

**ANNEXURE B**

**RULES OF BURSA MALAYSIA SECURITIES BERHAD**

**PROPOSED RULE AMENDMENTS IN RELATION TO INTRODUCTION OF THE (NEW) MARKET**

No.	Rule	EXISTING PROVISIONS	AMENDED PROVISIONS	RATIONALE
1.	1.01	New provision	Definition  <u>(New) Market</u>  <u>The Exchange's stock market referred to as the (New) Market.</u>	Amendment to insert a definition for the (New) Market. The wording of the definition is based on the existing definitions for "ACE Market" and "Main Market".  <i>Note: the name of the (New) Market is not finalised, and subject to change.</i>
2.	1.01	Listing Requirements: The rules governing the listing of securities and regulation of listed Issuer on the Main Market and ACE Market.	Listing Requirements: The rules governing the listing of securities and regulation of listed Issuers on the <del>Main Market and ACE Market</del> <u>stock market(s) of the Exchange.</u>	Amendment to include the listing requirements in respect of the (New) Market in the definition of "Listing Requirements". The amendment is consistent with the amendment made to the same definition in the BMSC Rules.
3.	-	New Chapter	<u><b>CHAPTER 16 – (NEW) MARKET</b></u>	New Chapter is inserted to set out the additional provisions, modification to existing provisions and disapplication of existing provisions for trading in securities on the (New) Market.
4.	16.01	New provision	<u><b>PART A           GENERAL</b></u>  <u><b>16.01 Introduction</b></u>  <u>(1) In this Chapter,</u>  <u>(a) "Participant" means a Participating Organisation or a Registered Person of</u>	New provision to insert a definition of "Participant" and "(New) Market Investor" for the purposes of the proposed new Chapter 16.

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			<p><u>the Participating Organisation, or both, as the context may require; and</u></p> <p><u>(b) “(New) Market Investor” means an investor which falls under Part I of Schedule 6 or Part I of Schedule 7 of the Capital Markets and Services Act.</u></p> <p><u>(2) A Participant must comply with this Chapter in addition to other provisions of these Rules in relation to trading on the (New) Market whether for itself or its Clients.</u></p> <p><u>(3) Where any requirement in this Chapter conflicts with a requirement of another Chapter, the former prevails.</u></p>	
5.	16.02	New provision	<p><b><u>PART B REQUIREMENTS FOR THE (NEW) MARKET</u></b></p> <p><b><u>16.02 (New) Market Investor</u></b></p> <p><u>(1) The (New) Market is intended for trading by (New) Market Investors only, except as specified in Rule 16.02(2)(b).</u></p> <p><u>(2) A Participating Organisation must not allow a Client to trade or undertake transactions on the</u></p>	<p>New provision to clarify that trading on the (New) Market is only intended for (i) persons who qualify as (New) Market Investors, or (ii) for persons who do not qualify as (New) Market Investors, under the circumstances described in Rule 16.02(2)(b).</p> <p>In this regard, a PO must not allow a Client to trade or undertake transactions on the (New) Market, unless the Client falls within one of the two categories described above. A PO would be subject to the general</p>

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			<p><u>(New) Market unless it is satisfied that the Client is either -</u></p> <p><u>(a) qualified as a (New) Market Investor (“(New) Market Client”); or</u></p> <p><u>(b) not qualified as a (New) Market Investor but is a current shareholder of a corporation listed on the (New) Market and the trade is solely for selling the Client’s existing shares in the corporation.</u></p>	<p>obligation in Rule 5.15(1) to obtain all essential information about a Client prior to allowing such Client to trade or undertake transactions on the (New) Market, and such information must demonstrate that the Client falls within one of the two categories described above.</p> <p>The Client intending to trade on the (New) Market is required to disclose information and documents to the PO in order for the PO to carry out the proper know-your-client (“KYC”) and to comply with the Guidelines on Money Laundering and Terrorism Financing prior to the opening of the trading account.</p> <p>In respect of an existing Client of a PO who already qualifies as a (New) Market Investor, the PO is not expected to open a new trading account for such Client to trade in the (New) Market, but may instead allow such Client to use its existing trading accounts to trade in the (New) Market, ACE Market and Main Market.</p> <p>To ensure their Clients remain qualified as (New) Market Investors for purpose of trading on the (New) Market, POs should review their KYC if there are clear circumstances which warrant a review of a Client’s financial status. For example, where the (New) Market Investor’s trading accounts have been suspended by the PO due to a default in payment by the (New) Market Investor, the PO should reassess the financial standing of the Client, to</p>

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				<p>ensure the Client continues to qualify as a (New) Market Investor, before allowing the Client to reactivate his trading accounts and trade on the (New) Market.</p> <p>Where a PO becomes aware through news, bankruptcy notices or from a notification by the relevant parties that its Client no longer qualifies as a (New) Market Investor, the PO should reassess the financial standing of the Client, before allowing the Client to resume trading on the (New) Market. The approach above must form part of a PO's risk management of its Clients.</p> <p>In relation to new Rule 16.02(2), this provision is inserted to provide further clarity on the circumstances in which a PO may allow a Client to trade on the (New) Market, which are as follows:</p> <ol style="list-style-type: none"> <li>(1) The Client is qualified as a (New) Market Investor; or</li> <li>(2) If the Client is not qualified as a (New) Market Investor, it is a current member of a company listed on the (New) Market (including the promoters of the company and any other shareholders), and the trade on the (New) Market is solely for the purpose of selling its shares in such company. This would allow the following types of Clients to sell their shares:</li> </ol>

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				<p>(a) existing shareholders at the time the corporation was admitted to the (New) Market, even if they do not qualify as a (New) Market Investors; and</p> <p>(b) other shareholders who qualified as (New) Market Investors at the time they bought shares in the corporation admitted to the (New) Market, but no longer qualify as (New) Market Investors.</p> <p>For the avoidance of doubt, any transactions in shares listed on the (New) Market would be subject to the moratorium requirements prescribed in the (New) Market Listing Requirements.</p>
6.	16.03	New provision	<p><b><u>16.03 Risk disclosure statement</u></b></p> <p><u>A Participating Organisation may only execute a (New) Market Investor's first instruction to trade or carry out a transaction on the (New) Market after receipt of a duly executed risk disclosure statement in the form provided by the Participating Organisation.</u></p>	New provision to require a PO to provide a risk disclosure statement to a (New) Market Investor for the purposes of trading on the (New) Market.
7.	16.04	New provision	<p><b><u>16.04 Financing</u></b></p> <p><u>A Participating Organisation is not permitted to provide margin financing pursuant to Rule 7.30 for the purpose of the</u></p>	New provision to clarify that margin financing is not permitted for the purpose of the subscription or purchase of (New) Market securities. This is in order to avoid a situation in which a PO needs to liquidate

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			<u>subscription or purchase of (New) Market securities.</u>	<p>a Client's Margin Account, and the PO is not be able to sell the (New) Market securities for whatever reason, thereby exposing it to unnecessary risks.</p> <p>For the avoidance of doubt, other forms of financing (i.e. discretionary financing under Rule 7.31 and other types of financing under Rule 7.32) are still permitted for the purpose of the subscription or purchase of securities on the (New) Market.</p>
8.	16.05	New provision	<p><b><u>16.05 Direct Business Transactions</u></b></p> <p><u>A Participating Organisation need not apply to the Exchange for prior approval in relation to a Direct Business Transaction undertaken on the (New) Market, even though it meets the criteria prescribed in Rule 10.01(1)(d).</u></p>	<p>New provision to clarify a Direct Business Transaction ("<b>DBT</b>") is permitted to be undertaken on the (New) Market, and that a PO does not need to apply to the Exchange for prior approval of a DBT undertaken on the (New) Market, even if the DBT meets the criteria prescribed in Rule 10.01(1)(d).</p> <p>Prior approval is not required for a DBT for the (New) Market because the size of the DBT is unlikely to be large, hence requiring approval would mean the approval in Rule 10.01(1)(d) becomes the norm for the (New) Market instead of an exception.</p>
9.	Item (d), Schedule 6	<b>Note: see Appendix 1 for amendments to Schedule 6.</b>		

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<b>Amendments to Directives</b>				
10.	Appendix 1, Directive No. 3.39(5)-001 (Directive on Monthly Compliance Report)	New provision	<u>15. On trading on the (New) Market, the HOC must report on all non-compliances with the Securities Laws, the Rules of Bursa Securities and the Directives. Notwithstanding Rule 3.39, this item must be submitted every quarter of a calendar year instead of on a monthly basis.</u>	<p>New provision to include (New) Market compliance matters in the template compliance report attached as Appendix 1 to Directive No. 3.39(5)-001. The (New) Market compliance matters must be included in the compliance report for every quarter of a calendar year, rather than on a monthly basis as is currently prescribed in Rules 3.39(2)(b) and 3.39(5).</p> <p>The (New) Market is generally not expected to experience a high volume of trading hence POs are required to include such (New) Market compliance matters in its compliance report every quarter of a calendar year instead of on a monthly basis.</p>
11.	Para 8.1, Directive No. 5-001 (Directives on Conduct of Business)	<p><b>8.1. Essential information</b></p> <p>The essential information referred to in Rule 5.15(1)(a) includes essential facts about the Client's background including:</p> <p>(a) the Client's investment objectives,</p> <p>(b) the Client's knowledge and experience in dealing in securities;</p> <p>(c) the Client's financial position;</p>	<p><b>8.1. Essential information</b></p> <p>The essential information referred to in Rule 5.15(1)(a) includes essential facts about the Client's background including:</p> <p>(a) the Client's investment objectives,</p> <p>(b) the Client's knowledge and experience in dealing in securities;</p> <p>(c) the Client's financial position;</p>	Amendment to clarify that a PO must ensure that it obtains information that a Client qualifies as a (New) Market Investor or as a shareholder as specified in Rule 16.02(2)(b) before opening a trading account for such Client for trading on the (New) Market.

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		<p>(d) whether the Client is associated, within the meaning in section 3 of the Capital Markets and Services Act, to an employee, a director or a Dealer's Representative of the Participating Organisation; and</p> <p>(e) whether the Client is trading for himself as a Beneficial Owner or as an Authorised Nominee.</p>	<p>(d) whether the Client is associated, within the meaning in section 3 of the Capital Markets and Services Act, to an employee, a director or a Dealer's Representative of the Participating Organisation; <del>and</del></p> <p>(e) whether the Client is trading for himself as a Beneficial Owner or as an Authorised Nominee; <u>and</u></p> <p><u>(f) in respect of Clients who intend to trade on the (New) Market, the Client's qualification as a (New) Market Investor as defined in Chapter 16 or as a shareholder as specified in Rule 16.02(2)(b).</u></p>	
12.	Para 2(1), Directive No. 7.05(1)-001 (Directives on the use of Day Trading Activities Account)	<p><b>2. Eligible Securities</b></p> <p>(1) The Exchange prescribes all securities admitted to the Official List, excluding securities listed on the ACE Market as securities that fall within the class of securities to which section 98(4)(c) of the Capital Markets and Services Act applies and to which a short sale may be executed subject to the terms of these Directives.</p>	<p><b>2. Eligible Securities</b></p> <p>(1) The Exchange prescribes all securities admitted to the Official List, excluding securities listed on the ACE Market <u>and the (New) Market</u> as securities that fall within the class of securities to which section 98(4)(c) of the Capital Markets and Services Act applies and to which a short sale may be</p>	<p>Amendment to exclude (New) Market securities from the class of securities to which a short sale may be executed.</p> <p>Day Trading is not permitted for the (New) Market, similar to how Day Trading is not permitted for the ACE Market.</p> <p>Furthermore, (New) Market securities will not be available for market making, securities borrowing and lending ("SBL"), Permitted Short Selling ("PSS") and</p>

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			executed subject to the terms of these Directives.	Regulated Short Selling ("RSS"). Hence the (New) Market securities will not be named as Eligible Securities for SBL, Specified Securities for PSS or Approved Securities for RSS.
13.	Para 3.1(1)(f), Directive No. 7.05(1)-001 (Directives on the use of Day Trading Activities Account)	<b>3.1 Opening of Day Trading Activities Account</b>  (1) A Participating Organisation may carry out Day Trading subject to the following conditions:  (f) no Day Trading is allowed for ACE Market Securities.	<b>3.1 Opening of Day Trading Activities Account</b>  (1) A Participating Organisation may carry out Day Trading subject to the following conditions:  (f) no Day Trading is allowed for ACE Market <u>and (New) Market Securities</u> securities.	Amendment to prohibit Day Trading in respect of (New) Market securities.
14.	Para 3.4(3)(c), Directive No. 7.05(1)-001 (Directives on the use of Day Trading Activities Account)	<b>3.4 Procedures and Controls</b>  (3) A Participating Organisation must report to the Exchange the following:  (c) the positions which are carried out for ACE Market securities in breach of paragraph 3.1(1)(f) and the reasons by 9.00 am on T+1.	<b>3.4 Procedures and Controls</b>  (3) A Participating Organisation must report to the Exchange the following:  (c) the positions which are carried out for ACE Market <u>and (New) Market</u> securities in breach of paragraph 3.1(1)(f) and the reasons by 9.00 am on T+1.	Amendment to insert an obligation for POs to report positions which are carried on (New) Market securities, in breach of para 3.1(1)(f) of the Directive.
15.	Para 3.4(4)(c), Directive No. 7.05(1)-001 (Directives	<b>3.4 Procedures and Controls</b>  (4) Pursuant to paragraph 3.1(5), a Participating Organisation must submit the report in the format attached to this Directive as	<b>3.4 Procedures and Controls</b>  (4) Pursuant to paragraph 3.1(5), a Participating Organisation must submit the report in the format attached to this Directive as	Amendment to insert an obligation for POs to submit a report in respect of all Day Trading carried out on (New) Market securities in breach of para 3.1(1)(f) of the Directive.

No.	Rule	EXISTING PROVISIONS	AMENDED PROVISIONS	RATIONALE
	on the use of Day Trading Activities Account)	<p><b>Appendix 1(a), 1(b) and 1(c)</b> (“Exceptional Reporting”) and in the following manner:</p> <p><b>(c) all reporting on the Day Trading carried out for ACE Market securities in breach of paragraph 3.1(1)(f) of these Directives must be in Appendix 1(c);</b></p>	<p><b>Appendix 1(a), 1(b) and 1(c)</b> (“Exceptional Reporting”) and in the following manner:</p> <p><b>(c) all reporting on the Day Trading carried out for ACE Market <u>and (New) Market</u> securities in breach of paragraph 3.1(1)(f) of these Directives must be in Appendix 1(c);</b></p>	
16.	Appendix 1(c), Directive No. 7.05(1)-001 (Directives on the use of Day Trading Activities Account)	<p><b>Part C Exceptional reporting – ACE Market securities</b></p>	<p><b>Part C Exceptional reporting – ACE Market / <u>(New) Market</u> securities</b></p>	<p>Amendment to insert (New) Market securities in the prescribed format of the report in Appendix 1(c) of the Directive.</p>

APPENDIX 1

SCHEDULE 6  
[Rule 11.02 & 11.03]  
COMMISSION RATES\*

	Type of Trade	Basis for determining commission	Minimum commission	Maximum commission
(a)	<b>Online Routed Trades</b>	Fully negotiable	Not applicable	Not applicable
(b)	<b>Trades paid for by Cash Upfront</b>	Fully negotiable	Not applicable	Not applicable
(c)	<b>Direct Business Transactions except for Direct Business Transactions provided at items (a), (b) and (c)(i) and (c)(ii) below</b>	Negotiable subject to the minimum commission	Minimum Fixed Commission	Not applicable
	(i) Direct Business Transactions of ABFMY1 trades	Negotiable subject to the minimum commission	RM12.00	Not applicable
	(ii) Direct Business Transactions of ETB trades	Fully negotiable	Not applicable	Not applicable
(d)	<b>All trades in securities executed in Board Lots except for trades specifically mentioned in the other items this table and trades in securities provided at items (d)(i), and (d)(ii) and (d)(iii) below</b>	Negotiable subject to the minimum and maximum commission, whichever is higher	Minimum Fixed Commission	0.7% of the Contract Value
	(i) ABFMY1 trades (including ABFMY1 Intraday Trades)	Negotiable subject to the minimum and maximum commission, whichever is higher	RM12.00	0.3% of the Contract Value
	(ii) ETB trades (including ETB Intraday Trades)	Negotiable subject to the maximum commission	Not applicable	0.3% of the Contract Value
	<u>(iii) Trades in securities on the (New) Market</u>	<u>Fully negotiable</u>		<u>Not applicable</u>

**Commented [Bursa1]:** New item (d)(iii) of Schedule 6 is inserted to clarify that there is no minimum and maximum commission for trades on the (New) Market, and that commission rates are fully negotiable.

	Type of Trade	Basis for determining commission	Minimum commission	Maximum commission
			<u>Not applicable</u>	
(e)	<b>All trades in securities executed in less than a Board Lot except for trades specifically mentioned in the other items in this table</b>	Fully negotiable	Not applicable	Not applicable

\* Notes:

- (1) For transactions in securities denominated in foreign currency, the commission rate will be stipulated by the Exchange in the Directives.
- (2) Cash Upfront refers to full payment by the buying Client to the buying Client's Participating Organisation for the purchase of securities prior to the entry of the order to purchase into the ATS. For the purposes of this Schedule, the "full payment" in the definition of Cash Upfront must be in the form of cash or any other mode of payment where clearance of or good value is given to the mode of payment prior to the entry of the order.
- (3) Online Routed Trade refers to trade arising from an order routed by a Client to the Participating Organisation through an electronic order routing system for submission into ATS and includes an order routed through Direct Market Access.
- (4) Minimum Fixed Commission means:
  - (a) for trade other than Retail Trade
    - (i) on transactions in loan instruments RM2.00; and
    - (ii) on any other transaction RM40.00.
  - (b) for Retail Trade
    - (i) where the Contract Value is RM100,000 or below, the minimum commission payable shall be calculated at 0.6% of the Contract Value or the amount prescribed under paragraph 4(a) above, whichever is higher;
    - (ii) where the Contract Value exceeds RM100,000, the minimum commission payable shall be calculated at 0.3% of the Contract Value or the amount prescribed under paragraph 4(a) above, whichever is higher; and
    - (iii) where the trade is an Intraday Trade, the minimum commission payable shall be calculated at 0.15% of the Contract Value or the amount prescribed under paragraph 4(a) above, whichever is higher.
  - (c) Notwithstanding paragraph 4(b) above:
    - (i) for Direct Business Transactions in respect of Retail Trade, the minimum commission payable shall be the amount prescribed under paragraph 4(a) above

or half of the amount prescribed in paragraph 4(b) above, whichever is higher;  
and

- (ii) for transactions by employees, Dealer's Representatives and Trading Representatives, the minimum commission payable shall be the amount prescribed under paragraph 4(a) above.
- (5) For the avoidance of doubt, all commission rates set out in this Schedule are exclusive of GST.

[End of Schedule]

[End of Table of Rule Amendments]