Frequently Asked Questions for the Rules of Bursa Malaysia Securities Berhad ("BMS Rules") in relation to Intraday Short Selling ("IDSS")

General information

1. **Q: What is IDSS?**

    A: IDSS allows clients to sell first and buy the securities later. All sell positions must be closed off with buy positions on T-day itself. IDSS is allowed during all trading phase*s* <u>except</u> during Trading at Last where only the buy order is allowed.

2. **Q: Can IDSS be carried out for all securities?**

    A: No, IDSS can only be carried out for Approved Securities.

3. **Q: How do we get the list of Approved Securities and frequency of updates?**

    A: The Approved Securities list is issued in a PO's Circular which is published at this link:
    http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/securities/rules-of-bursa-malaysia-securities

    From 2018 onwards, the list will be updated twice a year in May and November.

4. **Q: Who can trade in IDSS?**

    A: All clients are allowed to trade in IDSS if the clients comply with all the prescribed conditions for executing IDSS as set out under the BMS Rules as well as other requirements as may be imposed by the Participating Organisations ("POs").

5. **Q: What are the conditions for executing IDSS that need to be complied with by a client?**

    A: (i)   the client has entered into an agreement to borrow Eligible Securities or purchase Islamic Securities Selling and Buying – Negotiated Transaction ("ISSBNT") Eligible Securities to settle all potential failed trades which may occur in the event any IDSS are not closed off by the end of the day;

    (ii)   the client has signed the prescribed risk disclosure statement; and

    (iii) the client has submitted a written declaration that the client:
    (a) fully understands the requirements in the BMS Rules in relation to IDSS; and
    (b) is not associated with the body corporate that issued or made available the Approved Securities in relation to which an order for short sale is to be entered.

Go-live date

6. Q: When is IDSS go-live date?

   A: IDSS go-live date is 16 April 2018.

7. Q: When is IDSS system pre-live date?

   A: IDSS system pre-live date is 14 April 2018.

Controls and rules

8. Q: Under Rule 8.34 of the BMS Rules , who would be considered as an "associated person"?

   A: The "associated person" referred to in Rule8.34 has the same meaning as set out in section 3 of the Capital Market and Services Act 2007 ("CMSA").

9. Q: Will Bursa Securities Malaysia Berhad ("Bursa") provide Participating Organisations ("POs") with the "suitability assessment" on potential IDSS clients?

   A: No. The suitability assessment to be adopted by each POs will depend on their internal approved policies and procedures. This is consistent with the stance of Bursa on KYC requirements for all products of Bursa.

10. Q: Can an IDSS be carried out or be closed off by way of Direct Business Transaction ("DBT") or On-Market Married Transaction ("OMMT")?

   A: No IDSS transaction to be performed by way of DBT or OMMT. It can only be performed by way of On Market Transaction.

11. Q: What are the client's option to settle his/her position in the event that the IDSS trade is not covered by the end of day?

   A.   The Client can perform either one of the following:
   (i)   To borrow the shares via the Securities Borrowing and Lending ("SBL") agreement.
   (ii)   To perform manual buying in process / let the transaction be subjected to auto buying in.
   (iii)   To transfer the shares from another CDS account, subject to transfer rules.
   (iv)   To utilise his/her existing shares to cover the positions.

   However, please note that the failure to close off the sell position by buying back by the end of trading day is considered a breach of the BMS Rules.

12. Q: **Will the POs be penalised if the clients do not close of the sell position by end of trading day?**

A: The failure to close of the sell position by end of trading day is considered a breach of the BMS Rules, and Bursa may take the necessary enforcement actions depending on the facts and circumstances.

Bursa expects the POs to review the clients who consistently fail to close of the sell position and assess their suitability in trading in IDSS periodically.

13. Q: **Are Proprietary Trading Investment ("IVT") traders required to have the SBL agreement when trading in IDSS?**

A: No, they do not if the PO is already an SBL Approved Borrower.

14. Q: **How does a PO apply to be an SBL Approved Borrower?**

A: Please refer to the department Intermediaries Affair ,Regulation for more information.

Tagging of Orders

15. Q: **Is a PO required to tag an IDSS order?**

A: Yes. Please refer to the POs' Trading Manual for further information.

Suspension of IDSS

16. Q: **What are the scenarios where IDSS will be suspended?**

A: The possible scenarios are as follows:

- Gross short selling volume (RSS + IDSS + short selling under PDT) exceeds the daily maximum limit of 3% of outstanding shares per security. In this case, RSS + IDSS + short selling under PDT ("Short Selling Activities") will be suspended / prohibited for the rest of the day, and will resume the following day.

- Stocks will be suspended / prohibited from IDSS for the rest of the day if stock price falls more than 15% / RM0.15 from the previous day closing price. In this case, the short selling under PDT will also be suspended.

- Net short selling volume (RSS) aggregated over a period of time is 10% of the quantity of outstanding shares. In this case, Short Selling Activities will be suspended / prohibited when it exceeds 10%. Short Selling Activities will resume when the net short selling volume falls below 10%.

Bursa Trading System

17. Q: Is the prescribed limit for suspension of IDSS securities (i.e. 3%) shown to the clients in the trading system?

A: Clients should be able to compute the 3% limit (of the outstanding shares of the Issuer of the Approved Securities on that Market Day) as the trading system will show the daily short sell volume (gross) and the total number of shares issued via real time information.

18. Q: What are the system controls available in Bursa Trading System ("BTS") for IDSS?

A: BTS will be able to restrict IDSS to Approved Securities only. Short selling will also be suspended in the system once the volume or price limits are triggered.