (S) for the purposes of accuracy and clarity.

## **4.2 Rules of Bursa Depository (“ANNEXURE 2”)**

- 4.2.1 The proposed changes to the Rules of Bursa Depository include, amongst others, the following :-

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- (a) To widen the ambit of the existing provisions in the Rules of Bursa Depository in relation to the SBL-CLA model to provide for the authorisation given by depositors to Bursa Depository to debit or credit loaned securities from or into the respective depositors' securities accounts upon receipt of the relevant instructions from Bursa Clearing (S) for the purpose of delivery of securities into or from such accounts pursuant to SBL Negotiated Transactions. Please refer to Rule 25.04A(1);
- (b) To provide for the definitions of the new terms referred to in the proposed amendments to the Rules of Bursa Depository. Please refer to Rule 25.04A(2); and
- (c) To provide clarity on the holding and mechanisms of pledged securities accounts including the securities accounts used to hold pledged securities which are received by lenders from borrowers as collateral in relation to SBL transactions. Please refer to Rule 26.08 and Rule 33.04.

#### **4.3 Rules of Bursa Securities (“ANNEXURE 3”)**

4.3.1 The proposed changes to the Rules of Bursa Securities are consequential to the changes made to the Rules of Bursa Clearing (S) and mainly to remove specific references to the Central Lending Agent (“CLA”) model referred to in those Rules. The purpose of removing the specific references to the CLA model is in order for the current requirements in the Rules of Bursa Securities in relation to securities borrowing and lending and regulated short selling to be made applicable to all types of securities borrowing and lending activities permitted in the Rules of Bursa Clearing (S).

4.3.2 In view of the above, the salient changes that are proposed are as follows:

- (a) the following definitions have been tweaked to remove specific references to CLA model or which limits the application to only CLA model:
  - (i) Clearing House Requirements in Rule 608.1(1)
  - (ii) SBL Conditions in Rule 608.1(1)

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- (iii) Client SBL Agreement in Rule 704.1(1)
  - (iv) SBL Agreement in Rule 704.1(1);
- (b) Rule 608.2(1) which sets out the scope of the securities borrowing and lending activities permitted to be carried out by the Participating Organisation (“PO”) which is limited to the CLA model has been amended to remove specific references to CLA model. This is to allow for all types of securities borrowing and lending activities permitted by the Rules of Bursa Clearing (S);
- (c) Rule 608.2(4) which sets out the requirement for the PO to have written agreement in place and to take collateral from its clients has been disapplied to a SBL Negotiated Transaction. This is because under SBL Negotiated transaction parties are free to negotiate the terms of the securities borrowing and lending arrangements between parties;
- (d) Rule 608.8 which permits for the securities in margin account of a client to be borrowed by the PO for purposes of onward lending in a CLA model has been amended to apply to all types of securities borrowing and lending activities permitted by the Clearing House.
- (e) Rule 608.9 which permits for the securities in a custody account of a client to be borrowed by the PO for purposes of onward lending in a CLA model has been amended to apply to all types of securities borrowing and lending activities permitted by the Clearing House.
- (f) Rule 608.11(2) in relation to submission of reports on securities borrowed to settle trades arising from error, has been disapplied to a SBL Negotiated Transaction as the PO who is borrowing and the PO who is executing the sale in SBL Negotiated Transaction may be two different parties. As such the PO who is borrowing may not have information required for purposes of the reporting.
- (g) Rule 704.5(4) has been amended to remove the requirement for a client to lodge a copy of the written securities borrowing and lending agreement. Instead a client needs to provide a confirmation that the client has securities borrowing and lending agreement in place. This is in view of the fact that the parties

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involved in SBL Negotiated Transaction may want to retain confidentiality on terms of the agreement and may not want the PO to know of the same. However the Participating Organisation will be required to bring to the notice of its client that the client will be required to furnish a copy of such agreement to the Exchange when required and the consequences of failure to do so.

- (h) Rule 704.12 in relation to the limit for regulated short selling has been amended. At present a daily limit of 10% of the outstanding securities is imposed. Now a two tier limit is proposed as follows:
- (i) A daily limit of 3% of the outstanding securities. A suspension on RSS will be imposed on that day only, where the limit has been breached as opposed to the current requirement of 4 days.
  - (ii) Where over a period of time the aggregated level of regulated short selling has reached 10% of the outstanding securities. A suspension on RSS will be imposed until the limit falls below the 10% level. The fall occurs when there is any return of the securities borrowed.

The above two tier approach will allow for better control in relation to regulated short selling activities.

- (i) The following rules in relation to Capital Adequacy Requirements have also been amended to remove specific reference to CLA model and to make the rules applicable to all types of securities borrowing and lending activities permitted under the Rules of Bursa Clearing (S):
- (i) Rule 1105.1(1);
  - (ii) Rule 1105.6;
  - (iii) Rule 1105.7(5)(d);
  - (iv) Rule 1105.10(1)(a)(iii); and
  - (v) Schedule 8G.

## **5. REQUEST FOR COMMENTS**

- 5.1 We seek your comments on the Proposed Amended Rules, particularly in relation to Chapters 3 and 7 of the Rules of Bursa Clearing (S) and Rule 26.08 of the

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Rules of Bursa Depository. The rationale for the proposed amendments to the Rules of Bursa Clearing (S) and Rules of Bursa Depository in relation to SBL Negotiated Transactions are set out in the far right column of the respective tables of rule amendments marked as **“ANNEXURE 1”**, **“ANNEXURE 2”** and **“ANNEXURE 3”** as attached for your further understanding.

5.2 We would also like to seek your views, if any, on the following issues :-

**5.2.1 Rules of Bursa Clearing (S) (“ANNEXURE 1”)**

- (a) Is the legal relationship between Bursa and the respective SBLNT Participants clearly set out and understood?
- (b) Are the purposes of SBL comprehensive to serve the needs of the SBL market? If not, what other purposes should be provided? Please refer to Rule 7.7.
- (c) Have the rules provided comprehensively for the functions and responsibilities of a Lending Agent and a Borrowing Agent in relation to SBL Negotiated Transactions? Please refer to Rule 7.10 and Rule 7.12.
- (d) Do you agree that there is a need to provide for termination of a loan without the return of loaned securities? Please provide your reasons. Please refer to Rule 7.14(h)-(k).
- (e) Do you have any suggestion or concern on how Bursa Clearing (S) gives effect to the manner in which share entitlements arising from corporate action in relation to loaned securities are to be treated i.e. by the Approved Lender or the Approved Borrower adjusting the amount of loaned securities to be returned accordingly? Please refer to Rule 7.14(e).
- (f) What legal or operational issues or challenges do you foresee in relation to the introduction of the SBLNT model?

**5.2.2 Rules of Bursa Depository (“ANNEXURE 2”)**

- (a) Are the rules clear on the prescribed manner of holding pledged securities accounts including the securities accounts used to hold pledged securities received by lenders from borrowers as

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collateral in relation to SBL transactions? Please refer to Rule 26.08.

- (b) Have the rules provided exhaustively for the persons who are eligible to hold pledged securities accounts? Please refer to Rule 26.08.

**5.2.3 Rules of Bursa Securities (“ANNEXURE 3”)**

- (a) Are there any operational issues in the implementation of the two tier approach of imposing limits to the level of regulated short selling?

**6. PROCEDURE AND DEADLINE FOR SUBMISSION OF COMMENTS**

- 6.1 All comments to this consultation paper are to be submitted to Bursa by **12 May 2008** via email to the address stated below or by fax to the number stated below:-

Email address: [sfhor@bursamalaysia.com](mailto:sfhor@bursamalaysia.com)  
Fax number: 03-2732 0065

- 6.2 Respondents should include their personal/company particulars, contact numbers and email addresses on the cover page of their submission.
- 6.3 Respondents are advised to use the template attached below in sending the comments. All comments should be clear, concise and with reasoned explanation. Respondents are to identify the specific rule to which their comments relate, where applicable. In any case in which a respondent elects to propose revisions to the text of the rules, the respondent is advised to state clearly the specific changes to the text that they are proposing.
- 6.4 Any supporting materials can be attached to the comments.
- 6.5 Bursa reserves the right to make public all or part(s) of any submission and to disclose the identity of the source.
- 6.6 Kindly contact the following person if you have any queries in relation to this consultation paper :-

Hor Su Fern

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Email address: [sfhor@bursamalaysia.com](mailto:sfhor@bursamalaysia.com)

Tel No: 03-2034 7296

**NAME OF RESPONDENT** :

**CONTACT PERSON AND CONTACT NUMBER** :

**EMAIL ADDRESS** :

NO.	ISSUES/COMMENTS	REMARKS
1.	Whether the Proposed Amended Rules are clear on the legal framework governing SBL Negotiated Transactions;	
2.	To highlight any specific issues or request for clarification in relation to any of the Proposed Amended Rules;	
3.	To comments on issues specifically posed in this paper;	
	(a) Rules of Bursa Clearing (S)	



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NO.	ISSUES/COMMENTS	REMARKS
	(i) Is the legal relationship between Bursa and the respective SBLNT Participants clearly set out and understood?	
	(ii) Are the purposes of SBL comprehensive to serve the needs of the SBL market? If not, what other purposes should be provided? Please refer to Rule 7.7.	
	(iii) Have the rules provided comprehensively for the functions and responsibilities of a Lending Agent and a Borrowing Agent in relation to SBL Negotiated Transactions? Please refer to Rule 7.10 and Rule 7.12.	
	(iv) Do you have any suggestion or concern on how Bursa Clearing (S) gives effect to the manner in which share entitlements arising from corporate action in relation to loaned securities are to be treated i.e. by the Approved Lender or the Approved Borrower adjusting the amount of loaned securities to be returned accordingly? Please refer to Rule 7.14(e).	
	(v) What legal or operational issues or challenges do you foresee in relation to the introduction of the SBLNT model?	
	(b) Rules of Bursa Depository	
	(i) Are the rules clear on the prescribed manner of holding pledged securities accounts including the securities accounts used to hold pledged	

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NO.	ISSUES/COMMENTS	REMARKS
	securities received by lenders from borrowers as collateral in relation to SBL transactions? Please refer to Rule 26.08.	
	(ii) Have the rules provided exhaustively for the persons who are eligible to hold pledged securities accounts? Please refer to Rule 26.08.	
	(c) Rules of Bursa Securities	
	(i) Are there any operational issues in the implementation of the two tier approach of imposing limits to the level of regulated short selling?	
4.	Whether the Proposed Amended Rules are easy to understand in terms of the language and the arrangement; and	
5.	ANY OTHER ISSUES/COMMENTS	