
Frequently Asked Questions on the Revamped Rules of Bursa Malaysia Securities Bhd

Chapter 2

- 1) Where are the requirements in the previous Rule 607 (on Conditions on Trading imposed on Affected Listed Securities) covered under the revamped Rules of Bursa Securities (“**Revamped Rules**”)?

The whole of Rule 607 has been deleted as there is already a provision under Chapter 2 of the Revamped Rules which empowers the Exchange to take any further actions pursuant to a decision or action taken by the Exchange, SC, Clearing House or Depository in relation to a Participating Organisation (“**PO**”), Registered Person or issuer (see Rule 2.01(2)(p)).

Chapter 3

- 2) A compliance officer is no longer required to be registered with the Exchange under the revamped Rules of Bursa Securities. However, must a compliance officer still be approved by the Securities Commission?

Yes, a compliance officer must still be approved by the Securities Commission following the requirements in paragraph 4.06 of the Securities Commission’s Licensing Handbook.

Chapter 5

- 3) Where is the previous Rule 401.1 on Prohibited Conduct incorporated in the Revamped Rules?

Under the Revamped Rules, the general principle is stated in Rule 5.01 and the details in Directive 5-001 on Conduct of Business.

- 4) What are the requirements on advertising under the Revamped Rules?

The only requirements on advertising are as stipulated in Rule 5.06 of the Revamped Rules. This Rule states that a PO’s advertising or publicity in relation to its business must comply with certain requirements, including, among others, ensuring that the advertising is accurate, not misleading or ambiguous. In line with our principles-based approach, POs will no longer be required to deliver the advertisement related documents to the Exchange for post-vetting.

- 5) Why has the Exchange removed the service of maintaining the defaulter’s list?

This is a service originally rendered by the Exchange to facilitate the credit risk management of the POs. The removal of the defaulters’ list is in line with our principle to only regulate where necessary. Maintenance of a defaulter’s list is not part of an Exchange’s functions.

- 6) Is submission of the monthly declaration in the previous Appendix 4 under Rule 404.7 (2) still required under the Revamped Rules?

It is no longer a requirement under the Revamped Rules.

Chapter 6

- 7) Pursuant to Rule 6.03(2) of the Revamped Rules, a PO must appoint 1 person at every branch to discharge the responsibilities prescribed under that Rule. Can the person be someone who does dealings, operations or compliance?

The person can be a person who does either dealings, operations or compliance and POs can maintain the current structure and line of reporting i.e. the head of branch can be the person who is responsible in discharging the duties prescribed under Rule 6.03(2).

- 8) In what way can the person who is responsible for a Branch Office "ensure segregation of duties"?

It can be done by ensuring clear reporting lines and proper policies and procedures are put in place to address any conflict of interest. Policies must be implemented efficiently.

- 9) Can a person be responsible for more than 1 branch?

No, under the Revamped Rules a person can only be responsible for 1 branch and such a person must be located at the branch.

Chapter 7

- 10) Revamped Rule 7.02(4), a PO may only sell securities in Odd Lots if the securities are designated as "free securities" in the seller's Securities Account maintained with the PO prior to the entry of the order into the ATS. Does the PO have a discretion to check whether the securities are designated as "free securities" before selling such securities in Odd Lots?

No, a PO must check that the securities are designated as "free securities" before selling such securities in Odd Lots.

- 11) Is the obligation to report under Rule 7.06 only applicable to a breakdown, malfunction or error which involves Exchange's systems only or does it apply also to a breakdown, malfunction or error arising from the PO's own Order Management System ("OMS")?

Rule 7.06 covers the ATS or any other system, service or facility of the Exchange. However POs are encouraged to notify the Exchange of any malfunction or breakdown of their OMS which may affect their clients.

- 12) [Deleted]

- 13) When must a PO liquidate the Client's Margin Account so that the PO does not breach Rule 7.30(12) of the Revamped Rules?

It must be done immediately after the equity in a Client's Margin Account falls below 130% of the Outstanding Balance, i.e. by the end of the day the Margin Account must be above 130%. Therefore a PO must take into account the liquidity and volatility of the stock when extending Margin Financing to its Clients.

- 14) How much additional Margin must a PO request and what is the percentage of Haircut a PO must impose under Rule 7.30(19)(a) of the Revamped Rules?

Subject to Rule 7.30(19)(b), a PO has the discretion to determine the additional Margin required and Haircut to be imposed in the circumstances set out under Rule 7.30(19)(a). A PO must set out in its internal policies the details of the circumstances and how much Margin to request and the Haircut to be imposed in such circumstances.

- 15) In relation to Rule 7.30(7), where is the explanation of the manner in which the PO must value the Client's collateral?

It is found in Directive 7.30-001.

Chapter 8

- 16) Under the previous Rule 706 on the Stock Market Trading Suspension, the circuit breaker was mentioned and details of the percentage drops in the index were given in circulars. But under the Revamped Rules, there is no mention of the circuit breaker percentage (under Rule 8.33). What are the percentages applicable now for the circuit breaker to be triggered and where are they prescribed?

The circuit breaker percentage is prescribed in the POs' Trading Manual at item 8.

Chapter 12

- 17) Paragraph 1.1(2) of Directive 12-002 only mentions that bank reconciliation must be prepared not later than the 10th day of the following month. Are POs still required to submit the previous Appendix 4 bank reconciliation and outstanding contracts to the Exchange by the 15th calendar day of every month?

Appendix 4 of the previous Rules has been deleted under the Revamped Rules and is no longer required to be submitted.

- 18) Directive 12.03(2)-001 and Chapter 12 of the Revamped Rules are silent on the submission of the previous Appendix 9 within 1 month of the financial year end. Are we still required to submit?

Appendix 9 of the previous Rules has been deleted under the Revamped Rules and is no longer required to be submitted.

Chapter 13

- 19) The deadline for submission of the hard copy of monthly reports is not stated in Directive 13-001. Is it still unchanged i.e. to be submitted to the Exchange by the 10th calendar day of every month?

Submission of a hard copy of the monthly reports is no longer required. A PO is just required to submit the reports via the ARMADA system as required previously.

Others

- 20) Will the Exchange still issue identification tags for Heads of Dealing and Dealer's Representatives (DRs)?

Bursa will no longer issue identification tags to the Heads of Dealing and Dealer's Representatives (DRs).

[End of FAQs]