

## CHAPTER 1 DEFINITION AND RELATED PROVISIONS

## PART A DEFINITION AND INTERPRETATION

## 1.01 Definition

The following terms have the following meanings unless the context requires otherwise:

Term	Meaning
ABFMY1	The ABF Malaysia Bond Index Fund that is an Exchange Traded Fund listed and quoted on the Exchange and bears the stock short name ABFMY1.
ACE Market	The Exchange's stock market referred to as the ACE Market.
Adverse Event(s)	Any one or more of the events specified in the Off-Balance Sheet Transaction(s) agreement that obliges a Participating Organisation to perform and discharge the Participating Organisation's obligations under the Off-Balance Sheet transaction(s).
Annual Report	<del>In relation to a Participating Organisation, the annual report of the Participating Organisation prepared and submitted to the Exchange. [Deleted]</del>
Approved Securities	In relation to Regulated Short Selling, any of the securities traded on the stock market of the Exchange that is declared by the Exchange under Rule 8.22 to be included in a class of securities to which Section 98(4)(c) of the Capital Markets and Services Act applies.
ATS	The automated and computerised securities trading system established by the Exchange.
ATS Operator	In relation to a Participating Organisation, a Dealer's Representative, Trading Clerk or Trading Representative who is duly authorised by the Participating Organisation to enter orders into the ATS, to modify and cancel orders.
Authorised ISSBNT Participant	An entity approved to undertake ISSBNT under the Clearing House Rules.
Authorised Nominee	Same meaning as in the Securities Industry (Central Depositories) Act and the Depository Rules.
Authorised SBL Participant	The Clearing House or an entity approved by the Clearing House to undertake Securities Borrowing and Lending
Associated Corporation	A corporation that is deemed to be associated with the person by virtue of the person holding, directly or indirectly, not less than 20% and not more than 50% of the issued share capital of the corporation.
BAFIA	Banking and Financial Institutions Act 1989.
Best Buy Price	The highest buy order price in the order book of the ATS.

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Beneficial Owner	Same meaning as in the Securities Industry (Central Depositories) Act and the Depository Rules.
Best Sell Price	The lowest sell order price in the order book of the ATS.
Board Lot	In relation to any securities quoted on the Official List, a parcel of securities comprising such number of units as determined by the Exchange.
Board of Directors	In relation to a Participating Organisation, the Participating Organisation's board of Directors.
Books	Same meaning as in the Capital Markets and Services Act.
Books Closing Date	The specified time and date set by an Issuer for the purpose of determining entitlements to dividends, interest, new securities or other distributions or rights of holders of its securities traded on the stock market of the Exchange.
Branch Office	<del>A branch office approved by the Exchange as a branch office of a Participating Organisation. In the case of an Investment Bank, a branch office approved by the Central Bank as a branch office of that Investment Bank.</del> <u>A permanent location, identified by a Participating Organisation as its branch where it carries on its business of dealing in securities.</u>
Capital Adequacy Requirements	The capital adequacy requirements in Chapter 13.
Capital Markets and Services Act	Capital Markets and Services Act 2007.
Capital Markets Services Licence	Same meaning as in the Capital Markets and Services Act.
Capital Markets Services Representative's Licence	Same meaning as in the Capital Markets and Services Act.
Central Bank	Central Bank of Malaysia established under the Central Bank of Malaysia Act 2009.
Central Depository	A central depository established under the Securities Industry (Central Depositories) Act and includes any foreign central depository the Exchange may stipulate.
Chief Executive Officer	Same meaning as 'chief executive' in the Capital Markets and Services Act.
Clearing Account	A trading account opened in the name of a Participating Organisation and used by the Participating Organisation to facilitate the accumulation of an order given by a client to buy or sell a specific quantity of securities on T day.
Clearing House	BURSA MALAYSIA SECURITIES CLEARING SDN BHD or any other clearing house the Exchange stipulates for the purpose of clearing and settlement of Contracts.
Clearing House Rules	In relation to a Clearing House, the rules of the Clearing House and any amendment that may be made from time to time.

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Client	A person for whom a trading account is proposed to be opened or has been opened by a Participating Organisation under these Rules.
Closing Price	'closing price' for On-Market Transaction as stipulated by the Exchange.
Commission	The Securities Commission established under the Securities Commission Act.
Commissioned Dealer's Representative	A Dealer's Representative a Participating Organisation engages on a non-salaried basis.
Commission's Licensing Handbook	The licensing handbook the Commission issues pursuant to Section 377 of the Capital Markets and Services Act.
Companies Act	Companies Act 2016.
Constituent Securities	Any of the securities admitted on the Official List which forms the basket or part of the basket of securities required for the creation of an ETF unit and/or underlying an ETF unit.
Contract	A contract for a sale or purchase transaction of securities entered into on the stock market of the Exchange as described in Rule 8.08(3).
Contract Date	In relation to a sell or buy Contract of On-Market Transaction, the day the sell or buy order is matched in the ATS.
Contract Note	Same meaning as in the Capital Markets and Services Act.
Conversion Date	Same meaning as in the Demutualisation Act.
Corporate Action	Any action taken by an Issuer in relation to or arising from the Issuer's securities including payment of dividend, issue of bonus shares and other rights and interests associated with such securities, capital restructuring and share consolidation.
Counterparty	A person or Client with or for whom a Participating Organisation carries on, or intends to carry on, any dealings in securities.
Day Trading	The taking of proprietary positions by the Participating Organisations on an intraday buy and sell and vice versa, and for the avoidance of doubt excludes Direct Business transactions.
Dealer's Representative	A holder of a Capital Markets Services Representative's Licence for dealing in securities.
Demutualisation Act	Demutualisation (Kuala Lumpur Stock Exchange) Act 2003.
Depository	BURSA MALAYSIA DEPOSITORY SDN BHD or any other company approved by the Minister to act as a central depository under the Securities Industry (Central Depositories) Act.
Depository Rules	In relation to a Depository, the rules of the Depository and any amendments that may be made from time to time.

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Derivatives Exchange	BURSA MALAYSIA DERIVATIVES BERHAD.
Derivatives Exchange Rules	The rules of the Derivatives Exchange and any amendments that may be made from time to time.
DF Account	An account opened by a Client of a Participating Organisation, which allows the Client to utilise Discretionary Financing referred to in Rule 7.31.
DF Account Holder	A Client who has a DF Account with a Participating Organisation.
Direct Business Transaction	A contract for a sale and purchase of securities transacted on the stock market of the Exchange that is done outside the ATS but excludes ISSBNT.
Direct Market Access (DMA)	The process by which orders to buy or sell securities, or modifications or cancellations of the orders, are submitted for execution in the ATS by a Client without any intervention or keying-in by a Dealer's Representative.
Directives	<p>Instructions, rulings or guidelines the Exchange issues by whatever name called for or in connection with any of these Rules including:</p> <ul style="list-style-type: none"> <li>(a) any decision or requirement the Exchange makes or imposes pursuant to any act or thing done under these Rules;</li> <li>(b) any terms or conditions imposed pursuant to any act or thing done under these Rules; and</li> <li>(c) any requirement the Exchange imposes for the proper operation and management of the Exchange's stock market and facilities.</li> </ul>
Director	Same meaning as in the Companies Act.
Discretionary Financing	A financing that a Participating Organisation provides to a Client under Rule 7.31.
DMA Client	A person who is allowed to key-in DMA orders under Rule 8.18.
Document	Same meaning as in the Capital Markets and Services Act.
DR Security Deposit	<p>Any cash, bank guarantee, securities or other form of security acceptable to the Participating Organisation deposited with the Participating Organisation:</p> <ul style="list-style-type: none"> <li>(a) to secure the Dealer's Representative's obligations to the Participating Organisation under the agreement setting out the Participating Organisation's arrangement with the Dealer's Representative; or</li> <li>(b) as security for the repayment of all monies that are or may be owing by the Dealer's Representative or the Dealer's Representative's Client to the Participating Organisation arising from or in connection with</li> </ul>

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transactions in securities.

Dual Licensed Dealer's Representative	A Dealer's Representative who also holds a Capital Markets Services Representative's Licence for dealing in derivatives.
Effective Date	The date that the New Rules come into force.
Effective Shareholders' Funds	The Participating Organisation's last audited shareholders' funds less unaudited losses.
Electronic Access Facility	<del>Any physical site, location or premise at which is situated or installed physical hardware or equipment—</del>  <del>(a) that does or is able to house or accommodate electronic systems, devices or platforms; and</del>  <del>(b) which hardware or equipment when used in conjunction with the electronic systems does or is able to provide broker-client linkages or electronic client ordering systems. [Deleted]</del>
1+1 broker	Same meaning as in the Commission's Licensing Handbook.
Eligible Securities	Such securities as the Clearing House may prescribe as being eligible for Securities Borrowing and Lending in accordance with the Clearing House Requirements.
Equity	In relation to Margin Financing, the sum of Margin and securities purchased and carried in Client's Margin Account.
Equity-based Exchange Traded Fund	The Exchange Traded Fund that:  (a) tracks the performance of a market index where constituent securities of that market index are wholly shares ("the constituent shares"); and  (b) invests in the constituent shares of that market index.
Exchange	BURSA MALAYSIA SECURITIES BERHAD.
Exchange Holding Company	BURSA MALAYSIA BERHAD.
Exchange Traded Bonds (ETB)	Sukuk or debt securities which are listed and quoted for trading on the Exchange.
Exchange Traded Fund (ETF)	Same meaning as in the Guidelines on Exchange Traded Funds.
Exempt Authorised Nominee	Same meaning as in the Depository Rules.
FDSS	The fixed delivery and settlement system established by the Exchange that fixes and regulates the day and time for the delivery and settlement of securities traded or reported on the Exchange's stock market.
Forward Contract	A contract for the future delivery of securities at a pre-determined price and date.
Fund Management	Same meaning as in the Capital Markets and Services Act.

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Fund Manager's Representative	A holder of a Capital Markets Services Representative's Licence for Fund Management.
Futures Broker	A holder of a Capital Markets Services Licence for dealing in derivatives.
Futures Broker's Representative	A holder of a Capital Markets Services Representative's Licence for dealing in derivatives.
Goods and Services Tax (GST)	The goods and services tax payable pursuant to the Goods and Services Tax Act 2014.
Group	Same meaning as in the Commission's Licensing Handbook.
Guidelines on Exchange Traded Funds	Commission's Guidelines on Exchange Traded Funds.
Guidelines on Investment Banks	Guidelines on Investment Banks jointly issued by the Central Bank and the Commission.
Guidelines on Outsourcing	<i>[Deleted]</i>
Guidelines for Registered Person (Registered Representative)	<i>[Deleted]</i>
Haircut	The deduction of certain amount of value of the collateral referred to in Rule 7.18(4)(a)(ii);
Heads	In relation to the Participating Organisation, persons who are the Head of Dealing, Head of Operations and Head of Compliance and "Head" means any one of these Heads.
Head of Compliance	A person who a Participating Organisation appoints under Rule 3.34(1).
Head of Dealing	A person who a Participating Organisation appoints under Rule 3.26(1).
Head of Operations	A person who a Participating Organisation appoints under Rule 3.30(1).
Immediate Basis Contract	A contract where the date and time for delivery and settlement for the buying and selling of securities traded on the stock market of the Exchange are as stipulated in Schedule 2.
Income	In relation to Eligible Securities or ISSBNT Eligible Securities, any profits, dividends or other distribution of any kind whatsoever with respect to the Eligible Securities or ISSBNT Eligible Securities respectively.
Interest in securities	Same meaning as in the Capital Markets and Services Act.
Internal Guidelines for Permitted Short Selling	Written guidelines formulated by a Market Maker setting out the Market Maker's internal policies, procedures, controls and requirements on compliance with laws and these Rules in relation to Permitted Short Selling activities.
Introducing Representative	<i>[Deleted]</i>

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Investment Bank	An Investment Bank referred to under the Guidelines on Investment Banks and admitted as a Participating Organisation under Rule 3.02.
Islamic Securities Selling and Buying - Negotiated Transaction or ISSBNT	Same meaning as in the Clearing House Rules.
ISSBNT Agreement	An agreement for the purpose of ISSBNT.
ISSBNT Eligible Securities	Such securities as the Clearing House may prescribe as being eligible for ISSBNT in accordance with the Clearing House Requirements.
Issuer	Same meaning as in the Capital Markets and Services Act.
Last Done Price	Last traded price of an On-Market Transaction.
LEAP Market	The Exchange's stock market referred to as the LEAP Market.
Licensed Institution	Same meaning as in the BAFIA.
Listing Requirements	The rules governing the listing of securities and regulation of listed Issuers on the stock market(s) of the Exchange.
Lower Limit Price	The lowest price at which the securities can be traded from a Reference Price, as stipulated by the Exchange.
Main Market	The Exchange's stock market referred to as the Main Market.
Margin	The aggregate amount of cash and collateral deposited into a Client's Margin Account but excludes securities that are purchased and carried in the Client's Margin Account.
Margin Account	The account a Client maintains with a Participating Organisation for Margin Financing.
Margin Financing	A form of financing that a Participating Organisation provides to a Client under Rule 7.30.
Margin Securities	In relation to Securities Borrowing and Lending, any Eligible Securities carried in the Margin Account of a Client.
Market Day	A day on which the Exchange's stock market is open for trading in securities.
Market Maker	A person who performs Market Making.
Market Making	The act of entering bid and offer prices in the order book maintained in the ATS for a Specified Security based on the requirements stipulated by the Exchange.
Marketing Representative	Same meaning as in the Guidelines for Marketing Representatives issued by the Commission.
Member Company	A Participating Organisation who was a member of the Exchange Holding Company prior to the demutualisation of the Exchange Holding Company under the Demutualisation Act.
Minimum Paid-Up Capital	In relation to a Participating Organisation, the minimum paid-

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up capital specified in Rule 13.03.

Minimum Shareholders' Funds	In relation to a Participating Organisation, the minimum shareholders' funds unimpaired by the losses specified in Rule 13.03.
Minister	The Minister responsible for finance in Malaysia.
Net Short Position	In relation to Approved Securities, the quantity of Approved Securities short sold on a Market Day in accordance with Part C of Chapter 8 but which were not closed off within the same day.
New Rules	The Rules of Bursa Malaysia Securities Bhd in force from the Effective Date.
Non-Universal Broker	A Participating Organisation that is not a Universal Broker and includes an Eligible Non-Universal Broker and Special Scheme Broker.
Odd Lot	In relation to any securities quoted on the Official List, any number of such securities that is less than the number of securities the Exchange determines as a Board Lot.
Off-Balance Sheet	Includes: <ul style="list-style-type: none"> <li>(a) uncalled amounts on securities, options, other contingent liabilities and capital commitments (whether secured or not);</li> <li>(b) all assets pledged as security, forward purchase or sale contracts (other than in securities);</li> <li>(c) derivatives and other commitments that contractually oblige a Participating Organisation to perform certain actions that are transacted outside the ATS,</li> </ul> <p>but excludes underwriting or sub-underwriting that are required to be reported under the Capital Adequacy Requirements.</p>
Official List	The list of securities that: <ul style="list-style-type: none"> <li>(a) have been admitted by the Exchange and have not been removed by the Exchange; or</li> <li>(b) are quoted and traded on the Exchange,</li> </ul> <p>or both.</p>
Old Rules	The Rules of Bursa Malaysia Securities Bhd in force prior to the Effective Date.
On-Market Transaction	A transaction that is concluded by way of automated matching of orders entered into the order book maintained in the ATS under Rule 8.08 or an On-Market Married Transaction under Rule 8.14.
On-Market Married Transaction	A match of a buy order to a sell order for the same price and quantity made by the same Participating Organisation



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simultaneously entering and executing the buy and sell orders into the ATS under Rule 8.14 between:

- (a) two Clients of the same Participating Organisation; or
- (b) a Participating Organisation and its Client.

Opening Price	'Opening price' for On-Market Transaction as stipulated by the Exchange.
Outstanding Balance	The amount owed by a Client in the Client's Margin Account arising from the Client's transactions in securities traded on the stock market of the Exchange or Recognised Stock Exchanges, including all commission charges, interest, expenses and all other related expenses before deducting any cash deposited by the Client as Margin.
Participantship	Being a Participating Organisation of the Exchange.
Participating Dealer	Same meaning as in the Guidelines on Exchange Traded Funds.
Participating Organisation	A company that carries on the business of trading in securities on the Exchange's stock market and is admitted as a Participating Organisation under Rule 3.02 and includes all the Participating Organisation's Branch Offices.
Permitted Short Selling	The short selling of units of an ETF or constituent securities pursuant to the Capital Markets Services (Non-Application of Subsection 98(1))(Exchange Traded Funds) Order 2009.
Principal Office	The principal office approved by the Commission as the principal office of a Participating Organisation. In the case of an Investment Bank, the principal office approved by the Central Bank as the principal office of that Investment Bank.
Proprietary Account	A trading account opened by a Participating Organisation for the Participating Organisation's own trades.
Proprietary Day Trader	A Dealer's Representative a Participating Organisation engages to execute Day Trading on the Participating Organisation's behalf.
Public Holiday	A day that is declared as a public holiday in the Federal Territory of Kuala Lumpur.
Ready Basis Contract	A Contract where the date and time for delivery and settlement for the buying and selling of securities traded on the stock market of the Exchange are as stipulated in Schedule 2.
Recognised Stock Exchange	A foreign stock exchange the Exchange declares to be a Recognised Stock Exchange.
Record	Same meaning as in the Capital Markets and Services Act.
Record of Depositors	Same meaning as in the Depository Rules.
Reference Price	(a) Except for the situations stipulated in paragraph (b) below, the Last Done Price of securities:

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- (i) in the previous trading day; or
- (ii) if no trade of such securities was effected on the previous trading day, the last trading day in which trades were effected; or
- (b) if for 2 consecutive trading sessions of 1 Market Day, no trading has been done for a particular securities:
  - (i) the Upper Limit Price at market close, if there is an order to buy at the Upper Limit Price at the close of both the trading sessions and the Upper Limit Price is greater than the last Reference Price; or
  - (ii) the Lower Limit Price at market close, if there is an order to sell at the Lower Limit Price at the close of both the trading sessions and the Lower Limit Price is less than the last Reference Price; or
- (c) for securities quoted ex-entitlement, as the Exchange determines; or
- (d) for securities that have been approved by the Exchange for listing and quotation on the Official List, on the first day of their listing and quotation, the issue or offer price of such securities or any other price as determined by the Exchange; or
- (e) in any other circumstances, as the Exchange determines.

Register	The list or roll that the Exchange keeps of Participating Organisations, Registered Person(s) and such other persons determined by the Exchange.
Registered Person	A person stipulated under Rule 3.10, who is registered with the Exchange.
Registered Representative	<i>[Deleted]</i>
Regulated Short Selling	The short selling of Approved Securities carried out in accordance with Part C of Chapter 8, and “Regulated Short Sale” means the sale relating to the same.
Retail Clients	Clients of a Participating Organisation who carry out Retail Trade as defined in Rule 11.01.
Related Corporation	Same meaning as in the Companies Act.
Salaried Dealer’s Representative	A Dealer’s Representative a Participating Organisation employs on a salaried basis.
SBL Agreement	An agreement for the purpose of Securities Borrowing and Lending
Securities Account	Same meaning as in the Securities Industry (Central Depositories) Act.
Securities Borrowing and Lending	The borrowing or lending of securities pursuant to Part F of Chapter 7.

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Securities Commission Act	Securities Commission Act 1993.
Securities Industry (Central Depositories) Act	Securities Industry (Central Depositories) Act 1991.
Securities Laws	The Capital Markets and Services Act, Securities Industry (Central Depositories) Act, Securities Commission Act and any written notices, circulars, regulations, orders, any directives or guidelines the Commission issues pursuant to any of the above mentioned Acts.
service provider	Same meaning as in the Commission's Licensing Handbook.
Special Scheme Broker	Same meaning as in the Commission's Licensing Handbook.
Specified Security	The securities specified by the Exchange as available for Market Making.  <i>[Refer to Directive No. 4-001]</i>
Standalone Broker	A Participating Organisation that has not complied with the Commission's Policy Framework for Stockbroking Industry Consolidation as stated in the Commission's Licensing Handbook.
sub-contractor	<i>[Deleted]</i>
T	The day an On-Market Transaction is done on ATS, or a Direct Business Transaction is reported to the Exchange, as the case may be.
these Rules	The Rules of Bursa Malaysia Securities Berhad and any amendment that may be made from time to time.
Tick	The minimum change allowed in the price of securities, as stipulated by the Exchange.
Total Short Position	In relation to Approved Securities, the total quantity of Approved Securities short sold in accordance with Part C of Chapter 8.
Tradeable Balance	(a) Securities designated as "free securities" in the seller's Securities Account; or  (b) Securities that are due to be delivered to a seller's Securities Account pursuant to an outstanding purchase Contract.
Trading Clerk	A trading clerk referred to in Rule 5.14.
Trading Representative	Same meaning as in the Commission's Licensing Handbook.
Universal Broker	A Participating Organisation that has:  (a) merged with or acquired 3 or more Member Company(ies) or Participating Organisations or both;  (b) fulfilled the necessary qualifying criteria stipulated by the Commission to the satisfaction of the Commission; and

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- (c) been approved in writing by the Commission to be a Universal Broker.

Upper Limit Price                      The highest price at which the securities can be traded from a Reference Price as stipulated by the Exchange.

VWAP                                      The volume weighted average price of a particular securities calculated as follows:

the total value of securities transacted during a particular period of time ("the period")

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the total number of securities transacted during the period

## 1.02 Interpretation

- (1) Unless the context requires otherwise, terms or expressions defined in the following Acts, when used in these Rules have the same meaning as in the following Acts:
- (a) Capital Markets and Services Act;
  - (b) Securities Industry (Central Depositories) Act;
  - (c) Securities Commission Act; or
  - (d) Companies Act.
- (2) Apart from the above, certain other terms and expressions have also been defined in the respective Chapters. Such definitions only apply with respect to the respective Chapters in which they are contained and the Directives issued pursuant to the Rules in the respective Chapters.
- (3) The terms and expressions defined in Rule 1.01 are also applicable to any Directive or best practice, unless otherwise defined in the Directive or best practice.
- (4) A reference to a statute is to that statute so modified, re-enacted or consolidated and includes regulations, rules or other statutory instruments made under that statute.
- (5) A reference to a rule, directive, guideline or requirement of the Exchange, Exchange Holding Company, Depository, Clearing House, the Commission or the Central Bank or other relevant party is to that rule, directive, guideline or requirement so amended, supplemented, consolidated or substituted.
- (6) The singular includes the plural and vice versa.
- (7) A reference to a person includes a firm, partnership and corporation.
- (8) A reference to writing includes any mode of representing or reproducing letters, figures or marks in a visible form.
- (9) A reference to "RM" or "Ringgit Malaysia" is to the Malaysian currency.
- (10) If a word or phrase is defined in these Rules, any other grammatical form in respect of such word or phrase has a corresponding meaning.

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- (11) A reference to a rule, chapter, schedule or appendix is to the relevant rule, chapter, schedule and appendix to these Rules.
- (12) Headings and sub-headings are inserted for convenience of reference only and do not affect the interpretation and construction of the rule.
- (13) A reference to a day or month is to a calendar day or calendar month.
- (14) A reference to a time of day is a reference to Malaysian time.
- (15) A reference to “suspend” or “suspension” in relation to the trading of securities, where the context permits, includes “forbidden”, “interrupted”, “reserved”, “suspended” or “frozen”.

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**PART B APPLICATION AND EFFECT OF THESE RULES****1.03 Rules of the Exchange**

These Rules must be read together with:

- (a) the Directives;
- (b) the Securities Laws; and
- (c) any other laws or requirements of any relevant authority applicable to Participating Organisations or Registered Person.

**1.04 Binding effect of Rules**

These Rules are binding on Participating Organisations and Registered Persons in the manner set out in:

- (a) section 354(2) of the Capital Markets and Services Act; and
- (b) Rule 1.05.

**1.05 Covenants to observe Rules**

These Rules have the effect of a contract between:

- (a) the Exchange and Participating Organisations under which each Participating Organisation covenants with the Exchange to observe these Rules and the Directives and to perform the obligations that these Rules and the Directives purport to impose on the Participating Organisation in the manner set out by these Rules and the Directives; and
- (b) the Exchange and Registered Persons under which each Registered Person covenants with the Exchange to observe these Rules and the Directives and to perform the obligations that these Rules and the Directives purport to impose on the Registered Person(s), in the manner provided by these Rules and the Directives.

**1.06 Investment Banks**

If a provision in these Rules is expressed to be inapplicable to an Investment Bank or a Registered Person of an Investment Bank, the relevant requirements in the Guidelines on Investment Banks and any other requirement the Central Bank specifies on the matter (“the Relevant Guidelines and Requirements”) will apply instead.

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**PART C TRANSITIONAL PROVISIONS****1.07 Transitional provisions in relation to the Conversion Date**

- (1) A Member Company who has not been expelled from membership of the Exchange Holding Company immediately prior to the Conversion Date is deemed a Participating Organisation under these Rules until it ceases to be a Participating Organisation in accordance with these Rules and shall continue to be bound by these Rules and Directives.
- (2) All references to the Participating Organisation in that Participating Organisation's former capacity as a Member Company of the Exchange Holding Company in any undertaking, declaration, indemnity or other document are references to the Participating Organisation.
- (3) For the avoidance of doubt:
  - (a) these Rules;
  - (b) all privileges, obligations and liabilities of a person (including a Participating Organisation and Dealer's Representative) prior to the Conversion Date; and
  - (c) all registrations made and approvals granted to a person (including a Participating Organisation and Dealer's Representative) that were valid immediately prior to the Conversion Date,continue to be valid and binding on that person unless these Rules specify otherwise.
- (4) Unless these Rules or the Exchange provides otherwise:
  - (a) the Exchange must apply the rules and procedures on disciplinary actions applicable prior to the Conversion Date to a disciplinary action instituted under the Exchange Holding Company's rules prior to the Conversion Date. The previous disciplinary rules and procedures will also apply to an appeal against a decision on a disciplinary action instituted prior to the Conversion Date;
  - (b) the Exchange may institute disciplinary action for a breach of the Exchange Holding Company's rules, directives guidelines and circulars committed prior to the Conversion Date if no disciplinary action has been instituted. The Exchange may apply the relevant procedures under these Rules in this disciplinary action.
- (5) Any act or thing done by a Participating Organisation or a Registered Person under the Exchange Holding Company's rules, directives, guidelines and circulars prior to the Conversion Date has effect from the Conversion Date as if the act or thing had been done under the corresponding provision of these Rules.
- (6) The reference to "any act or thing done" includes:
  - (a) the making of a determination or the passing of a resolution;
  - (b) the granting or exercise of a power (including delegated power);
  - (c) the execution of a document; or
  - (d) the appointment or removal of any person from any office or position.
- (7) All directives, regulations and guidelines issued by the Exchange Holding Company prior to the Conversion Date continue in force insofar as these directives, regulations and guidelines are not inconsistent with these Rules and Directives.

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**1.08 Transitional provisions in relation to the Old Rules**

- (1) The New Rules do not affect:
  - (a) the accrued rights of the Exchange under the Old Rules;
  - (b) the accrued obligations of Participating Organisations and Registered Person under the Old Rules;
  - (c) the right of the Exchange to take any action for breaches under the Old Rules discovered after the New Rules come into effect;
  - (d) the right of the Exchange to continue with any action initiated under the Old Rules after the New Rules come into effect; and
  - (e) any conditions, undertakings, decisions, waivers, act or thing imposed on or given by or done by the Participating Organisations and Registered Person under the Old Rules.
- (2) If the Exchange initiates any disciplinary action on and after the Effective Date for breaches which occurred under the Old Rules, the following applies:
  - (a) the Exchange can apply the relevant rules and procedures relating to disciplinary matters under the New Rules; and
  - (b) the Exchange can apply the relevant penalties under the New Rules.
- (3) The Exchange can apply the rules, procedures, and penalties of the Old Rules to:
  - (a) disciplinary actions which was initiated prior to the Effective Date;
  - (b) appeals made prior to the Effective Date; or
  - (c) appeals made on or after the Effective Date in relation to disciplinary actions initiated or taken prior to the Effective Date.
- (4) The reference to "any act or thing done" in Rule 1.08 has the same meaning as stated under Rule 1.07(6).

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**PART D NOTICES****1.09 Notices**

- (1) The Exchange will send all notices required to be sent under these Rules in writing:
  - (a) to the address or facsimile number (or both) of the addressee contained in the records of the Exchange; or
  - (b) using any other mode of giving notice the Exchange thinks fit, including electronic mail, other electronic means and advertisement in newspapers.
- (2) A notice given under these Rules is regarded as received:
  - (a) if delivered by hand, at the time of delivery;
  - (b) if sent by post within Peninsula Malaysia, on the 3<sup>rd</sup> Market Day after posting;
  - (c) if sent by air mail to Sabah, Sarawak or outside Malaysia, on the 5<sup>th</sup> Market Day after posting;
  - (d) if sent by courier, on the 2<sup>nd</sup> Market Day after despatch;
  - (e) if sent by facsimile or other electronic media, at the time of transmission; and
  - (f) if published in any public media, at the time of publication.

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**PART E PERSONAL DATA NOTICE****1.10 Personal Data Notice**

- (1) Any person who provides or has provided personal data to the Exchange or the Exchange Holding Company pursuant to or in connection with these Rules should read and be aware of the relevant notification in relation to the Personal Data Protection Act 2010 (“PDPA”) available at the Exchange Holding Company’s website at [www.bursamalaysia.com](http://www.bursamalaysia.com) (“Personal Data Notice”).
- (2) Where the personal data provided is of another individual (“data subject”), the person providing such data must have notified the data subject in writing of the Personal Data Notice before providing the personal data unless:
  - (a) section 41 of the PDPA applies; or
  - (b) the Exchange otherwise specifies in connection with the PDPA.
- (3) For the purposes of this Rule 1.10, ‘personal data’ shall have the same meaning given in section 4 of the PDPA.

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**PART F**

**GOODS AND SERVICES TAX**

**1.11 Goods and Services Tax**

- (1) A person required or directed to pay the fees, charges, costs, expenses or any amount under these Rules must pay an amount equal to the Goods and Services Tax payable (“GST amount”) in the manner and within the period the Exchange specifies unless otherwise specified by the Exchange in accordance with the Goods and Services Tax Act 2014.
- (2) Where a refund of any amount paid is not allowed under these Rules, no refund of the GST amount paid on such amount will be made by the Exchange.

*[Refer to Directive No. 3-001]*

[End of Chapter]

## CHAPTER 3

PARTICIPATING ORGANISATIONS AND  
REGISTERED PERSONS

## PART A PARTICIPATING ORGANISATIONS

**3.01 Qualification criteria**

To be eligible for admission as a Participating Organisation, an applicant must:

- (a) be a company incorporated in Malaysia and if the company has a constitution which states the objects of the company, having as one of the applicant's objects, the carrying on of the business of dealing in securities;
- (b) hold a valid Capital Markets Services Licence for dealing in securities;
- (c) upon admission as a Participating Organisation, satisfy all the financial requirements set out in Chapter 13 of these Rules;
- (d) have facilities and personnel adequate for the expeditious and orderly carrying on of the business of trading in securities on the Exchange's stock market;
- (e) upon admission as a Participating Organisation, register all the Participating Organisation's Registered Person under these Rules; and
- (f) comply with such other requirements as may be prescribed by the Exchange from time to time.

**3.02 Application procedure**

- (1) To become a Participating Organisation, an applicant must:
  - (a) apply to the Exchange in accordance with the requirements the Exchange stipulates; and

*[Refer to Directive No. 3-001]*

- (b) satisfy the qualification criteria stipulated in Rule 3.01.
- (2) The Exchange may accept or reject an application to be a Participating Organisation.
- (3) Notwithstanding the applicant meeting the qualification criteria under Rule 3.01, the Exchange may reject the applicant's application to be a Participating Organisation if:
  - (a) the applicant does not provide information relating to the application as the Exchange requires;
  - (b) any information or document that is furnished by the applicant to the Exchange is false or misleading;
  - (c) the applicant has failed to comply with any other requirement of the Securities Laws, these Rules and the Directives;
  - (d) the applicant is the subject of an investigation or proceeding involving an allegation of fraud or dishonesty, whether in or out of Malaysia;

**Chapter 3 – Participating Organisations and Registered Persons**

- (e) the admission of the applicant is not in the interest of an orderly and fair stock market; or
  - (f) the Exchange is of the opinion that the admission of the applicant may affect the optimum utilisation of the Exchange's facilities, taking into account risk management and any other considerations.
- (4) If the Exchange accepts an applicant's application to be a Participating Organisation, the applicant will be admitted as a Participating Organisation and the applicant's name will be entered into the Register.
- (5) The Exchange will categorise a Participating Organisation as follows:
- (a) Investment Bank;
  - (b) Universal Broker;
  - (c) Special Scheme Broker;
  - (d) 1 + 1 Broker; or
  - (e) Standalone Broker.

**3.03 Appeals**

- (1) If the Exchange rejects an application to be a Participating Organisation under this Rule, the applicant may appeal in writing to the Exchange within 14 days after the applicant is notified of the Exchange's decision.
- (2) The Exchange may affirm, vary or set aside the decision appealed against.
- (3) The Exchange's decision on appeal is final and binding on the appellant.

**3.04 Change of status**

If a Participating Organisation changes the Participating Organisation's status from one category to another based on the categorisation stipulated under Rule 3.02(5), the Participating Organisation must notify the Exchange in the manner the Exchange stipulates.

*[Refer to Directive No. 3-001]*

**3.05 Participantship**

- (1) Once admitted as a Participating Organisation, a Participating Organisation may:
- (a) have access to the markets or facilities established, maintained or operated by the Exchange, subject to these Rules and the Directives; and
  - (b) describe itself as a Participating Organisation of the Exchange.
- (2) A Participating Organisation is not permitted to transfer its Participantship in the Exchange to any other person.
- (3) A Participating Organisation will summarily cease to enjoy access to the markets or facilities maintained by the Exchange as described in Rule 3.05(1)(a) if the Participating Organisation:

### Chapter 3 – Participating Organisations and Registered Persons

- (a) is suspended;
  - (b) no longer holds a Capital Markets Services Licence for dealing in securities or has had its Capital Markets Services Licence for dealing in securities suspended;
  - (c) defaults in the Participating Organisation's payment or delivery obligation to the Clearing House arising from the purchase or sale of securities on the Exchange's stock market; or
  - (d) ceases to be a Participating Organisation.
- (4) A Participating Organisation must immediately notify the Exchange in writing upon becoming aware of the circumstance stipulated in Rule 3.05(3)(b).

#### 3.06 Continuing Obligations

Throughout the term of a Participating Organisation's Participanship, it must:

- (a) continuously satisfy the qualification criteria stated in Rule 3.01;
- (b) comply with and give effect to the Securities Laws and the Commission's requirements;
- (c) comply with and give effect to these Rules and the Directives whether or not the provisions are directed at the Participating Organisation specifically and to any undertaking given to the Exchange whether before or after admission as a Participating Organisation;
- (d) ensure that its constitution, if any, complies with or is consistent with these Rules or the Directives;
- (e) register with the Exchange the business address(es) from which it carries on its business of dealing in securities and the floor area and location of the premises from which trading is conducted its Principal Office and not change the such business address(es) or trading area without the prior written approval of the Exchange;
- (f) ~~have a registered address in Malaysia and~~ notify the Exchange in writing of any change to the Participating Organisation's registered address within 7 days after the change;
- (g) notify the Exchange in writing of any change to its name as registered by the Exchange within 7 days after the change;
- (h) not go into voluntary liquidation or apply for any order under Section 366 of the Companies Act without the Exchange's prior written approval; and
- (i) comply with the provisions of the rules of the Clearing House and Central Depository.

#### 3.07 Resignation

- (1) If a Participating Organisation intends to resign, it must:
- (a) give the Exchange at least 30 days' written notice stating the proposed date of resignation;
  - (b) satisfy the Exchange that it has taken, or will take, proper and adequate steps before the proposed date of resignation for the orderly winding down of its business of trading in securities on the Exchange's stock market including being able to fulfil all its obligations to the Exchange and its Clients; and

**Chapter 3 – Participating Organisations and Registered Persons**

- (c) stop entering into transactions within the time frame the Exchange stipulates.
- (2) The Exchange may accept or reject the Participating Organisation's resignation.
- (3) If the resignation is accepted, the Exchange will notify all other Participating Organisations of the effective date of resignation.
- (4) The resigning Participating Organisation's name will be removed from the Register on the effective date of resignation.

**3.08 Fees**

- (1) A Participating Organisation must pay the Exchange all fees and charges the Exchange stipulates in the manner and within the period the Exchange specifies.
- (2) A Participating Organisation that omits to pay the Exchange any fee, charge or the GST amount referred to in Rule 1.11(1) within the time frame the Exchange specifies will be sent a written demand for payment. If the amount due is not paid within the period stipulated in the written demand, the Exchange may summarily suspend, terminate or take any other action the Exchange thinks fit against the Participating Organisation and will notify the Participating Organisation concerned by notice in writing.

*[Refer to Directive No. 3-001]*

**3.09 Continuing liability**

- (1) A former Participating Organisation remains liable to disciplinary action for any breach of these Rules and all other Directives issued by the Exchange committed during the period while it was a Participating Organisation.
- (2) A former Participating Organisation must retain all its records for at least 7 years from the date of cessation and produce such records in a legible form to the Exchange upon demand.
- (3) All provisions in these Rules continue to apply in respect of the former Participating Organisation to the extent required to give effect to Rules 3.09(1) and 3.09(2).

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**PART B REGISTERED PERSON****3.10 Obligation to register**

A Participating Organisation must register the following persons with the Exchange:

- (a) Chief Executive Officer;
- (b) Director;
- (c) Head of Dealing;
- (d) Head of Operations;
- (e) Head of Compliance; and
- (f) Dealer's Representative.

**3.11 Registration procedures**

- (1) To register a person under Rule 3.10, a Participating Organisation must:
  - (a) submit the relevant documents to the Exchange in accordance with the requirements the Exchange stipulates; and
  - (b) make the submission only in respect of a person that satisfies the relevant qualification criteria applicable for the relevant category of Registered Person as stipulated in these Rules.
- (2) The Exchange may accept or reject a submission for registration as a Registered Person.
- (3) Notwithstanding the Registered Person meeting the relevant qualification criteria under these Rules, the Exchange may reject a submission for registration as a Registered Person if:
  - (a) the information relating to the submission as the Exchange requires is not provided;
  - (b) any information or document that is furnished to the Exchange is false or misleading;
  - (c) the proposed Registered Person has failed to comply with any other requirement of the Securities Laws, these Rules and the Directives;
  - (d) the proposed Registered Person is the subject of an investigation or proceeding involving an allegation of fraud or dishonesty, whether in or out of Malaysia; or
  - (e) the conduct of a Registered Person is not in the interest of a fair and orderly market.

*[Refer to Directive No. 3-001]*

**3.12 Appeals**

- (1) If the Exchange rejects a submission for registration under this Rule, the Participating Organisation may appeal in writing to the Exchange within 14 days after the Participating Organisation is notified of the Exchange's decision.
- (2) The Exchange may affirm, vary or set aside the decision appealed against.



- (3) The Exchange's decision on appeal is final and binding on the appellant.

### **3.13 Prohibition on performing functions until registered**

- (1) This Rule does not apply to Directors and Chief Executive Officers.
- (2) No person may perform the functions of a Registered Person of a Participating Organisation unless registered with the Exchange as such.

### **3.14 Obligations**

Throughout the term of a Registered Person's registration, a Registered Person must:

- (a) continuously satisfy the qualification criteria applicable to that Registered Person;
- (b) comply with and give effect to the Securities Laws and the Commission's requirements;
- (c) comply with and give effect to these Rules and the Directives and to any undertaking given to the Exchange whether before or after registration as a Registered Person;
- (d) observe professional conduct, standards of integrity and fair dealing;
- (e) exercise proper skill, care and diligence;
- (f) act honestly and in the best interest of the Client and the Participating Organisation;
- (g) carry out the Registered Person's duties in a manner that contributes to the maintenance of an orderly and fair stock market;
- (h) effectively discharge the Registered Person's duties while in office;
- (i) not act in a manner that may compromise the Registered Person's function and position;
- (j) comply with the Rules of the Clearing House and Central Depository; and
- (k) comply with and give effect to the structures, policies, procedures and internal controls implemented by the Participating Organisation pursuant to Rule 5.03.

### **3.15 Continuing Obligations**

- (1) A Registered Person must not:
- (a) cause, aid or abet a breach of these Rules or the Directives by a Participating Organisation; or
  - (b) permit, either knowingly or where the Registered Person had reasonable means of obtaining such knowledge, a Participating Organisation to commit a breach of these Rules or the Directives.
- (2) A Registered Person must exercise all such diligence to prevent the commission of the breach of these Rules or the Directives by the Participating Organisation as the Registered Person ought to have exercised, having regard to the nature of the Registered Person's functions in the Participating Organisation and to all relevant circumstances.

### **3.16 Duty to manage conflicts of interest**

**Chapter 3 – Participating Organisations and Registered Persons**

A Registered Person must identify and manage any potential or actual conflict of interests in relation to the discharge of obligations and functions under the Securities Laws, these Rules and the Directives.

**3.17 Notice of cessation**

A Participating Organisation must notify the Exchange in writing ~~at least 7~~ within 14 days ~~of before~~ the effective date of the Registered Person ceasing to hold the relevant office.

**3.18 Vacancy of Registered Person**

- (1) This Rule 3.18 only applies to a Head of Dealing, Head of Operations and Head of Compliance
- (2) If a vacancy occurs in the office of a person described in Rule 3.18(1), the Participating Organisation must fill the vacancy within 6 months from the date the vacancy occurs.
- (3) In the interim, the Participating Organisation must identify a person and require that person to temporarily assume the responsibility for the functions of the vacated office. The Participating Organisation must ensure that the person:
  - (a) has the relevant experience and seniority to undertake the relevant functions;
  - (b) complies with these Rules and the Directives except for the requirement for the Commission's approval to be appointed to the relevant vacated office; ~~and~~
  - (c) undertakes only such functions for a period not exceeding 6 months; ~~and~~
- (d4) is registered as a Registered Person in the manner the Exchange stipulates. The Participating Organisation must notify the Exchange in writing of the person assuming responsibility for the functions of the vacated office.

~~[Refer to Directive No. 3-001]~~

**3.19 Summary de-registration**

- (1) A Registered Person will summarily cease to be registered under these Rules if the Registered Person:
  - (a) becomes of unsound mind;
  - (b) is made bankrupt, whether in or out of Malaysia;
  - (c) no longer holds a Capital Markets Services Representative's Licence where the Registered Person is required to hold such licence under these Rules;
  - (d) is convicted, whether within or outside Malaysia, of an offence involving fraud or other dishonesty or violence or the conviction of which involved a finding that he acted fraudulently or dishonestly; or
  - (e) is convicted of an offence under the Securities Laws.
- (2) A Participating Organisation and Registered Person must immediately notify the Exchange in writing upon becoming aware of any of the above circumstances.

**3.20 Fees on registration**

A Participating Organisation must pay the Exchange all fees and charges the Exchange stipulates for the registration of a Registered Person in the manner and within the period the Exchange specifies.

*[Refer to Directive No. 3-001]*

**3.21 Continuing liability**

A former Registered Person remains subject to disciplinary action for any breach of these Rules and the Directives committed during the period while the person was a Registered Person and all provisions in these Rules continue to apply in respect of the former Registered Person to the extent required to give effect to this Rule 3.21.

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**PART C CHIEF EXECUTIVE OFFICER****3.22 Obligations**

- (1) Throughout the term of the Chief Executive Officer's registration, subject to Rule 3.22(2), the Chief Executive Officer must be responsible for:
  - (a) all the activities of the Participating Organisation in relation to the business of trading in securities on the stock market of the Exchange; and
  - (b) the compliance by the Participating Organisation with these Rules and the Directives.
- (2) Subject to these Rules, a Chief Executive Officer who is also registered as a Head of Dealing may only be responsible for activities of trading in securities while a CEO who is also registered as a Head of Operations must not be responsible for activities of trading in securities.

**3.23 Engagement in other business**

- (1) A Chief Executive Officer must not engage in or hold any interest in any other business unless:
  - (a) the directorship or appointment is non-executive in nature;
  - (b) there is no conflict of interests or duty with being a Chief Executive Officer of a Participating Organisation;
  - (c) the engagement or interest is not in breach of the conditions of Capital Markets Services Representative's Licence (if applicable); and
  - (d) the Chief Executive Officer has obtained the Participating Organisation's prior approval.
- (2) For the purpose of this Rule, 'engaging in any business' includes being a director or a debenture holder in any entity.

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**PART D HEADS****3.24 Minimum number of Heads**

A Participating Organisation must have at least 3 Heads, namely Head of Dealing, Head of Operations and Head of Compliance. No other person other than these Heads is permitted to discharge the respective functions of the Heads as stipulated in these Rules.

**3.25 Engagement in other business**

- (1) A Head of a Participating Organisation must not engage in or hold any interest in any other business unless:
  - (a) the directorship or appointment is non-executive in nature;
  - (b) there is no conflict of interests or duty with being a Head of a Participating Organisation;
  - (c) the engagement or interest is not in breach of conditions of the Capital Markets Services Representative's Licence (if applicable); and
  - (d) the Head has obtained the Participating Organisation's prior approval
- (2) For the purpose of this Rule, 'engaging in any business' includes being a director or a debenture holder in any entity.

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**PART E HEAD OF DEALING****3.26 Requirement**

- (1) A Participating Organisation must appoint at least 1 Head of Dealing.
- (2) A Participating Organisation that appoints more than 1 Head of Dealing must:
  - (a) clearly delineate and document the area and scope of responsibility of each Head of Dealing at the time of appointment of a Head of Dealing and if there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
  - (b) have every area of the Participating Organisation's business relating to trading in securities fall under the responsibility of at least 1 Head of Dealing.
- (3) All Heads of Dealing of a Participating Organisation are jointly responsible for any area relating to trading in securities that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Dealing.

**3.27 Qualification criteria**

A Head of Dealing appointed by a Participating Organisation must fulfil the following requirements:

- (a) is approved by the Commission as a Head of Dealing;
- (b) holds a Capital Markets Services Representative's Licence for dealing in securities; and
- (c) is registered with the Exchange as a Head of Dealing.

**3.28 Obligations**

Throughout the term of a Head of Dealing's registration, the Head of Dealing must:

- (a) continuously satisfy the qualification criteria stated in Rule 3.27;
- (b) be responsible for the activities of the Participating Organisation related to trading in securities; and
- (c) supervise and direct compliance with these Rules and the Directives by the Participating Organisation, Registered Persons, employees and agents on matters relating to trading in securities.

**3.29 Reporting**

- (1) A Head of Dealing must report directly to the Board of Directors of the Participating Organisation.
- (2) Rule 3.29(1) is not applicable to a Head of Dealing of an Investment Bank.

**PART F HEAD OF OPERATIONS****3.30 Requirement**

- (1) A Participating Organisation must appoint at least 1 Head of Operations.
- (2) A Participating Organisation that appoints more than 1 Head of Operations must:
  - (a) clearly delineate and document the area and scope of responsibility of each Head of Operations at the time of appointment of a Head of Operations and if there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
  - (b) have all the operational activities of the Participating Organisation relating to trading in securities (“operational activities”) fall under the responsibility of at least 1 Head of Operations.
- (3) All Heads of Operations of a Participating Organisation are jointly responsible for any operational activities of the Participating Organisation that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Operations.

**3.31 Qualification criteria**

A Head of Operations appointed by a Participating Organisation must fulfil the following requirements:

- (a) is approved by the Commission as a Head of Operations;
- (b) does not hold a Capital Markets Services Representative’s Licence; and
- (c) is registered with the Exchange as a Head of Operations.

**3.32 Obligations**

Throughout the term of a Head of Operation’s registration, the Head of Operations must:

- (a) continuously satisfy the qualification criteria stated on Rule 3.31;
- (b) be responsible for the Participating Organisation’s operational activities relating to trading in securities; and
- (c) supervise and direct compliance with these Rules and the Directives by the Participating Organisation, Registered Persons, employees and agents on matters relating to the Participating Organisation’s operational activities.

**3.33 Reporting**

- (1) A Head of Operations must report directly to the Board of Directors of the Participating Organisation.
- (2) Rule 3.33(1) is not applicable to a Head of Operations of an Investment Bank.

**PART G HEAD OF COMPLIANCE****3.34 Requirement**

- (1) A Participating Organisation must appoint at least 1 Head of Compliance.
- (2) A Participating Organisation that appoints more than 1 Head of Compliance must:
  - (a) clearly delineate and document the area and scope of responsibility of each Head of Compliance at the time of appointment of a Head of Compliance and if there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
  - (b) have every area relating to the compliance functions referred to in Rule 3.36(b) fall under the responsibility of at least 1 Head of Compliance.
- (3)
  - (a) Where a Participating Organisation outsources its compliance functions to the Group under Rule 5.17, the Participating Organisation must ensure that:
    - (i) the Group designates at least 1 dedicated compliance officer who must be responsible to ensure that the compliance functions of the Participating Organisation as stated in Rule 3.36 are carried out; and
    - (ii) the dedicated compliance officer is registered with the Exchange in accordance with this Part G of Chapter 3.
  - (b) Where a Participating Organisation has outsourced its compliance functions to the Group and has complied with Rule 3.34(3)(a), it may choose not to appoint a Head of Compliance.
  - (c) The provisions in this Part G of Chapter 3 are applicable to the dedicated compliance officer as though the dedicated compliance officer is the Head of Compliance unless stated otherwise.
- (4) All Heads of Compliance of a Participating Organisation are jointly responsible for any compliance function referred to in Rule 3.36(b) that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Compliance.

**3.35 Qualification criteria**

A Head of Compliance appointed by a Participating Organisation must fulfil the following requirements:

- (a) is approved by the Commission as a Head of Compliance;
- (b) does not hold a Capital Markets Services Representative's Licence; and
- (c) is registered with the Exchange as a Head of Compliance.

**3.36 Obligations**

Throughout the term of a Head of Compliance's registration, the Head of Compliance must:

- (a) continuously satisfy the qualification criteria stated in Rule 3.35; and



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- (b) be responsible for the following compliance functions:
- (i) to supervise and direct overall compliance with the Securities Laws, these Rules and the Directives by the Participating Organisation and the Participating Organisation's Registered Persons, employees and agents and in this respect, to carry out proper checks and reviews to monitor and ensure overall compliance; and
  - (ii) to advise and guide the Participating Organisation and the Participating Organisation's Registered Persons, employees and agents on requirements of the Securities Laws, these Rules and the Directives that the Participating Organisation and the Participating Organisation's Registered Persons, employees and agents need to comply with in the conduct of the Participating Organisation's business.

*[Refer to Directive No. 3.36-001]*

### **3.37 Reporting**

- (1) A Head of Compliance must report directly to the Board of Directors of the Participating Organisation.

*[Refer to Directive No. 6.08-001]*

- (2) Rule 3.37(1) is not applicable to a Head of Compliance of an Investment Bank.

### **3.38 Reporting of breaches or irregularities**

- (1) A Head of Compliance must immediately report to the Participating Organisation's Board of Directors and the Exchange if the Head of Compliance becomes aware of any matter with reasonable diligence or assessment that:
- (a) constitutes a breach of any provision of the Securities Laws;
  - (b) involves the potential default of the Participating Organisation against the Clearing House or other counterparty;
  - (c) results in a significant drop to the financial position of the Participating Organisation;
  - (d) has significant adverse effect on the Client's assets the Participating Organisation holds;
  - (e) has significantly adverse effect on the risk position and financial integrity of the Participating Organisation;
  - (f) has resulted in a regulatory or disciplinary action being taken against the Participating Organisation or any of the Participating Organisation's Registered Persons, employees or agents by any other regulatory authority;
  - (g) involves fraudulent conduct by the Participating Organisation's Registered Person, employee or agent of the Participating Organisation; or
  - (h) adversely affects the Participating Organisation's ability to comply with these Rules.
- (2) In addition to the reporting requirement in Rule 3.38(1), the Head of Compliance must immediately report to the Commission upon becoming aware of any matter under Rule 3.38(1)(a).

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- (3) The Head of Compliance must inform the Exchange (in relation to matters reported under Rule 3.38(1)) and the Commission (in relation to matters reported under Rule 3.38(2)) of:
- (a) the Board of Directors' decision in relation to the matter and the corrective measures and decided courses of action the Board of Directors will take or have taken, within 30 days of reporting to the Board of Directors under Rule 3.38(1); and
  - (b) the completion of the measures and actions taken, if any.
- (4) In the case of an Investment Bank, the Head of Compliance of the Investment Bank must report on matters set out in Rule 3.38(1) to the board of directors or committee to whom the Head of Compliance is required to report under the Guidelines on Investment Banks. In this regard, references to the Board of Directors in Rules 3.38(1) and 3.38(3) are to be read to include the board of directors or committee a Head of Compliance of an Investment Bank reports to under the Guidelines on Investment Banks.

**3.39 Reporting on compliance matters**

- (1) A Head of Compliance may bring matters pertaining to compliance to the attention of any of the Heads or other senior management of the Participating Organisation for appropriate action to be taken.
- (2) A Head of Compliance must:
- (a) report directly to the Participating Organisation's Board of Directors; and
  - (b) submit monthly written reports to the Participating Organisation's Board of Directors on all matters pertaining to compliance with the Securities Laws, these Rules and the Directives.

*[Refer to Best Practice No. 3.39(2)-001]*

- (3) In the case of an Investment Bank, the reporting and monthly written reports referred to in Rule 3.39(2) must be made to the relevant person or committee to whom the Head of Compliance of an Investment Bank reports under the Guidelines on Investment Banks.
- (4) The Participating Organisation's Board of Directors or in the case of an Investment Bank, the person or committee to whom the Head of Compliance of an Investment Bank reports, must deliberate on the written reports and decide on the appropriate action to be taken.
- (5) A Head of Compliance must submit the written reports referred to in Rule 3.39(2)(b) to the Exchange on a monthly basis.

*[Refer to Directive No. 3.39(5)-001]*

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**PART H DIRECTORS****3.40 Requirement**

A Participating Organisation must register the Participating Organisation's Directors with the Exchange.

**3.41 Obligations**

Throughout the term of a Director's registration, the Director must be responsible for:

- (a) all the activities of the Participating Organisation;
- (b) compliance with these Rules, the Directives and Securities Laws by the Participating Organisation and the Participating Organisation's Registered Persons, employees and agents; and
- (c) satisfying the qualifications the Commission or the Central Bank (for a Director of an Investment Bank) stipulates.

**3.42 Engagement in Other business**

- (1) A Director of a Participating Organisation must not engage in or hold any interest in any other business unless:
  - (a) there is no conflict of interests and duty with being a Director of a Participating Organisation;
  - (b) the engagement or interest is not in breach of conditions of the Capital Markets Services Representative's Licence (if applicable); and
  - (c) the Director has obtained the Participating Organisation's prior approval.
- (2) In this Rule, "engaging in any business" includes being a director of or a debenture holder in any entity.

**3.43 Deeming provision**

- (1) A Director of a Participating Organisation who was, immediately prior to the Conversion Date, a member of the Exchange Holding Company is deemed a Registered Person after the Conversion Date(s) until the Director ceases to be a Registered Person(s) in accordance with these Rules and must continue to be bound by these Rules and the Directives.
- (2) A reference to a Director in the Director's former capacity as a member of the Exchange Holding Company in any undertaking, declaration, indemnity or other document will be construed as reference to the Director in the Director's capacity as a Registered Person.

**PART I DEALER'S REPRESENTATIVES****3.44 Categories**

The categories of Dealer's Representatives are:

- (a) Commissioned Dealer's Representatives;
- (b) Salaried Dealer's Representatives; and
- (c) Proprietary Day Traders.

**3.45 Requirement**

- (1) A Participating Organisation must register the Participating Organisation's Dealer's Representatives with the Exchange.
- (2) The registration of a Proprietary Day Trader is a privilege granted by the Exchange to the Participating Organisation and the Proprietary Day Trader. As such the Exchange may reject an application for registration of a Proprietary Day Trader without assigning any reason for the rejection.

**3.46 Qualification criteria**

- (1) A Dealer's Representative appointed by a Participating Organisation must fulfil the following requirements:
  - (a) holds a Capital Markets Services Representative's Licence for dealing in securities; and
  - (b) is registered with the Exchange as a Dealer's Representative based on the categories in Rule 3.44.
- (2) In addition to the requirements in Rule 3.46(1), a Proprietary Day Trader appointed by a Participating Organisation must also not hold a Capital Markets Services Representative's Licence for dealing in derivatives.

**3.47 Obligations of a Dealer's Representative**

- (1) Throughout the term of a Dealer's Representative's registration with the Exchange, the Dealer's Representative must:
  - (a) continuously satisfy the qualification criteria stated in Rule 3.46;
  - (b) act for only 1 Participating Organisation;
  - (c) be employed or engaged on a full-time basis by a Participating Organisation;
  - (d) ~~only operate as a Dealer's Representative from a place approved by the Commission; [Deleted]~~
  - (e) be of good character and act faithfully for and on behalf of the Participating Organisation in all the Dealer's Representative's dealings;

**Chapter 3 – Participating Organisations and  
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- (f) not accept payment from Clients or hold any Client's assets in the Dealer's Representative's name and must ensure that Clients make payments and lodgement of assets directly to the Participating Organisation;

*[Refer to Directive No. 3.47(1)-001]*

- (g) not engage in or hold any interest in any other business unless:
- (i) the directorship or appointment is non-executive in nature;
  - (ii) there is no conflict of interests or duty with being a Dealer's Representative of a Participating Organisation;
  - (iii) the engagement or interest is not in breach of conditions of the Capital Market Services Representative's licence; and
  - (iv) the Dealer's Representative has obtained the Participating Organisation's prior approval;
- (h) ~~not operate as a Dealer's Representative from a particular location on a continuous basis so as to be construed as carrying on a business of dealing in securities at that location unless that location is approved by the Exchange or the Commission as a place from where the Dealer's Representative's Participating Organisation may carry on the Participating Organisation's business; not carry on the business of dealing in securities outside the Principal Office or a Branch Office of the Participating Organisation unless the Dealer's Representative has obtained the Participating Organisation's prior approval;~~

*[Refer to Directive No. 3.47(1)-002]*

- (i) if the Dealer's Representative trades on Client's behalf, properly verify the Client's identity and the authenticity of the application;
  - (j) if the Dealer's Representative is a Proprietary Day Trader, only operate the Day Trading Activities Account and no other account, on such conditions as the Exchange may prescribe;
  - (k) not undertake trading for the Participating Organisation's Client if the Dealer's Representative undertakes proprietary trading for the Participating Organisation and vice versa;
  - (l) not, without proper authority, make use of another person's account particulars; and
  - (m) not apply any amount paid or securities deposited by a Client:
    - (i) to any person not entitled; or
    - (ii) for payment into an account other than the said Client's trading account.
- (2) In Rule 3.47(1):
- (a) "engaging in any business" includes being a director of or a debenture holder in any entity; and
  - (b) "Day Trading Activities Account" refers to trading account opened in the name of a Participating Organisation and used by the Participating Organisation for Day Trading.

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- (3) A Dealer's Representative is liable for any loss arising from the Dealer's Representative failing to properly verify the Client's identity and the authenticity of the application under Rule 3.47(1)(i).

**3.48 Scope of activities**

A Dealer's Representative must comply with the restrictions set out in Schedule 1 in respect of the scope of a Dealer's Representative's activities.

**3.49 Remuneration**

A Dealer's Representative must not share the remuneration or commission paid with any person except as provided in Rule 11.02(3A).

**3.50 Segregation of assets**

- (1) A Participating Organisation must segregate and safeguard the DR Security Deposit from:
- (a) the Participating Organisation's assets and securities; and
  - (b) other securities the Participating Organisation holds on behalf of the Participating Organisation's Clients.
- (2) A Participating Organisation must place all cash DR Security Deposits the Participating Organisation receives in a trust account maintained with a Licensed Institution.

**3.51 Movement of Dealer's Representative**

~~A Participating Organisation must notify the Exchange in writing of any transfer of a Dealer's Representative within the different offices of the Participating Organisation. [Deleted]~~

~~*[Refer to Directive No. 3-001]*~~

**3.52 Re-designation**

- (1) A Participating Organisation must notify the Exchange of a Commissioned Dealer's Representative's re-designation to a Salaried Dealer's Representative or vice versa within 14 days from the effective date of the re-designation.
- (2) A Participating Organisation must apply to the Exchange in the manner the Exchange specifies for a Commissioned Dealer's Representative or a Salaried Dealer's Representative re-designation to a Proprietary Day Trader. The Exchange may disallow the re-designation as the Exchange deems fit.
- (3) A Participating Organisation must notify the Exchange of a Proprietary Day Trader's re-designation to either a Commissioned Dealer's Representative or Salaried Dealer's Representative at least 3 days prior to the effective date of the re-designation and make payment of any fees prescribed by the Exchange.

*[Refer to Directive No. 3-001]*

**3.53 Transfer**

**Chapter 3 – Participating Organisations and Registered Persons**

- (1) A Participating Organisation must obtain the Exchange's approval to transfer the registration of a person it wishes to employ or engage as its Dealer's Representative who:
  - (a) is employed or engaged by another Participating Organisation as a Dealer's Representative; or
  - (b) was not more than 6 months prior to the intended date of employment or engagement, employed or engaged by another Participating Organisation as a Dealer's Representative.
- (2) To obtain approval to transfer the registration of a Dealer's Representative, a Participating Organisation must:
  - (a) apply to the Exchange in the manner the Exchange stipulates;
  - (b) pay the transfer fee the Exchange stipulates; and
  - (c) in the circumstances stated in Rule 3.53(1)(a), submit a letter of release from the Participating Organisation that the Dealer's Representative is ~~or was~~ employed or engaged with.
- (3) A Participating Organisation must give a letter of release to a Dealer's Representative who requests for such letter within a reasonable timeframe unless the Dealer's Representative:
  - (a) is in material breach of any of these Rules or the Directives; or
  - (b) has debt(s) owing of RM50,000 or more to the Participating Organisation.

If there is a dispute on whether a particular breach constitutes a material breach of these Rules or the Directives, the Exchange will decide on such dispute. The Exchange's decision on the matter is final and binding.

*[Refer to Directive No. 3-001]*

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**PART J PROTECTION OF PUBLIC, CLIENT AND EXCHANGE'S INTEREST****3.54 Powers of the Exchange**

The Exchange may summarily take such action the Exchange thinks fit against a Participating Organisation or Registered Person to protect the interests of Clients, the public or the Exchange if the Exchange is of the opinion that:

- (a) the manner in which the Participating Organisation or Registered Person conducts the Participating Organisation's business is or is likely to be detrimental to Clients, the public or the Exchange;
- (b) the Participating Organisation or Registered Person has committed an act or omission that is or is likely to be detrimental to Clients, the public or the Exchange;
- (c) the financial position or reputation of the Participating Organisation or Registered Person has a detrimental effect or is likely to be detrimental to Clients, the public or the Exchange.

*[Refer to Directive No. 3.54-001]*

[End of Chapter]



**CHAPTER 4 MARKET MAKERS****PART A REGISTRATION OF A MARKET MAKER****4.01 Qualification Criteria**

- (1) An applicant who intends to apply to be a Market Maker for a Specified Security must be an entity that fulfils any one of the following requirements:
- (a) a Participating Organisation;
  - (b) a licensed bank or licensed merchant bank as defined in the BAFIA;
  - (c) a Related Corporation of (a) or (b) above, incorporated under the Companies Act and has:
    - (i) a minimum shareholders' fund of RM2,000,000.00; and
    - (ii) at least 2 personnel with at least 5 years' experience in the following:
      - (aa) trading in securities as a Dealer's Representative or dealing in derivatives as a Futures Broker's Representative;
      - (bb) trading in treasury related instruments of a financial institution;
      - (cc) trading in securities as a dealer on a Recognised Stock Exchange; or
      - (dd) trading in derivatives as a dealer on a Specified Exchange as defined in the Derivatives Exchange Rules;
  - (d) a foreign securities broker or foreign derivatives broker in a jurisdiction where the broker is regulated by a regulator who is a signatory to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding ("IOSCO MMOU") or the Declaration on Cooperation and Supervision of International Futures Markets and Clearing Organisations ("BOCA Declaration") respectively ("Foreign Broker") and fulfils the following:
    - (i) has a minimum paid up capital of equivalent RM2,000,000.00 ; and
    - (ii) has the following experience:
      - (aa) at least 3 years' Market Making experience; or
      - (bb) at least 2 personnel with at least 3 years' experience in Market Making and is related to a company who is also a Foreign Broker which has at least 3 years Market Making experience; or
  - (e) a Related Corporation of (d) above, incorporated under the Companies Act and fulfils the following:
    - (i) has a minimum paid up capital of RM2,000,000.00;
    - (ii) has at least 2 personnel with at least 3 years' experience in Market Making; and
    - (iii) the Foreign Broker which is its Related Corporation has at least 3 years' experience in Market Making.

## Chapter 4 – Market Makers

- (2) In addition to the requirements in Rule 4.01(1) an applicant to be a Market Maker must also fulfil the following requirements:
- (a) has in place facilities and personnel adequate for the expeditious and orderly carrying out of its business of Market Making; and
  - (b) has in place a supervisory programme and system of internal controls in respect of:
    - (i) the business of Market Making;
    - (ii) undertaking of risk management;
    - (iii) management of conflict of interest; and
    - (iv) compliance with these Rules.

**4.02 Application Procedure**

- (1) An applicant ~~must apply as a Market Maker in respect of each Specified Security that the applicant intends to do Market Making for who intends to apply to be a Market Maker for a Specified Security must apply to the Exchange in accordance with the Exchange's requirements and comply with any requirements as may be imposed by the Exchange.~~
- ~~(2) The applicant must comply with any application procedure and submit the relevant information and documents as determined by the Exchange.~~

*[Refer to Directive No. 4-001]*

- ~~(32)~~ Notwithstanding the applicant meeting the qualification criteria set out in Part A of this Chapter 4, the Exchange may reject an application to register as a Market Maker in circumstances the Exchange deems fit.

**4.03 Continuing Obligations**

Throughout the term of its registration as a Market Maker, it must:

- (a) continuously comply with the qualification criteria stated under Part A of this Chapter 4;
- (b) immediately notify the Exchange in writing of:
  - (i) any change that will disqualify it as a Market Maker based on Part A of this Chapter 4;
  - (ii) any change in the place of business of the Market Maker; and
  - (iii) change in name of the Market Maker; and
- (c) comply with and give effect to these Rules and Directives whether or not the provisions are directed at the Market Maker specifically.

**4.04 General**

Where the Exchange issues directives to modify the application of these Rules, in so doing, the Exchange may impose terms and conditions for compliance by Market Makers of certain types of securities specified by the Exchange, where deemed necessary or appropriate.

**PART B OBLIGATIONS OF A MARKET MAKER****4.05 Bid and Offer Prices**

- (1) A Market Maker for a Specified Security must enter bid and offer prices into the order book in the ATS for the purpose of buying and selling of the Specified Security as follows:
  - (a) with a minimum presence as stipulated by the Exchange;
  - (b) within the maximum spread allowed by the Exchange; and
  - (c) in not less than the minimum quantity allowed by the Exchange.
- (2) A Market Maker may be exempted from entering bid and offer prices as required under Rule 4.05(1) in circumstances deemed fit or allowed by the Exchange.

*[Refer to Directive No. 4-001]*

**4.06 Designated Trading Account and Designated Securities Account**

A Market Maker must undertake all Market Making activities through trading accounts and Securities Accounts designated specifically for Market Making activities based on the terms stipulated by the Exchange.

*[Refer to Directive No. 4-001]*

**4.07 Conduct by Market Maker**

- (1) A Market Maker may only carry out its Market Making activities for its proprietary position and not for Clients or its Related Corporations.
- (2) A Market Maker may carry out Permitted Short Selling as stipulated under Part D of this Chapter 4 in the course of fulfilling its obligations under Rule 4.05(1).
- (3) If a Market Maker is not a Participating Organisation, the Market Maker must enter the bid and offer prices into the order book in the ATS through a Participating Organisation.
- (4) A Market Maker must notify the Exchange immediately if it is unable to fulfil its Market Making obligations for any reason whatsoever and later when it is able to resume its Market Making obligations under Rule 4.05(1).
- (5) A Market Maker must avoid any act or practice which is likely to:
  - (a) lead to a false or misleading appearance of active trading in any securities on the stock market of the Exchange or a false or misleading appearance with respect to the market for, or the price of, any such securities; or
  - (b) directly or indirectly be tantamount to stock market manipulations,and must not participate in any operation by others which might have the same result.

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**PART C RESIGNATION****4.08 Resignation**

- (1) If a Market Maker wishes to resign as a Market Maker of a Specified Security, it must give a written notice to the Exchange of its intention to resign not less than 30 days prior to the proposed date of resignation.
- (2) The Exchange may accept the Market Maker's resignation subject to any conditions.

**4.09 Termination, Suspension or Restriction of Market Making Activity**

The Exchange may summarily suspend or terminate a Market Maker or restrict its Market Making activities if:

- (a) the Market Maker has been wound up whether on a voluntary basis or otherwise;
- (b) a receiver and manager, provisional liquidator or liquidator has been appointed for the Market Maker;
- (c) the Market Maker fails to fulfil any of the requirements in Part A of this Chapter 4;
- (d) the Market Maker is convicted of any offence in or outside of Malaysia involving dishonesty or fraud or had disciplinary action taken against it for breaches involving dishonesty or fraud; or
- (e) the Market Maker continuously breaches its obligations under Rule 4.05(1) for a period determined by the Exchange.

**4.10 Continuing Liability**

- (1) A Market Maker who has resigned or whose registration is terminated by the Exchange, remains liable to disciplinary action for any breach of these Rules or Directives committed during the period while it was a Market Maker.
- (2) All provisions in these Rules will continue to apply in respect of the former Market Maker to the extent required to give effect to Rule 4.10(1).

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**PART D PERMITTED SHORTSELLING****4.11 General**

- (1) A Market Maker may execute Permitted Short Selling for an ETF for which it is registered as a Market Maker, in the manner set out in Part D of this Chapter 4 and the Capital Markets Services (Non-Application of Subsection 98(1))(Exchange Traded Funds) Order 2009.
- (2) Unless it is otherwise provided in Part D of this Chapter 4, all other provisions in these Rules apply to Permitted Short Selling, as if they were normal sales of securities.
- (3) In Part D of this Chapter 4, ETFs refer to Equity-based Exchange Traded Funds which are Specified Securities only.

**4.12 Commencement of Permitted Short Selling**

A Market Maker may commence Permitted Short Selling only if the Market Maker has:

- (a) established Internal Guidelines for Permitted Short Selling;
- (b) put in place systems and infrastructure that include front office and back office systems which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Permitted Short Selling in accordance with Part D of this Chapter 4; and
- (c) notified the Exchange that it intends to carry out Permitted Short Selling and provided to the Exchange the form stipulated in Appendix 5, 2 Market Days prior to the commencement of Permitted Short Selling.

*[Refer to Directive No. 4-001]*

**4.13 Execution**

- (1) A Market Maker intending to shortsell ETF units pursuant to Permitted Short Selling must comply with either of the following prior to execution of the order to shortsell –
  - (a) it has borrowed through SBL or purchased through ISSBNT, the ETF units or the Constituent Securities needed for the creation of the ETF units to settle the sale; or
  - (b) it has obtained a confirmation from the Authorised SBL Participant or Authorised ISSBNT Participant, as the case may be, that the above ETF units or Constituent Securities, are available for the Market Maker to use to settle the sale.
- (2) A Market Maker intending to shortsell the Constituent Securities pursuant to Permitted Short Selling, must comply with either of the following prior to execution of the order to shortsell –
  - (a) it has borrowed through SBL or purchased through ISSBNT, the Constituent Securities or the ETF units needed to redeem the units of Constituent Securities to settle the sale; or
  - (b) it has obtained a confirmation from the Authorised SBL Participant or Authorised ISSBNT Participant, as the case may be, that the above Constituent Securities or ETF units, are available for the Market Maker to use to settle the sale.
- (3) All Permitted Short Selling must be executed in the designated trading accounts and Securities Accounts stipulated in Rule 4.06.

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- (4) A Market Maker must not execute Permitted Short Selling by way of a Direct Business Transaction.
- (5) A Market Maker must execute the following purchases through the designated trading accounts and Securities Accounts as stipulated by the Exchange after a shortsale for ETF units or Constituent Securities is executed:
  - (a) a purchase of any of the Constituent Securities or derivatives for the purposes of hedging of the short sale of ETF units within the same Market Day, if the short sale is in relation to ETF units; or
  - (b) a purchase of ETF units or derivatives for the purposes of hedging of the short sale of the Constituent Securities within the same Market Day, if the short sale is in relation to Constituent Securities.

*[Refer to Directive No. 4-001]*

- (6) A Market Maker must procure and retain proper documents for at least 7 years for the purpose of satisfying the Exchange when requested, that the Market Maker has complied with the requirements of Rule 4.13(1) and Rule 4.13(3). The documents must be either in writing, tape recording or electronic form.
- (7) A Market Maker must not execute Permitted Short Selling in any of the following circumstances:
  - (a) in relation to the Constituent Securities, during the period of 21 days immediately following a takeover announcement involving the Issuer of the Constituent Securities; or
  - (b) when expressly directed by the Exchange, during the period where the ETF or its Constituent Securities has been declared, and remains, as Designated Securities under Part C of Chapter 7.

#### **4.14 Limits for Permitted Short Selling**

A Market Maker must comply with the following limits in relation to Permitted Short Selling:

- (a) the total value of short positions of ETF units must not exceed the total value of the purchase positions for the Constituent Securities and derivatives purchased for purposes of hedging the shortsale of ETF units, by 10%, when calculated at the end of the Market Day;
- (b) the total value of short positions of Constituent Securities must not exceed the total value of the purchase positions for ETF units and the derivatives purchased for purposes of hedging the shortsale of Constituent Securities by 10%, when calculated at the end of the Market Day; and
- (c) the total quantity of short positions for each Constituent Securities must not exceed the quantity of each Constituent Securities required for the creation of the ETF units by 15%, when calculated at the end of the Market Day.

#### **4.15 Delivery and Settlement**

The Rules relating to delivery and settlement under Chapter 9 apply to Permitted Short Selling in the same manner as they apply to normal sales.

#### **4.16 Action by the Exchange**

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- (1) The Exchange may take any of the actions enumerated under Rule 4.16(2) summarily against a Market Maker or its Registered Person in relation to Permitted Short Selling if:
  - (a) there is a breach or likelihood of breach of any provisions in Part D of this Chapter 4; or
  - (b) the execution of Permitted Short Selling is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
  
- (2) Pursuant to Rule 4.16(1) the Exchange may take any one or more of the following actions:
  - (a) suspend or direct the Market Maker or its Registered Person to cease further Permitted Short Selling whether in relation to all, some or a particular ETF or Constituent Securities for which the Market Maker is authorised to carry out Market Making activities;
  - (b) impose restrictions or conditions on Permitted Short Selling carried out by the Market Maker or its Registered Person; or
  - (c) any other action deemed fit by the Exchange.

[End of Chapter]

**CHAPTER 5 CONDUCT OF BUSINESS****PART A GENERAL REQUIREMENTS****5.01 Standard of conduct**

A Participating Organisation and Registered Person must, in the conduct of the Participating Organisation's business:

- (a) adhere to just and equitable principles and act with due skill, care and diligence and with due regard for the integrity of the market; and
- (b) not through any act or omission, do anything which may result in or has the effect of the market not being orderly and fair.

*[Refer to Directive No. 5-001]*

**5.02 Conflicts of interest and risk management**

A Participating Organisation must have in place adequate arrangements to manage:

- (a) all conflicts of interests that may arise in the conduct of the Participating Organisation's business; and
- (b) all risks that may arise in the conduct of the Participating Organisation's business.

*[Refer to Directive No. 5-001]*

**5.03 Structures, internal controls, policies and procedures**

(1) A Participating Organisation must have in place structures, internal controls and written policies and procedures designed to:

- (a) facilitate the supervision of the Participating Organisation's business activities and the conduct of the Participating Organisation's Registered Persons, employees and agents;
- (b) identify, monitor and manage conflicts of interests and risks that may arise in the conduct of the Participating Organisation's business;
- (c) achieve compliance with these Rules, the Directives, and the Securities Laws; and
- (d) provide for investor protection,

(referred to collectively in this Rule as "Policies and Procedures").

*[Refer to Directive No. 5-001]*

(2) A Participating Organisation must consider all relevant factors in determining the adequacy and effectiveness of the Policies and Procedures including the:

- (a) size of the Participating Organisation's business;
- (b) Participating Organisation's financial position;



## Chapter 5 – Conduct of Business

- (c) diversity of operations;
  - (d) volume, size and frequency of transactions;
  - (e) degree of risk associated with each area of operation; and
  - (f) amount of control by the Participating Organisation's senior management over day to day operations.
- (3) A Participating Organisation must properly document and regularly review and update the Participating Organisation's Policies and Procedures to take into account any changes that may occur in the regulatory requirements.
- (4) A Participating Organisation must properly disseminate and effectively implement and enforce within the Participating Organisation, the Policies and Procedures and any updates to such Policies and Procedures.

*[Refer to Directives No. 5-002 and 5.03-001]*

**5.04 Records**

- (1) A Participating Organisation must keep proper records to evidence compliance with the requirements in these Rules, and when expressly required under any provisions of these Rules or Directives.

*[Refer to Directive No. 5-001]*

- (2) The records specified under Rule 5.04(1) must be maintained by the Participating Organisation for a period as specified under the relevant laws in Malaysia or in the absence of such laws, for a period of not less than 7 years.

**5.05 Business premises**

A Participating Organisation must have:

- (a) business premises that are adequately and properly equipped for the conduct of the Participating Organisation's business; and
- (b) adequate security and emergency arrangements to provide continuous business operations with minimal disruptions.

*[Refer to Directive No. 5.05-001]*

**5.06 Advertising**

A Participating Organisation's advertising or publicity in relation to the Participating Organisation's business must:

- (a) be accurate and not misleading or ambiguous;
- (b) not contain claims that are not verifiable;
- (c) not tend to bring the Exchange or the Exchange's Related Corporations or any other Participating Organisation into disrepute; and
- (d) contain adequate risk disclosure statements.

**5.07 Communication within the Participating Organisation**

A Participating Organisation must immediately disseminate these Rules, Directives and requirements the Exchange and the Commission issue to all the Participating Organisation's Registered Persons and relevant employees.

**5.08 Disputes**

- (1) Any dispute between parties referred to in Rule 5.08(7) may be brought to the Exchange, by notice in writing by either party to the dispute ("Notice of Dispute").
- (2) The parties to a dispute notified to the Exchange under Rule 5.08(1) must not resort to any outside tribunal or a court of law for determination of such dispute for a period of 30 days from the Exchange's receipt of the Notice of Dispute.
- (3) If there is no response from the Exchange within 30 days from the Exchange's receipt of the Notice of Dispute, the parties to the dispute may resort to an outside tribunal or a court of law for determination of such dispute.
- (4) If the Exchange decides to act in any such dispute, the Exchange will so inform the party or parties to the dispute within the period of 30 days from the Exchange's receipt of the Notice of Dispute.
- (5) The Exchange when acting in any dispute may appoint either 1 or 3 arbitrators to adjudicate the dispute if the parties to the dispute fail to reach an agreement for settlement of the matter in dispute.
- (6) Any arbitrator(s) appointed by the Exchange under Rule 5.08(5) will arbitrate the matter in dispute in accordance with the provisions of the Arbitration Act 2005. The award of such arbitrator(s) is final and binding upon the parties to such dispute.
- (7) For the purposes of this Rule 5.08:
  - (a) "dispute" means a dispute arising out of any matter governed by these Rules or Directives between or involving:
    - (i) Market Participants; or
    - (ii) Market Participants and the Exchange.
  - (b) "Market Participants" means Participating Organisations, Dealer's Representatives or both.

**5.09 Statements, information and reports to the Exchange**

- (1) A Participating Organisation and Registered Person must ensure that any statement, information or document submitted to the Exchange whether before or after registration as a Participating Organisation or a Registered Person in relation to any matter under these Rules or Directives must:
  - (a) be clear, unambiguous and accurate;
  - (b) not contain any material omission; and
  - (c) not be false or misleading.

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- (2) If any statement, information or document the Exchange receives from or on behalf of a Participating Organisation or Registered Person breaches the requirements in Rule 5.09(1), the Participating Organisation and the relevant Registered Person will be held responsible for such breach notwithstanding that the statement, information or document was signed or submitted by a person other than the relevant Registered Person.
- (3) A Participating Organisation or Registered Person does not commit a breach of Rule 5.09(1) above if a Participating Organisation or Registered Person can prove that:-
  - (a) all enquiries as were reasonable in the circumstances had been made; and
  - (b) after making such enquiries, the relevant Participating Organisation or Registered Person had reasonable grounds and did believe until the time of the presentation, submission or disclosure of the statement, information or document to the Exchange that the statement, information or document did fulfil the requirements of Rule 5.09(1).
- (4) A Participating Organisation or Registered Person must immediately notify the Exchange if the Participating Organisation or Registered Person becomes aware that any statement, information or document provided to the Exchange may not fulfil the requirements in Rule 5.09(1).

**5.10 Currency**

- (1) Unless stated otherwise, all Rules containing references to RM values which relate to transactions in securities, will also apply to all transactions in securities denominated in foreign currency. In order to apply the Rules, the foreign currency values must be converted to RM values.
- (2) Unless stated otherwise, all monies payable to the Participating Organisation from the Exchange or from the Participating Organisation to the Exchange pursuant to these Rules or the Directives will be in RM even where the monies payable relate to transactions in securities denominated in foreign currency.

**5.11 Segregation of Client's Securities**

A Participating Organisation must ensure that all Clients' securities in its possession which are held in safe custody pursuant to custodial services rendered by the Participating Organisation, are held by its nominee company which is a wholly-owned subsidiary and an Authorised Nominee pursuant to Depository Rules.

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## PART B      RESOURCES

### 5.12 Proper performance of business activities

- (1) A Participating Organisation must have adequate and effective resources for the proper performance of the Participating Organisation's business activities.
- (2) A Participating Organisation is responsible for the quality, reliability and integrity of all systems the Participating Organisation uses in the Participating Organisation's business in trading in securities on the Exchange's stock market.

### 5.13 Personnel

- ~~(1) — A Participating Organisation must only employ or engage Registered Persons, employees and agents who are fit and proper with suitable skill and experience with regard to the position and responsibility they hold.~~

~~[Refer to Directive No. 5.13(1)-0015-001]~~

- ~~(2) — A Participating Organisation must ensure that the employee or agent of the Participating Organisation does not operate from a particular location on a continuous basis unless that location is approved by the Exchange or the Commission as a place from where the Participating Organisation may carry on the activities specified by the Exchange. [Deleted]~~

~~[Refer to Directive No. 5-001]~~

### 5.14 Trading Clerks

- (1) A Participating Organisation or a Dealer's Representative may appoint a Trading Clerk to assist the Participating Organisation or Dealer's Representative in entering orders into the ATS and in carrying out administrative and clerical duties.
- (2) A Participating Organisation and the Dealer's Representative who appoints the Trading Clerk must ensure that the Trading Clerk:
  - (a) does not represent himself as a Dealer's Representative or carry out the functions of a Dealer's Representative;

~~[Refer to Directive No. 5-001]~~

- (b) observes professional conduct, standard of integrity and fair dealing;
  - (c) exercises proper skill, care and diligence; and
  - (d) acts honestly and in the best interest of the Client and the Participating Organisation.
- (3) A Participating Organisation must keep a record of each Trading Clerk, appointed or engaged by the Participating Organisation or the Dealer's Representative.
- (4) A Participating Organisation and the Dealer's Representative who appoint the Trading Clerk are liable for all acts and omissions of the Trading Clerk.

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**PART C      CLIENTS****5.15 Client information and opening of accounts with Clients**

- (1) Before a Participating Organisation opens a trading account for a Client, the Participating Organisation must:
- (a) obtain all essential information about the Client relevant to the services to be provided; and
  - (b) verify the Client's identity and the authenticity of the application to open a trading account with the Participating Organisation.

*[Refer to Directives No. 5-001 and 5.15-001]*

- (2) If the Client represents that the Client is trading on behalf of another person, the Participating Organisation may open a trading account for the Client only if:
- (a) the Client is an Authorised Nominee or Exempt Authorised Nominee; and
  - (b) the Participating Organisation brings to the notice of the Client, the Client's obligation under Rule 5.15(8).

*[Refer to Directive No. 5.15-001]*

- (3) A Participating Organisation must enter into a written agreement with a Client. The written agreement must set out the terms and conditions for the operation of the Client's trading account and must include the Client's obligation to comply with these Rules and Directives, whether these Rules and Directives apply directly or indirectly to the Client.
- (4) A Participating Organisation must record and maintain up-to-date relevant information on the Participating Organisation's Clients, their trading accounts and trades executed in their trading accounts. For the avoidance of doubt, trades executed in the Client's trading account in this Rule include the trades executed on the stock market of the Exchange or Recognised Stock Exchanges.

*[Refer to Directive No. 5-001]*

- (5) A Participating Organisation must clearly identify the Securities Account where the securities arising from all dealings in the trading account must be credited into or debited from.
- (6) A Participating Organisation must obtain the Client's confirmation and undertaking in writing that the Beneficial Owner of the securities in the trading account and the Securities Account is the same unless the Client is the Beneficial Owner of the securities in the trading account and the Securities Account.
- (7) If the Securities Account holder is not the Client, the Participating Organisation must obtain from the Client, a written authorisation and consent from the Securities Account holder permitting the following:
- (a) effecting any entry in the Securities Account arising from any trade executed in the Client's trading account; and
  - (b) the exercise of any rights by the Participating Organisation, Exchange or Clearing House over the securities held in the Securities Account arising from any trade executed in the Client's trading account.

## Chapter 5 – Conduct of Business

- (8) If requested by the Exchange, a Participating Organisation must require a Client to disclose (and the Client must disclose) information and documents in relation to any dealing in securities in respect of the Client's trading account.
- (9) The information referred to in Rule 5.15(8) includes information whether any dealing in the Client's trading account is carried out on another person's behalf and in such instance, the name of, and particulars sufficient to identify such person. If that person is not the Beneficial Owner of the securities, the Client must also be required to procure the particulars of the Beneficial Owner of the securities.

**5.16 Doing business with Clients**

- (1) A Participating Organisation and Registered Person must act:
  - (a) with due skill, care and diligence;
  - (b) honestly and fairly; and
  - (c) in the best interests of the Participating Organisation's Clients.

*[Refer to Directives No. 4-001 and 5-001]*

- (2) A Participating Organisation and Registered Person must make adequate and accurate disclosure of the risks, benefits and conflicts of interests to the Clients in the Participating Organisation's and Registered Person's dealings with the Clients.

*[Refer to Directives No. 5-001 and 5-002]*

- (3) A Participating Organisation must forward all communication and documents relating to the affairs of the Client directly to the Client unless the Client has authorised in writing for such communication and documents to be sent to a third party.
- (4) A Participating Organisation must account for and adequately safeguard a Client's assets.

*[Refer to Directive No. 5-001]*

- (5) A Participating Organisation must, in relation to a complaint from a Client (whether written or otherwise) relating to the Participating Organisation's business:
  - (a) handle the complaint in a timely and appropriate manner; and
  - (b) take steps to investigate and respond immediately to the complainant.

*[Refer to Directive No. 5-001]*

- (6) A Participating Organisation and Registered Person must protect the secrecy of the Client's information in the Participating Organisation's possession unless:
  - (a) the Client authorises the disclosure of the information in writing;
  - (b) the law requires the disclosure of the information;
  - (c) the Exchange or any other relevant body or authority (whether in or outside of Malaysia) requires the disclosure of the information;
  - (d) the information is already publicly available; or

**Chapter 5 – Conduct of Business**

- (e) the information is in the form of a summary or collection of information set out in such manner as does not enable information relating to any particular Client to be ascertained from the information.
- (7) The Exchange may direct a Participating Organisation to refrain from trading for any Client in any of the following circumstances:
- (a) in relation to a request made under Rule 5.15(8), until the information and document requested is furnished by the Client or where the Client refuses to furnish the same; or
  - (b) where an act or omission by the Client in relation to or arising from any transaction in securities causes, aids or facilitates a breach of these Rules or Directives.

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**PART D            OUTSOURCING**

**5.17    Outsourcing Arrangements**

- (1) A Participating Organisation which outsources its functions must comply with these Rules, the Commission's Licensing Handbook and any Directives that may be issued by the Exchange on this matter.
- (2) A Participating Organisation must ensure that the service provider(s) comply with the Rules that are applicable to the outsourced functions in the same manner as the Participating Organisation is required to.
- (3) A Participating Organisation remains accountable for all outsourced functions and will be held liable for any act or omission on the part of the service provider which results in a breach of these Rules.

**5.18    Investment Bank**

Rule 5.17 is not applicable to an Investment Bank.

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**PART E            INSURANCE REQUIREMENTS****5.19    Requirement to take up insurance policy**

- (1)    A Participating Organisation must take up and maintain at all times an insurance policy that is adequate having regard to:
- (a)    the nature and extent of the Participating Organisation's business as permitted under the Capital Markets Services Licence and the Commission's policy on permitted activities for stockbroking companies contained in the Commission's Licensing Handbook; and
  - (b)    the responsibilities and risks assumed or which may be assumed by the Participating Organisation in connection with those activities.
- (2)    A Participating Organisation may maintain the above insurance policy at Group Level.
- (3)    A Participating Organisation must notify the Exchange that the insurance policy is in place.

*[Refer to Directive No. 5-001]*

**5.20    Notification of claims**

A Participating Organisation must notify the Exchange of any claim or potential claim against the insurance policy referred to in Rule 5.19(1) within 2 Market Days from when the Participating Organisation becomes aware of the claim or potential claim.

[End of Chapter]

**CHAPTER 6 ORGANISATION AND STRUCTURE OF  
PARTICIPATING ORGANISATIONS**

**PART A PERMITTED BUSINESS OF PARTICIPATING ORGANISATIONS**

**6.01 Permitted Business**

- (1) A Participating Organisation intending to carry out any other business apart from trading in securities on the stock market of the Exchange must comply with the relevant requirements imposed by the Commission or the Central Bank, as the case may be ("Permitted Business").
- (2) A Participating Organisation must notify the Exchange in writing prior to the commencement of the Permitted Businesses.
- (3) The Exchange may require the Participating Organisation to take such steps as the Exchange thinks fit to manage the potential risks or conflicts of interests arising from carrying out both the Permitted Businesses and the Participating Organisation's business of trading in securities on the stock market of the Exchange.

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**PART B BRANCH OFFICE ~~AND ELECTRONIC ACCESS FACILITIES~~****6.02 Application**

- (1) ~~Part B of Chapter 6 applies to an Investment Bank if the Branch Office or Electronic Access Facility is carrying out the businesses of trading in securities in the stock market of the Exchange.~~
- (2) ~~Part B of Chapter 6 is not applicable to any Electronic Access Facilities located within a Principal Office or Branch Office.~~
- (3) A Participating Organisation's Branch Office ~~and Electronic Access Facility~~ form part of the Participating Organisation's business and as such, all the provisions in these Rules apply to the Branch Office ~~and Electronic Access Facility~~.

**6.03 Establishment of Branch Office ~~and Electronic Access Facilities~~**

- (1) A Participating Organisation may establish, ~~maintain~~ and operate ~~a~~ Branch Offices ~~or Electronic Access Facilities with the Exchange's approval subject to the Commission's requirements on Branch Offices and Electronic Access Facilities, if it ensures:~~

~~[Refer to Directive No. 6-001]~~

- (2) ~~A Participating Organisation must in relation to every Branch Office appoint a person who is engaged on a full time basis with the Participating Organisation and responsible to:~~
- (a) ~~ensure~~ the proper segregation of duties at the Branch Office; ~~and~~
- (b) ~~oversee the administrative activities at the Branch Office.~~
- (b) ~~the Branch Office carries signage indicating the name of the Participating Organisation;~~  
~~and~~
- (c) ~~it maintains an up-to-date record of the address of all Branch Offices.~~

~~[Refer to Directive No. 6-001]~~

- (3) ~~Rule 6.03(1) is not applicable to an Investment Bank.~~

**6.04 Permitted activities at the Branch Office and Electronic Access Facility**

- (1) ~~A Participating Organisation may carry out all types of business at a Branch Office that may be carried out by the Principal Office including Permitted Businesses.~~
- (2) ~~A Participating Organisation may only carry out such activities as the Exchange may permit, at the Electronic Access Facility. [Deleted]~~

~~[Refer to Directive No. 6-001]~~

**6.05 Conversion**

~~A Participating Organisation may convert its Electronic Access Facility to a Branch Office or vice versa upon approval of the Exchange. [Deleted]~~

~~[Refer to Directive No. 6-001]~~

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**PART C      BACK OFFICE FUNCTIONS****6.06      Back office system and operations**

- (1) A Participating Organisation must operate its own back office system and operations whether at the Principal Office or any of the Branch Office unless the back office systems and operations have been outsourced in accordance with Part D of Chapter 5.
- (2) A Participating Organisation must have a back office system and operations that are capable of:
  - (a) timely reporting and transmission of data from a Branch Office to the Principal Office;
  - (b) daily reconciliation of all records of the Principal Office and the Branch Office; and
  - (c) reconciliation of all transactions undertaken by the Branch Office.
- (3) ~~A Participating Organisation may maintain separate locations for the back office system and operations of the Participating Organisation's Principal Office and Branch Office(s). A Participating Organisation must immediately notify the Exchange and the Commission of the location of the back office system and operations. *[Deleted]*~~

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**PART D COMPLIANCE FUNCTION****6.07 Compliance function**

Every Participating Organisation must carry out the compliance function to monitor compliance with these Rules, Directives and the Securities Laws and to provide advice on all the relevant requirements that a Participating Organisation must comply with, in carrying out the Participating Organisation's business.

*[Refer to Directive No. 6.07(1)-001]*

**6.08 Accountability**

- (1) A Participating Organisation and the Participating Organisation's Board of Directors are responsible and accountable for compliance with these Rules, the Directives and Securities Laws by the Participating Organisation, the Participating Organisation's Registered Persons, employees and agents.
- (2) If there is a breach of these Rules, the Directives or Securities Laws, the Participating Organisation and the Participating Organisation's Board of Directors are liable for such breach whether or not such breach was by or caused by Participating Organisation's Registered Persons, employees or agents.

*[Refer to Directive No. 6.08-001]*

**6.09 Reporting**

- (1) A Participating Organisation must immediately report the following in writing to the Exchange, upon becoming aware or where the Participating Organisation has reason to believe such occurrence is taking or has taken place:
  - (a) any matter in Rule 3.38(1) that has not been reported to the Exchange; or any breach of any of these Rules or the Directives by a Registered Persons employed or engaged by the Participating Organisation;
  - (b) the Participating Organisation has breached any of these Rules or Directives;
  - (c) the Participating Organisation is subject to any enforcement or disciplinary action by the Commission or any other regulatory authority; or
  - (d) the Participating Organisation's ability to perform any of the Participating Organisation's obligations under these Rules or Directives may be adversely affected.
- (2) A Registered Person must immediately report the following in writing to the Exchange, upon becoming aware or where the Registered Person has reason to believe such occurrence is taking or has taken place:
  - (a) any matter in Rule 3.38(1) that has not been reported to the Exchange or any breach of any of these Rules or the Directives by the Participating Organisation by whom he is employed or engaged or by other Registered Person employed or engaged by the Participating Organisation;
  - (b) the Registered Person has breached any of these Rules or Directives;
  - (c) the Registered Person is subject to any enforcement or disciplinary action by the Commission or any other regulatory authority; or

**Chapter 6 – Organisation and Structure of  
Participating Organisations**

- (d) the Registered Person's ability to perform any of the Registered Person's obligations under these Rules or Directives may be adversely affected.

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**PART E RISK MANAGEMENT OF PARTICIPATING ORGANISATIONS****6.10 Risk management functions**

- (1) A Participating Organisation must ensure the proper discharge of the risk management functions for the purpose stipulated under Rule 5.03(1)(b) and take actions to mitigate such risks.
- (2) A Participating Organisation must establish a risk management committee whose function is to manage and monitor the discharge of the risk management functions of the Participating Organisation (“Risk Management Committee”).

*[Refer to Directive No. 6.10(2)-001]*

- (3) A Participating Organisation must ensure that the risk management functions are reported to the Risk Management Committee.
- (4) If the risk management functions are outsourced under Part D of Chapter 5 or where the Risk Management Committee is established or maintained at Group level in accordance with Part G of Chapter 6, the Participating Organisation must ensure that the outsourced function or Risk Management Committee established or maintained at Group level complies with all provisions in these Rules and the Directives relating to risk management functions and Risk Management Committee.

**6.11 Composition of the Risk Management Committee**

- (1) The Participating Organisation must ensure that the Risk Management Committee comprises persons who are competent, have no conflict of interest in the discharge of their functions as members of the Risk Management Committee and collectively have the relevant skills and experience to carry out the functions of the Risk Management Committee.
- (2) The Participating Organisation must ensure that the majority of the members of the Risk Management Committee are not persons who hold a Dealer’s Representative’s licence.

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**PART F INTERNAL AUDIT OF PARTICIPATING ORGANISATIONS****6.12 Internal audit functions**

- (1) A Participating Organisation must establish and maintain an internal audit function which is independent from all other functions of the Participating Organisation to:
- (a) examine, evaluate and advise the Participating Organisation of:
    - (i) the effectiveness and efficiency of the operations of the Participating Organisation, including its internal system and controls;
    - (ii) the reliability and integrity of the Participating Organisation's financial and operating information, including the reporting of such information;
    - (iii) the compliance with the rules and laws relating to the business of the Participating Organisation;
    - (iv) the compliance with the relevant policies and procedures established by the Participating Organisation; and
    - (v) the adequacy and effectiveness of all other areas in the business of the Participating Organisation that is relevant to the achievement, objectives and obligations of the Participating Organisation;
  - (b) report to the Board of Directors or a committee selected by the Board of Directors on the findings of its examinations and evaluations of the areas mentioned in Rule 6.12(1)(a);
  - (c) make appropriate recommendations on the corrective actions to be taken or improvements (if any) based on the findings above; and
  - (d) verify whether the recommendations made above have been implemented by the Participating Organisation.
- (2) A Participating Organisation must establish and maintain an audit committee, whether on its own or at the Group level in accordance with Part G of Chapter 6 ("Audit Committee"), and whose functions must include such functions as may be specified by the Exchange. The Audit Committee is responsible for monitoring and overseeing all matters relating to the discharge of the internal audit functions of the Participating Organisation.

*[Refer to Directive No. 6.12(2)-001]*

- (3) A Participating Organisation must ensure that all matters in relation to the internal audit are reported to the Audit Committee.
- (4) If the internal audit function is outsourced under Part D of Chapter 5 or where the Audit Committee is established or maintained at Group level in accordance with Part G of Chapter 6, the Participating Organisation must ensure that the outsourced function or Audit Committee established or maintained at Group level complies with all provisions in these Rules and Directives relating to internal audit functions and Audit Committee.

**6.13 Composition of Audit Committee**

The Participating Organisation must ensure that the Audit Committee comprises of persons who are competent, have no conflict of interest in the discharge of their functions as members of the Audit Committee and collectively have the relevant skills and experience in carrying out the functions of the Audit Committee.



**Chapter 6 – Organisation and Structure of Participating Organisations****6.14 Scope of internal audit**

- (1) A Participating Organisation must clearly identify the areas in the business of the Participating Organisation that must be assessed for the purpose of discharging its internal audit functions under these Rules. These areas must correspond to the functions stated in Rule 6.12(1)(a) and must include:
  - (a) the performance of the management of the Participating Organisation;
  - (b) the efficiency and effectiveness of communication between personnel and supervisors;
  - (c) the clarity, efficiency and effectiveness of written policies and procedures on allocation of responsibilities and duties and lines of reporting;
  - (d) the adequacy of employee training policies and procedures;
  - (e) the efficiency and effectiveness of policies and procedures in relation to credit control and risk management;
  - (f) the financial and operational information generated and the means used to identify, measure, classify and report such information;
  - (g) the internal controls and procedures that are specifically designed to detect or prevent violations;
  - (h) the information system and other information technology-related matters;
  - (i) all operational aspects of the Participating Organisation's business;
  - (j) the financial and accounting records and reports of the Participating Organisation containing accurate, reliable, timely, complete and relevant information and prepared in compliance with approved accounting standards; and
  - (k) the conduct of the Participating Organisation in relation to its dealing activities.
- (2) A Participating Organisation may determine the scope of its internal audit based on a risk assessment undertaken by the Participating Organisation in the areas covered under Rule 6.14(1).
- (3) A Participating Organisation must, in relation to the risk assessment undertaken by it:
  - (a) formulate a clear written risk assessment methodology to be adopted when assessing the risks in the areas covered under Rule 6.14(1); and
  - (b) clearly identify and document the risk assessment results of the above areas.
- (4) A Participating Organisation must ensure internal audit(s) are conducted on itself at such times as it deems necessary, subject always to a minimum of 1 internal audit in each calendar year based on the assessment in Rules 6.14(2) and 6.14(3).
- (5) Upon completion of the internal audit, a Participating Organisation must ensure a written report on the findings of the internal audit is prepared and tabled to the Audit Committee. The written report must contain recommendations or corrective actions to be taken, if any.
- (6) A Participating Organisation must ensure any major finding or fraud uncovered in the course of the internal audit that may affect the Participating Organisation's financial position or its operations, is reported to the Board of Directors and management immediately.

Chapter 6 – Organisation and Structure of  
Participating Organisations

## 6.15 Reporting

- (1) ~~The Audit Committee must meet at least once every quarter in a calendar year. *[Deleted]*~~
- (2) The Audit Committee must present to the Board of Directors of the Participating Organisation, amongst others, the audit report, its course of action or any corrective measures taken, to address any non-compliance or irregularities stated in the audit report.
- (3) A Participating Organisation must submit a copy of the minutes of each meeting of the Audit Committee and a copy of the audit report, including its course of action or any corrective measures taken to address any non-compliance or irregularities stated in the audit report, to the Exchange within 30 days from the date the minutes were adopted by and the audit report was presented to the Board of Directors of the Participating Organisation.
- (4) The Audit Committee must report to the Board of Directors of the Participating Organisation on any matters set out under Rule 6.14(1) relating to the Participating Organisation on all matters in relation to the functions of the Audit Committee including such functions as may be specified by the Exchange.

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**PART G            PERFORMANCE OF RISK MANAGEMENT COMMITTEE AND AUDIT  
COMMITTEE FUNCTIONS AT GROUP LEVEL**

**6.16    Risk Management Committee and Audit Committee**

A Participating Organisation may have its Risk Management Committee or its Audit Committee established or maintained at Group level if the Participating Organisation is able to comply with Rule 2.01(2)(k) in so far as providing or procuring the provision to the Exchange of reports, information, Documents, Books and Records pertaining to the committees and the committees' decisions and deliberations upon the Exchange's request.

**6.17    Investment Bank**

Rule 6.16 is not applicable to an Investment Bank.

[End of Chapter]

**CHAPTER 7 DEALINGS IN SECURITIES****PART A DEALINGS IN SECURITIES****7.01 General**

- (1) The provisions in this Rule 7.01 are applicable to On-Market Transactions and Direct Business Transactions whether transacted in Board Lots or Odd Lots unless specifically stated otherwise.
- (2) A Participating Organisation's connection to the ATS for the purpose of trading in securities on the stock market of the Exchange must be through an access point approved by the Exchange.
- (3) A Participating Organisation must, at all times, take all reasonable security measures to prevent unauthorised access into the ATS.
- (4) A Participating Organisation must not, without the prior written approval of the Exchange:
  - (a) establish or permit the establishment of any form of electronic system capable of routing orders directly from its Clients into the ATS; or
  - (b) connect to:
    - (i) the ATS or any part of the ATS, directly or indirectly any device, equipment or facilities for any purpose; or
    - (ii) any device, equipment or facilities which have been approved by the Exchange to be connected to the ATS or any part of the ATS, any additional device, equipment or facilities.
- (5) A Participating Organisation must not carry out any transaction in securities on a "Forward Contract" basis.
- (6) All Records maintained by the Exchange in relation to any trade or any matter entered or reflected in the ATS will prevail as evidence of the truth of the matter over all other Records maintained by the Participating Organisation.

**7.02 Quotation and trading in securities**

- (1) All securities admitted for quotation on the stock market of the Exchange will be traded:
  - (a) based on board(s) and classification as determined by the Exchange;
  - (b) in the currency in which the securities are quoted in;
  - (c) in both Board Lots and Odd Lots;
  - (d) on the basis of the clearing and settlement of the securities being carried in accordance with FDSS as stipulated under Schedules 2 and 3; and
  - (e) on an "ex-entitlement basis" (ex dividend, ex bonus, ex interest, ex rights issue, ex all, ex offer) 1 clear Market Day before the Books Closing Date or such other period as determined by the Exchange.

## Chapter 7 – Dealings in Securities

- (2) A Participating Organisation who intends to buy or sell securities that are traded on the stock market of the Exchange whether for the Participating Organisation's own account or for a Client, must execute the transaction:
- (a) as an On-Market Transaction;
  - (b) a Direct Business Transaction; or
  - (c) an ISSBNT.
- (2A) The transactions mentioned in Rule 7.02(2)(a) and (b) must be executed either on a Ready Basis Contract or Immediate Basis Contract as determined by the Exchange.
- (3) The delivery and settlement of securities arising from an On-Market Transaction or Direct Business Transaction will be carried out in accordance with the requirements of the Clearing House by way of book entries in the Securities Account.
- (4) A Participating Organisation may only sell securities in Odd Lots if the securities are designated as "free securities" in the seller's Securities Account maintained with the Participating Organisation prior to the entry of the order into the ATS.

**7.03 Acting as principal**

- (1) A Participating Organisation is deemed to act as a principal for all orders and trades entered and executed in the ATS even if the orders or trades were entered for the accounts of their Clients.
- (2) A Participating Organisation, must not trade in securities as a principal as defined in Section 97(2) of the Capital Markets and Services Act with a Client without so informing the Client.

**7.04 Proprietary trading**

- (1) A Participating Organisation must not allow a Dealer's Representative who undertakes proprietary trading for the Participating Organisation to also deal for the Participating Organisation's Clients.
- (2) A Participating Organisation may allow a Dealer's Representative who undertakes proprietary trading for the Participating Organisation but who is not a Proprietary Day Trader to conduct proprietary trading for the Participating Organisation's Related Corporation.
- (3) ~~A Participating Organisation must have an audio recording of the conversation of a Dealer's Representative conducting proprietary trading for the Participating Organisation but who is not a Proprietary Day Trader. [Deleted]~~

**7.05 Trading accounts**

- (1) A Participating Organisation may only open and operate the following types of trading accounts:
- (a) Proprietary Account in the name of the Participating Organisation;
  - (b) Authorised Nominee account in the name of the Participating Organisation or its wholly owned nominee company; and

- (c) Client's account in the name of the respective Client.

*[Refer to Directives No. 7.05(1)-001 and 7.05(1)-002]*

- (2) A Participating Organisation must comply with such requirements as the Exchange may stipulate with regard to the trading accounts it operates.

*[Refer to Directives No. 7.05(2)-001 and 7.05(2)-002]*

#### **7.06 Breakdown or malfunction**

- (1) A Participating Organisation and its Dealer's Representatives must not take advantage of a situation which arises as a result of a breakdown, malfunction or error in the ATS (committed by the Exchange or by other Participating Organisations) or in any other system, service or facility of the Exchange ("Systems Malfunction or Error").
- (2) A Participating Organisation who encounters a Systems Malfunction or Error must immediately notify the Exchange.
- (3) A Participating Organisation must take all necessary and appropriate actions to mitigate any potential losses arising from the Systems Malfunction or Error immediately after the Participating Organisation becomes aware or should have known that there is a Systems Malfunction or Error.

*[Refer to Directive No. 7.06-001]*

#### **7.07 Lien on securities**

- (1) A Participating Organisation may, for monies owing to the Participating Organisation by a Client for any purchase of securities, have a lien on all other securities for the time being standing to the credit of accounts (including trading accounts, Securities Accounts and any other accounts, as the case may be) of the Client maintained with the Participating Organisation, if the Client agrees to the terms in writing.
- (2) The requirement for Client's agreement as stipulated in Rule 7.07(1) is not applicable in the circumstances stipulated in Rule 7.07(3).
- (3) Pursuant to section 35(3) of the Securities Industry (Central Depositories) Act, a Participating Organisation has a lien over the securities purchased by a Client which have not been paid for.

#### **7.08 Reporting of trade dispute**

A Participating Organisation must immediately report to the Exchange all trade disputes in respect of any securities transactions or other transactions relating to dealings in securities it enters into, including inter-broker transactions, involving RM1,000,000 or more (whether the amount is a single or an aggregated amount). Such report must contain details of the trade dispute, the amount in question and the parties involved in the dispute.

#### **7.09 Recognised Stock Exchange**

A Participating Organisation may trade on a Recognised Stock Exchange whether for the Participating Organisation's proprietary position or the Clients' accounts.

*[Refer to Directive No. 7.09-001]*

**7.10 Dealing with or creation of other market**

- (1) A Participating Organisation must not in any manner deal with or create any other market for transactions in securities or interests in securities which are quoted on the Official List of the Exchange, other than on the stock market of the Exchange.
- (2) A Participating Organisation must not permit dealings in securities which are quoted on the Official List of the Exchange, whether for the Participating Organisation's own account or a Client, if the dealings facilitate dealings in such securities or interest in securities outside the stock market of the Exchange, unless expressly permitted by the Exchange.

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**PART B OFF-BALANCE SHEET TRANSACTIONS****7.11 Investment Banks**

All provisions in this Part B of this Chapter 7 do not apply to a Participating Organisation that is an Investment Bank.

**7.12 Records of Off-Balance Sheet transactions**

A Participating Organisation must maintain a Record that sufficiently explains the Off-Balance Sheet transactions entered by it.

*[Refer to Directive No. 7.12-001]*

**7.13 Reporting of Off-Balance Sheet transactions**

A Participating Organisation must lodge with the Exchange a monthly report in the form provided in Appendix 2, by the ~~5<sup>th</sup>~~ 10<sup>th</sup> Market Day of the immediately following month in respect of the following matters:

- (a) any Off-Balance Sheet transaction entered into by a Participating Organisation during the preceding month;
- (b) any Off-Balance Sheet transaction performed or discharged by the Participating Organisation during the preceding month;
- (c) any Off-Balance Sheet transaction which remains to be performed or discharged during the preceding month;
- (d) any occurrence of an Adverse Event; and
- (e) any change to the original terms and conditions of the Off-Balance Sheet transactions specified in Rule 7.13(a), (b) and (c).

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**PART C            DESIGNATED SECURITIES****7.14 Designated Securities**

- (1) The Exchange may declare any listed securities to be Designated Securities for such period as the Exchange thinks fit if:
  - (a) there has been manipulation or excessive speculation on such listed securities; or
  - (b) it is so directed by the Commission.
- (2) The Exchange will notify the Commission of its intention to declare listed securities as Designated Securities under Rule 7.14(1)(a).
- (3) The Exchange may impose any one or more of the following conditions on the dealings of Designated Securities:
  - (a) a margin of cover for purchases;
  - (b) the outstanding Contracts of a Participating Organisation for the Designated Securities at any one time do not exceed 5% of the paid-up capital of the Issuer of the Designated Securities or such other percentage as the Exchange may from time to time direct;
  - (c) a prohibition on any sale of the Designated Securities unless, prior to the sale, the seller has the Designated Securities designated as “free securities” in the Securities Account to be used for the sale at the time of entering into the Contract;
  - (d) a prohibition on the use of Margin Financing to purchase the Designated Securities; or
  - (e) any other condition deemed fit by the Exchange.
- (4) Any condition imposed by the Exchange under Rule 7.14(3) applies to all outstanding Contracts entered into before or after the date when such securities were declared as Designated Securities as from the date of such declaration.
- (5) The Exchange will make the declaration made under Rule 7.14(1) known to the public in such manner as the Exchange decides.

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**PART D CORNER****7.15 Declaration**

- (1) The Exchange may declare a corner situation in any listed security for such period as the Exchange thinks fit (“the Affected Securities”) if:
  - (a) it is of the opinion that a single interest or group has acquired such control of the securities that the same cannot be obtained for delivery except at prices and on terms dictated by such interest or group;
  - (b) it is otherwise desirable in the interest of an orderly and fair market; or
  - (c) it is so directed by the Commission.
- (2) Upon such declaration, the Exchange may impose any one or more of the following conditions on the Affected Securities:
  - (a) postpone the time for delivery of the Affected Securities to such time as fixed by the Exchange or until further action by the Exchange;
  - (b) extend the time for delivery of the Affected Securities;
  - (c) declare that if the Affected Securities are not delivered on any Contract at or before the time which has been fixed by the Exchange for such delivery, such Contract must be settled not by delivery but by payment:
    - (i) in the case of a seller who contracted to sell to the buyer at the price lower than the fair settlement price, by the seller to the buyer, of the difference between the fair settlement price and the Contract price;
    - (ii) in the case of a seller who contracted to sell at a higher price than the fair settlement price, by the buyer to the seller, of the difference between the Contract price and the fair settlement price;
    - (iii) in the case of a buyer who contracted to buy from the seller at a price higher than the fair settlement price, by the buyer to the seller, of the difference between the contract price and the fair settlement price;
    - (iv) in the case of a buyer who contracted to buy from the seller at a price lower than the fair settlement price, by the seller to the buyer, of the difference between the fair settlement price and the contract price.
- (3) The fair settlement price is determined by the Exchange and is binding and conclusive on all parties to any outstanding Contract.
- (4) The Exchange must, before fixing the fair settlement price, hear evidence from such persons as it shall in its absolute discretion deem necessary and proper.

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**PART E ISLAMIC STOCKBROKING ACTIVITIES**

**7.16 Approval of the Exchange**

- (1) A Participating Organisation must obtain the Exchange's prior approval before carrying out any trading activities based on Islamic Shariah principles.
- (2) The Exchange may grant approval after consulting the Commission.

*[Refer to Best Practice No. 7.16-001]*

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**PART F                      SECURITIES BORROWING AND LENDING**

**7.17     Definitions**

For the purposes of this Part F of Chapter 7, the following terms have the following meanings unless the context requires otherwise:

Clearing House Requirements	The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name called in relation to securities borrowing and lending; and
SBL Negotiated Transaction	Same meaning as assigned to that expression in the Clearing House Rules.

**7.18     General**

- (1) A Participating Organisation may only carry out the activities of borrowing or lending of securities if:
  - (a) the Participating Organisation is approved to undertake the borrowing and lending activities by the Clearing House;
  - (b) the securities are Eligible Securities; and
  - (c) the borrowing and lending is undertaken in accordance with the Clearing House Requirements and this Part F of Chapter 7.
- (2) A Participating Organisation may only undertake Securities Borrowing and Lending, whether for the Participating Organisation itself or its Client, for purposes allowed by the Clearing House.
- (3) Any sale trade executed by a Participating Organisation which is to be settled with securities from a borrowing made in breach of Rule 7.18(2) is deemed a short sale which is not executed in accordance with these Rules.
- (4) A Participating Organisation must ensure that where the Securities Borrowing and Lending involves a Client:
  - (d) a copy of the risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for borrowing by the Client of Eligible Securities.

*[Refer to Directive No. 7-001]*

- (b) the lending of Margin Securities of a Margin Account Client complies with the requirements as stipulated by the Exchange;

*[Refer to Directive No. 7.18-001]*

- (c) the lending of Eligible Securities held in its custody for its Client, complies with the requirements as stipulated by the Exchange; and

*[Refer to Directive No. 7.18-001]*

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- (d) a copy of the Risk Disclosure Statement prescribed under Appendix 1 is given to and acknowledged by its Client prior to the execution of any written agreement for borrowing by the Client of Eligible Securities.

**7.19 Internal Guidelines and Systems**

- (1) A Participating Organisation which intends to engage in Securities Borrowing and Lending activities must formulate a set of internal guidelines for Securities Borrowing and Lending as required by the Exchange.
- (2) The Participating Organisation must establish, implement and maintain:
  - (a) systems and infrastructure including back office systems and infrastructure, which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Securities Borrowing and Lending in accordance with Part F of Chapter 7 and the Clearing House requirements; and
  - (b) all the policies, procedures, controls and all other requirements set out in the internal guidelines for Securities Borrowing and Lending.

*[Refer to Directive No. 5-001]*

**7.20 Commencement of Securities Borrowing and Lending Activities**

A Participating Organisation may only commence its Securities Borrowing and Lending activities if it has:

- ~~(a) Effective Shareholders' Funds of not less than RM50,000,000 as at the date of the declaration in Rule 7.20(b) and continues to maintain the same for as long as it is carrying out Securities Borrowing and Lending activities; and~~
- ~~(b) submitted a written declaration in the form as prescribed by the Exchange of its compliance with Rules 7.19 and 7.20(a) at least 2 Market Days before commencing its Securities Borrowing and Lending activities.~~

*[Refer to Directive No. 7-001]*

**7.21 Inspection or Audit by the Exchange**

*[Deleted]*

**7.22 Designated Account**

- (1) A Participating Organisation must hold all Eligible Securities borrowed or lent pursuant to Securities Borrowing and Lending in the Securities Account(s) prescribed in the Clearing House Requirements and in no other Securities Account(s).
- (2) Where the Eligible Securities borrowed are held in a Securities Account maintained in the name of a Participating Organisation in the Participating Organisation's capacity as an Authorised Nominee or Exempt Authorised Nominee, the Participating Organisation can only hold the Eligible Securities in that Securities Account for a maximum period of 3 Market Days from the date the Eligible Securities are credited into the Securities Account.

7.23 *[Deleted]*

**7.24 Actions By the Exchange**

- (1) The Exchange may take any of the actions enumerated under Rule 7.24(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all Eligible Securities if:
- (a) there is a breach or likelihood of breach of any provisions in this Part F; or
  - (b) the Securities Borrowing and Lending activities may lead or is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 7.24(1), the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all Eligible Securities:
- (a) directing further Securities Borrowing and Lending of Eligible Securities by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients to be suspended or ceased;
  - (b) imposing limits on the total number or the type of Eligible Securities that may be borrowed or lent by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients; or
  - (c) imposing restrictions or conditions on the Securities Borrowing and Lending activities carried out by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients.

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**PART G            TRANSACTIONS BY EMPLOYEES, DEALER'S REPRESENTATIVES,  
TRADING REPRESENTATIVES AND DIRECTORS**

**7.25**    *[Deleted]*

**7.26    Notification**

- (1)    Subject to compliance with the provisions on conflicts of interests as set out in Rules 3.16 and 5.02, an employee, Dealer's Representative, Trading Representative or Director of a Participating Organisation who trades in securities for his own account must notify the Participating Organisation of such trades in writing or by electronic means. For purposes of this Rule 7.26, a Director's account will include an account in which such a Director has a direct or indirect interest.
- (2)    Upon receipt of the notifications, a Participating Organisation must take the necessary steps to ensure compliance with its obligations to manage conflicts of interests and risks under Rule 5.02.

**7.27**    *[Deleted]*

**7.28    Definition**

For the purposes of this Part G of Chapter 7, the words "transaction" or "trade" whenever appearing shall include transactions or trades in securities executed on the stock market of the Exchange or on a Recognised Stock Exchange.

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**PART H FINANCING****7.29 Types of Financing Allowed**

- (1) A Participating Organisation may only provide financing to:
  - (a) Clients, for subscription or purchase of securities as stated under Rule 7.29(2); and
  - (b) Related Corporations as stated in Rule 7.33.
- (2) A Participating Organisation can provide the following types of financing for subscription or purchase of securities:
  - (a) margin financing, as provided in Rule 7.30;
  - (b) discretionary financing, as provided in Rule 7.31; and
  - (c) any other type of financing subject to the terms and conditions prescribed in Rule 7.32.
- (3) In this Part H of Chapter 7, unless otherwise prescribed by the Exchange, 'securities' means:
  - (a) the new issue of securities to be issued by an Issuer for the purpose of seeking listing on the Official List of the Exchange; and
  - (b) the securities quoted and traded on the Exchange; and
  - (c) for the purposes of Margin Financing under Rule 7.30, in addition to (a) and (b) above, the new issue of securities to be issued by an Issuer for the purpose of seeking listing on a Recognised Stock Exchange, and the securities quoted and traded on a Recognised Stock Exchange.

**7.30 Margin financing**

- (1) A Participating Organisation may extend Margin Financing to its Clients for:
  - (a) subscription and purchase of securities; or
  - (b) redemption of all or any Outstanding Balance in Margin Accounts of Clients held with other Participating Organisations or persons or entities approved or licensed to provide financing under any written law in Malaysia and the subsequent transfers of the Margin Accounts to the Participating Organisation.
- (2) A Participating Organisation may extend Margin Financing to its Clients for the purpose stipulated under Rule 7.30(1) for a period of 3 months only, with rollover, if necessary.
- (3) ~~The aggregate Outstanding Balances maintained by all Clients of a Participating Organisation must not exceed 200% of the Effective Shareholders' Funds of the Participating Organisation. [Deleted]~~
- (4) The amount of Margin Financing that a Participating Organisation may extend to any single Client must not be more than 20% of its Effective Shareholders' Funds.
- (5) The following applies for computing the total amount of Margin Financing given to any single Client:



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- (a) Where such single Client is an individual, any Margin Financing given to the individual, spouse of the individual, the partnership of which he is a partner, any partner of the individual, the spouse of the partner and all the companies or corporations over which the individual exercises control, are deemed to be Margin Financing extended to a single Client. For this paragraph (a), an individual is deemed to exercise “control” over a company or corporation if the individual or the individual’s spouse, severally or jointly –
- (i) holds, directly or indirectly, more than 50% of the shares of the company or corporation;
  - (ii) has the power to appoint, or cause to be appointed, a majority of the directors of the company or corporation; or
  - (iii) has the power to make, or cause to be made, decisions in respect of the business or administration of the company or corporation, and to give effect to such decisions, or cause them to be given effect to.
- (b) Where such single Client is a company or corporation, any Margin Financing extended to the company or corporation, its Related Corporation and its Associated Corporation is deemed to be Margin Financing extended to a single Client.
- (6) *[Deleted]*
- (7) A Participating Organisation must value any collateral that a Client deposits into the Client’s Margin Account and any securities purchased and carried in the Margin Account in the manner determined by the Exchange.
- [Refer to Directive No. 7.30-001]*
- (8) A Participating Organisation must enter into a written agreement with its Client for any Margin Financing extended to a Client.
- (9) A Participating Organisation may mortgage, pledge, charge, hypothecate or grant security arrangements over the Client’s securities and collateral in the Margin Account with no obligations on the Participating Organisation to retain in its possession or control securities of like character if:
- (i) the aggregate Mark to Market (as defined in Rule 13.02) value of the securities and collateral of that Client which are mortgaged, pledged, charged, hypothecated or security arrangements granted does not at any time exceed the Outstanding Balance of that Client’s Margin Account; and
  - (ii) the Participating Organisation has entered into an agreement with the Client allowing the Participating Organisation to do so.
- (10) A Participating Organisation may, utilise any securities in a Client’s Margin Account for Securities Borrowing and Lending as provided in Part F of Chapter 7.
- (11) A Participating Organisation must not allow the Equity in any Client’s Margin Account to fall below 130% of the Outstanding Balance.
- [Refer to Directive No. 7.30-001]*
- (12) If the Equity in a Client’s Margin Account falls below 130% of the Outstanding Balance, the Participating Organisation must liquidate the Client’s Margin Account, including the securities purchased and carried in such account, so that the Equity is not less than

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- 130% of the Outstanding Balance unless the Participating Organisation has agreed to the Client's request or proposal under Rule 7.30(13).
- (13) A Participating Organisation must not liquidate the Client's Margin Account under Rule 7.30(12) if the Participating Organisation agrees to:
- (a) a request made in writing by the Client not to liquidate his Margin Account; and
  - (b) a proposal made by the Client in writing to settle the Outstanding Balance upon terms and conditions agreed to by the Participating Organisation.
- (14) No further Margin Financing can be extended to the Client following the events stated in Rule 7.30(13).
- (15) A Participating Organisation may impose a higher Equity amount than that prescribed in Rule 7.30(11) if prior written notice is given to the Client.
- (16) A Participating Organisation must not extend credit facilities to a Client beyond the approved limit that is set out in the written agreement between the Participating Organisation and its Client.
- (17) In assessing whether the credit facilities exceed the approved limit, the Participating Organisation must include all charges, rollover fees, interest and other charges incurred by the Client for which no actual payment has been made by the Client where such expenses are debited towards the Outstanding Balance of the Client and financed by the Participating Organisation, until actual payment by the Client.
- (18) To compute the value of Equity in a Margin Account, the securities and other collaterals in such account must be valued based on the valuation determined by the Exchange in Rule 7.30(7). All transactions done on the same day must be combined on a transaction date basis and the total cost of purchase or the net proceeds of sale, including any commission charges, interest expenses and all other related expenses, must be taken into account for computing Margin requirements.
- (19) (a) A Participating Organisation must request for additional Margin and impose Haircuts on any collateral and securities purchased and carried in Margin accounts on the occurrence of:
- (i) unusually rapid or volatile changes in value of the securities;
  - (ii) non-existence of an active market for the securities;
  - (iii) suspension of the securities from trading on a market; or
  - (iv) no possibility of immediate liquidation for the securities.
- (b) If the suspension stated in Rule 7.30(19)(a)(iii) is more than 3 Market Days, the Haircut must be 100%.
- (20) A Client may only withdraw from his Margin Account cash and any collateral for the time being deposited into his Margin Account provided that the value of the Equity in the said Margin Account does not fall below 130% of the Outstanding Balance.
- (21) A Participating Organisation must notify the Exchange of the Margin Financing extended to the Clients on a monthly basis in accordance with the format prescribed in Appendix 3 not later than the 10<sup>th</sup> day of each month.

**7.31 Discretionary Financing**

- (1) Notwithstanding Part E of Chapter 9, a Participating Organisation may allow a buying Client to effect payment of its outstanding purchase position for an On-Market Transaction between T+4 and T+7 (“Discretionary Financing”) if:
  - (a) a Participating Organisation has allowed the Client to open and operate a DF Account after evaluating the suitability of the Client to be provided the Discretionary Financing facility;
  - (b) the Client is a Retail Client (with or without a Margin Account) and excludes a person stipulated under Rule 7.30(6);
  - (c) the terms and conditions for the opening and operation of a DF Account are in writing and consented to by the Client; and
  - (d) the Client has notified the Participating Organisation not later than T+3 that Discretionary Financing is required in relation to the particular On-Market Transaction and the Participating Organisation accepts the utilisation of the Discretionary Financing for that transaction.
- (2) If a Participating Organisation does not receive any notification in accordance with Rule 7.31(1)(d) the Participating Organisation can deem that the timing for payment of the outstanding purchase position in relation to an On-Market Transaction done on a Contract Date by a DF Account Holder is in accordance with Part E of Chapter 9.
- (3) A DF Account Holder who utilises the Discretionary Financing must effect settlement of the outstanding purchase position of an On-Market Transaction not later than 12.30 p.m. on T+7.
- (4) If a DF Account Holder fails to effect settlement as required under Rule 7.31(3), the Participating Organisation must institute a selling-out at any time after 12.30 p.m. on T+7 but not later than T+8 without giving notice to the Client. However a Participating Organisation may still accept payment from the Client at any time prior to a selling-out being carried out.
- (5) A Participating Organisation may permit a DF Account Holder to sell any securities bought on T, at any time after the time of purchase but prior to 12.30 p.m. on T+7. Such sale is deemed to be a sale to close-off the purchase position and such close-off is referred to as “contra”. Accordingly all provisions in Rule 9.10 on contra (except provisions relating to the timing for contra) are applicable to the Participating Organisation.
- (6) A Participating Organisation may charge a DF Account Holder a fee for providing Discretionary Financing (“DF Fees”). The rate of DF Fees is on a fully negotiable basis between the Participating Organisation and the DF Account Holder. The Participating Organisation can share DF Fees with the Dealer’s Representative.
- (7) A Participating Organisation must ensure that the back office system of the Participating Organisation is capable of identifying all DF Accounts opened and all Discretionary Financing granted to Clients.
- (8) The Exchange may prescribe such other conditions for Discretionary Financing as the Exchange sees fit.

*[Refer to Directive No. 7.31-001]*

**7.32 Other types of financing**

A Participating Organisation may extend to its Clients other types of financing as stated in Rule 7.29(2)(c) if:

- (a) the terms of financing are not similar to the terms of Margin Financing or Discretionary Financing;
- (b) the financing complies with other relevant laws, guidelines or directives regulating such financing, where applicable; and
- (c) the Participating Organisation submits information on such financing when requested by the Exchange.

**7.33 Financing to Related Corporation**

(1) Subject to any restriction or prohibition under any law, a Participating Organisation may extend financing to any Related Corporation of the Participating Organisation if:

- (a) the Participating Organisation has an effective implementation of policies and procedures to control and manage the risk exposure when carrying out such financing activities;
- (b) the Participating Organisation manages any potential conflict of interest that may arise between the Participating Organisation and its Related Corporation, where the interest of the Participating Organisation must always prevail; and
- (c) the Participating Organisation has ensured that the policies and procedures in Rule 7.33(1)(a):
  - (i) are duly endorsed by the Participating Organisation's Board of Directors;
  - (ii) include the authority and limits for the granting of financing to Related Corporations; and
  - (iii) prohibit any individual persons from being able to exercise an overriding authority over the provision of financing to Related Corporations.

(2) This Rule 7.33 is not applicable to an Investment Bank.

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**PART I            ISLAMIC SECURITIES SELLING AND BUYING – NEGOTIATED  
TRANSACTION**

**7.34    Definitions**

For the purposes of this Part I of Chapter 7, the following term has the following meaning unless the context requires otherwise:

Clearing House's Requirements	ISSBNT	The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name called, in relation to ISSBNT.
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**7.35    General**

- (1) A Participating Organisation may only undertake an ISSBNT if:
  - (a) the Participating Organisation is approved by the Clearing House to undertake an ISSBNT;
  - (b) the securities are ISSBNT Eligible Securities; and
  - (c) the ISSBNT is undertaken in accordance with the Clearing House Requirements and this Part I of Chapter 7.
- (2) A Participating Organisation may only undertake ISSBNT, whether for the Participating Organisation itself or its Client, for purposes allowed by the Clearing House.
- (3) Any sale trade executed by a Participating Organisation which is to be settled with securities from a purchase made in breach of Rule 7.35(2) is deemed a short sale which is not executed in accordance with these Rules.
- (4) A Participating Organisation must ensure that where the ISSBNT involves a Client:
  - (a) the sale of ISSBNT Eligible Securities held in its custody for its Clients, pursuant to a ISSBNT, complies with the requirements as stipulated by the Exchange; and
  - (b) a copy of a risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for a purchase under ISSBNT.

*[Refer to Directive No. 7-001]*

**7.36    Internal Guidelines and Systems**

- (1) A Participating Organisation which intends to engage in ISSBNT activities must formulate a set of internal guidelines for ISSBNT as required by the Exchange.
- (2) The Participating Organisation must establish, implement and maintain:
  - (a) systems and infrastructure including back office systems and infrastructure, which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of ISSBNT in accordance with Part I of Chapter 7 and the Clearing House requirements; and

- (b) all the policies, procedures, controls and all other requirements set out in the internal guidelines for the ISSBNT.

*[Refer to Directive No. 5-001]*

### 7.37 Commencement of ISSBNT Activities

A Participating Organisation may only commence its ISSBNT activities if it has:

- ~~(a) Effective Shareholders' Funds of not less than RM50,000,000 as at the date of the declaration in Rule 7.37(b) and continues to maintain the same for as long as it is carrying out ISSBNT activities; and~~
- ~~(b) submitted a written declaration in the form as prescribed by the Exchange of its compliance with Rules 7.36 and 7.37(a) at least 2 Market Days before commencing its ISSBNT activities.~~

*[Refer to Directive No. 7-001]*

### 7.38 Designated Account

- (1) A Participating Organisation must hold all ISSBNT Eligible Securities sold or purchased pursuant to ISSBNT in the Securities Account(s) prescribed in the Clearing House Requirements and in no other Securities Account(s).
- (2) Where the ISSBNT Eligible Securities purchased pursuant to ISSBNT are held in a Securities Account maintained in the name of a Participating Organisation in its capacity as an Authorised Nominee or Exempt Authorised Nominee, the Participating Organisation can only hold the ISSBNT Eligible Securities in that Securities Account for a maximum period of 3 Market Days from the date the ISSBNT Eligible Securities are credited into the Securities Account.

### 7.39 Actions by the Exchange

- (1) The Exchange may take any of the actions enumerated under Rule 7.39(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all ISSBNT Eligible Securities if:
- (a) there is a breach or likelihood of breach of any provisions in this Part I; or
- (b) the ISSBNT activities may lead or is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 7.39(1), the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all ISSBNT Eligible Securities:
- (a) directing further sale or purchase of ISSBNT Eligible Securities pursuant to ISSBNT by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients to be suspended or ceased;
- (b) imposing limits on the total number or the type of ISSBNT Eligible Securities that may be purchased or sold by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients; or

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- (c) imposing restrictions or conditions on the ISSBNT activities carried out by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients.

[End of Chapter]

**CHAPTER 8 TRADING****PART A AUTOMATED TRADING SYSTEM****8.01 General**

All the provisions in this Chapter are only applicable to On-Market Transactions whether traded in Board Lots or Odd Lots.

**8.02 Trading days, trading sessions and trading hours**

Trading of securities will be carried out in trading sessions, trading hours and trading phases as prescribed by the Exchange.

**8.03 Trading status**

- (1) The Exchange may prescribe when orders in respect of securities may be entered, modified or cancelled (“the Trading Status”).
- (2) Participating Organisations must give effect to the Trading Status.

**8.04 Keying-In of Orders**

- (1) A Participating Organisation must not allow any person other than an ATS Operator or a DMA Client to enter, modify or cancel orders into the order book in the ATS.
- (2) A Participating Organisation is responsible for all orders entered, modified or cancelled into the order book in the ATS by its ATS Operators or DMA Clients.

**8.05 Orders**

- (1) A Participating Organisation and an ATS Operator must comply with the following for orders entered into the order book in the ATS:
  - (a) all orders entered must contain such particulars or information as specified by the Exchange;
  - (b) for Board Lots, the quantity for a single order of securities entered must not exceed the amount prescribed by the Exchange;
  - (c) the price of an order entered must be based on the Tick size or multiples of the Tick size; and
  - (d) any order entered except in relation to an On-Market Married Transaction, may be modified or cancelled if the modification or cancellation is prior to the matching of the order and not with the intention to create a misleading impression of market activity;
- (2) A Participating Organisation and an ATS Operator must enter orders into the order book in the ATS correctly and accurately, particularly in relation to the stock code, price and volume of the orders.
- (3) A Participating Organisation must ensure that all trades executed and matched in accordance with Part A of Chapter 8 are delivered and settled in accordance with Chapter 9 of these Rules.



**8.06 Types of orders**

The Exchange will prescribe the types of orders that may be entered by Participating Organisations into the ATS.

**8.07 Validity condition**

- (1) The Exchange will prescribe the duration for which any order entered into the system remains valid ("Validity Condition").
- (2) A Participating Organisation must specify the Validity Condition when entering any order into the ATS.

**8.08 Order matching**

- (1) An order will be matched based on the matching algorithm prescribed by the Exchange.
- (2) An order entered into the ATS and matched in accordance with Rule 8.08(1) is deemed executed except if:
  - (a) the matching of the order results in a breach of the price limits referred to in Rules 8.13 and 8.13A; and
  - (b) in such circumstances as may be stipulated in these Rules or Directives.
- (3) A Participating Organisation is deemed to have entered into a firm and binding contract once the order is matched and executed in the ATS in accordance with Rule 8.08(1). The Contract cannot be -
  - (a) amended except as provided under Rule 8.09;
  - (b) price adjusted except as provided under Rule 8.12A; or
  - (c) cancelled except in the circumstances provided under Rule 8.10.

**8.09 Contract Amendment**

A Participating Organisation and its Dealer's Representative may amend a Contract only if:

- (a) the amendment is on the Securities Account number;
- (b) the amendment is as a result of an error;
- (c) the amendment will not result in a change of the original party who placed the order and for whom the order was supposed to be executed for, if not for the error; and
- (d) the amendment is made within the time determined by the Exchange.

**8.10 Cancellation of Contract**

- (1) The Exchange may cancel a Contract or part of a Contract in any of the following circumstances:

- (a) erroneous execution of a Contract, where the buying and selling Participating Organisations and their respective Clients, where applicable agree to the cancellation of such Contract and the Exchange has received a request for such cancellation by both the buying and selling Participating Organisations;
  - (b) erroneous execution of a Contract arising from:
    - (i) a system failure or malfunction in the ATS or in any other system, service or facility of the Exchange; or
    - (ii) a mistake in the entries made by the Exchange in the ATS;
  - (c) erroneous execution of a Contract arising from:
    - (i) a system failure or malfunction in the trading system, service or facility of the Participating Organisation; or
    - (ii) the unauthorised entry of an order; and
  - (d) if in the opinion of the Exchange, there is an erroneous execution of a Contract which may pose a systemic risk to the Clearing House if the Contract is not cancelled by the Exchange.
- (2) Upon the occurrence of any of the circumstances set out in Rule 8.10(1), the Exchange may suspend trading on the ATS or take any other action the Exchange deems fit or both.
- (3) Any cancellation of a Contract or part of the Contract in accordance with Rule 8.10(1) will be effected on the day on which the Contract is executed and will be irrevocable.
- (4) If a Participating Organisation is not satisfied with the cancellation made pursuant to Rule 8.10(1), the Participating Organisation may apply to the Exchange for a review of the cancellation. The application for review must be made on the same Market Day cancellation.
- (5) Without prejudice to the rights of the Exchange under these Rules and the law, the Exchange may take any action it deems fit arising from the review in Rule 8.10(4) except an action to revoke the cancellation done in accordance with Rule 8.10(1).
- (6) For the purposes of Rules 8.10(1)(b) and (d) and Rule 8.11 below, a “Contract” may include any other Contracts that may have been executed arising from the Contract that was erroneously executed.
- (7) For the purposes of Rule 8.10(1)(c) and Rule 8.12 below, the following phrases have the following meanings –
- (a) “system failure or malfunction in the trading system, service or facility of the Participating Organisation” refers to any one or more of the following circumstances:
    - (i) power outage that caused the order management system to be down;
    - (ii) hardware failure of the order management system (including application server, database server and network equipment);
    - (iii) computer virus or malware being introduced to the order management system that incapacitates the order management system or a denial of service attack (DDOS) that floods the network traffic; and
    - (iv) such other circumstances as the Exchange may prescribe; and

- (b) “unauthorised entry of an order” refers to an order entered or caused to be entered into the Participating Organisation’s order management system by a person who had secured unauthorised access to that system through compromising its security features, or such other circumstances as the Exchange may prescribe.

#### 8.11 Procedure in respect of a cancellation of Contract under Rule 8.10(1)(b) or (d)

- (1) The Exchange may exercise any one or more of the following powers upon the occurrence of any of the circumstances set out in Rule 8.10(1)(b) or (d):
- (a) immediately notify the market of the Contract or part of the Contract which may be cancelled;
  - (b) cancel the Contract if the Exchange is satisfied that it is in the interest of an orderly and fair market to do so; and
  - (c) in respect of the occurrence of the circumstance set out in Rule 8.10(1)(d),
    - (i) cancel the Contract or part of the Contract; and
    - (ii) require the counterparty Participating Organisation to pay to the Participating Organisation any net gains arising from the sale of such securities in order to facilitate the settlement of the Contract, if the counterparty Participating Organisation had onward sold any of the securities purchased under the Contract and the Exchange decides not to cancel the Contract or any part of the Contract.
- (2) The Exchange will immediately notify the market of the details of the Contract or part of the Contract cancelled and the reasons for the cancellation.

#### 8.12 Procedure in respect of a cancellation of Contract under Rule 8.10(1)(c)

- (1) A Participating Organisation may request the Exchange to cancel a Contract upon the occurrence of any of the circumstances set out in Rule 8.10(1)(c) (such Contract is referred to as “the PO’s Erroneous Contract”) if:
- (a) the order entered for the PO’s Erroneous Contract is for Board Lot(s) and is of a type prescribed by the Exchange;
  - (b) the order entered for the PO’s Erroneous Contract is executed during the trading phase(s) prescribed by the Exchange;
  - (c) the Participating Organisation makes the request to the Exchange within such timeframe as prescribed by the Exchange;
  - (d) the potential trading loss if the PO’s Erroneous Contract is not cancelled is not less than such amount as prescribed by the Exchange; and
  - (e) the PO’s Erroneous Contract or the Participating Organisation fulfils such other terms as the Exchange may stipulate.
- (2) The Exchange may exercise any one or more of the following powers, upon receipt of a request to cancel a PO’s Erroneous Contract:
- (a) immediately notify the counterparty Participating Organisation of the PO’s Erroneous Contract of the request;
  - (b) cancel the PO’s Erroneous Contract or part of the PO’s Erroneous Contract;

- (c) require the counterparty Participating Organisation to pay to the Participating Organisation any net gains arising from the sale of such securities in order to facilitate the settlement of the PO's Erroneous Contract, if the counterparty Participating Organisation had onward sold any of the securities purchased under the PO's Erroneous Contract and the Exchange decides not to cancel the Erroneous Contract or any part of the PO's Erroneous Contract; and
  - (d) take any other action it deems fit in lieu of cancellation.
- (3) The Exchange will immediately notify the Participating Organisation and the counterparty Participating Organisation of its decision and the details of the Contract or part of the Contract which will be cancelled, if applicable.
- (4) If the Exchange decides to cancel the Contract or part of the Contract, the Exchange may notify the market of such decision.

#### **8.12A Price Adjustment of a Contract**

- (1) A Participating Organisation may request the Exchange to adjust the price of a Contract in the event of an erroneous execution of the Contract if:
- (a) the order entered for such Contract is for Board Lot(s) and is of a type prescribed by the Exchange;
  - (b) the order entered for such Contract is executed during the trading phase(s) prescribed by the Exchange;
  - (c) the price at which the Contract is executed falls outside the range prescribed by the Exchange as the No Adjustment Range;
  - (d) the Participating Organisation makes the request to the Exchange within such timeframe as prescribed by the Exchange;
  - (e) the potential trading loss if the price of the Contract is not adjusted is not less than such amount as prescribed by the Exchange; and
  - (f) the Contract or the Participating Organisation fulfils such other terms as the Exchange may stipulate.
- (2) The Exchange may exercise any one or more of the following powers, upon receipt of a request to adjust the price of a Contract:
- (a) notify the counterparty Participating Organisation of the Contract of such request;
  - (b) notify the Clearing House of such request; and
  - (c) adjust the price of the Contract to the nearest price within the No Adjustment Range or take any other action it deems fit in lieu of adjusting the price of the Contract.
- (3) For the avoidance of doubt, any price adjustment of the erroneous Contract made under this Rule 8.12A will not be performed in relation to any other Contracts that may have been executed arising from such erroneous Contract executed by the Participating Organisation.
- (4) A decision by the Exchange on whether to adjust the price of a Contract will be made on the day on which the Contract is executed.

- (5) The Exchange will immediately notify the Participating Organisation, the counterparty Participating Organisation of the Contract and the Clearing House of its decision and the details of the Contract which will be price adjusted, if applicable.
- (6) If the Exchange decides to adjust the price of a Contract, the Exchange may notify the market of such decision.

### **8.12B Action against the Participating Organisation**

The Exchange may take any action against the Participating Organisation or the ATS Operator for any breaches of these Rules, even if the Contract or part of the Contract has been cancelled under Rule 8.10 or price adjusted under Rule 8.12A respectively.

### **8.12C Indemnity**

The Participating Organisation shall indemnify and hold indemnified the Exchange for or against any loss, damage, cost, expense, liability or claim suffered or incurred by the Exchange, whether directly or otherwise arising from or in connection with a request for cancellation or price adjustment made under Rule 8.12 and Rule 8.12A respectively.

### **8.13 Static price limits**

- (1) If a Participating Organisation enters orders for Board Lots at a price above the Upper Limit Price or below the Lower Limit Price, the orders will not be accepted by the ATS.
- (2) If a Participating Organisation enters orders for Odd Lots at a price above the Upper Limit Price or below the Lower Limit Price for Board Lots as stipulated in Rule 8.13(1), the orders will not be accepted by the ATS.
- (3) The Exchange may take any action it deems appropriate if a matching of an order for Board Lots or Odd Lots in the ATS results in a breach of the Upper Limit Price or Lower Limit Price.
- (4) The Exchange may change the Upper Limit Price and the Lower Limit Price.
- (5) If an Upper Limit Price or Lower Limit Price is reached on a Market Day and is followed by another Upper Limit Price or Lower Limit Price, as the case may be on the next Market Day, the Exchange may use the Upper Limit Price or the Lower Limit Price as the case may be of the last trading day as the Upper Limit Price or the Lower Limit Price for the next trading day or for such period as specified by the Exchange.
- (6) If the trading price for Board Lots of a particular securities has been maintained at the Upper Limit Price or the Lower Limit Price pursuant to Rule 8.13(5), the trading price for Odd Lots of that securities will also be maintained at the said price for such period as specified by the Exchange.

### **8.13A Dynamic price limits**

- (1) The Exchange may prescribe upper and lower price limits at and within which the securities can be traded, to be applicable in such circumstances as may be stipulated by the Exchange ("Dynamic Limits").
- (2) Any order for a Board Lot entered at a price outside of the Dynamic Limits will be executed where possible at prices equal to or within the Dynamic Limits, and the remaining unmatched quantity, if any, will be automatically cancelled by the ATS.

- (3) The Exchange may take any action it deems appropriate if a matching of an order for Board Lots in the ATS results in a breach of the Dynamic Limits.
- (4) The Exchange may change the Dynamic Limits.

#### **8.13B Last Price Limits**

- (1) The Exchange may prescribe upper and lower price limits at and within which orders may be entered during the pre-closing phase, to be applicable in such circumstances as may be stipulated by the Exchange (“Last Price Limits”).
- (2) Any order for a Board Lot entered at a price outside the Last Price Limits during the pre-closing phase, will not be accepted by the ATS.
- (3) The theoretical closing price during the pre-closing phase will be at or within the Last Price Limits.
- (4) The Exchange may take any action it deems appropriate if the theoretical closing price is erroneously calculated during the pre-closing phase due to any reasons whatsoever including orders being entered in breach of the Last Price Limits.
- (5) The Exchange may change the Last Price Limits.

#### **8.14 On-Market Married Transaction**

A Participating Organisation wishing to execute an On-Market Married Transaction must:

- (a) only allow buy and sell orders from within the same branch of the same Participating Organisation to be matched;
- (b) ensure that both the buy and sell orders are entered into the ATS by the same Dealer's Representative;
- (c) only execute the On-Market Married Transaction during the trading phases specified by the Exchange;
- (d) only enter the type of orders for On-Market Married Transaction specified by the Exchange;
- (e) ensure that the On-Market Married Transaction is executed within the price limits determined by the Exchange;
- (f) not execute the On-Market Married Transaction for Regulated Short Selling, Permitted Short Selling and Day Trading;
- (g) not execute the On-Market Married Transaction in Odd Lots; and
- (h) not amend or request for the cancellation of the On-Market Married Transaction unless as permitted under Rules 8.09 and 8.10.

*[Refer to Directive No. 8.14-001]*

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**PART B DIRECT MARKET ACCESS****8.15 Definition**

For the purpose of this Part B of Chapter 8, “DMA Order” means a Direct Market Access order.

**8.16 General**

(1) A Participating Organisation may provide Direct Market Access if:

- (a) the Direct Market Access complies with the requirements stipulated by the Exchange; and

*[Refer to Directive No. 8-001]*

- (b) the Direct Market Access is only provided to persons who comply with the requirements stipulated in Rule 8.18.

(2) For the avoidance of doubt, in addition to the provisions in this Part B of Chapter 8, all other provisions in these Rules will also apply to Participating Organisations and Registered Persons when providing Direct Market Access.

(3) Direct Market Access must only be made available for execution of On-Market Transactions and not Direct Business Transactions.

*[Refer to Best Practice No. 8.16-001]*

**8.17 Automatic Risk Filters**

A Participating Organisation must have appropriate automated risk filters to check or screen a DMA Order before the DMA Order is executed in the ATS, for the purpose of ensuring that the DMA Order does not affect the orderliness and fair functioning of the stock market of the Exchange.

*[Refer to Directive No. 8-001]*

**8.18 Clients**

(1) A Participating Organisation must only make Direct Market Access available to a Client and a person authorised by the Client to act on behalf of the Client who has:

- (a) knowledge of the process of entering DMA Orders;
- (b) knowledge of the requirements in these Rules in relation to trading on the stock market of the Exchange; and
- (c) knowledge of the relevant laws pertaining to trading on the stock market of the Exchange.

(2) A Participating Organisation must execute a written agreement with the Client to whom the Participating Organisation intends to provide Direct Market Access which addresses:

- (a) the duties, obligations and rights of the Participating Organisation and Client in relation to the Direct Market Access; and
- (b) the Client’s compliance with these Rules.

**8.19 DMA Orders**

- (1) A Participating Organisation is deemed to be the principal in relation to all trades effected through Direct Market Access and the Exchange will not recognise the interest of any third party.
- (2) All DMA Orders are deemed as orders submitted for execution in the ATS by a Dealer's Representative on behalf of a Client.

*[Refer to Directive No. 8-001]*

**8.20 Actions by the Exchange**

- (1) The Exchange may take any of the actions enumerated under Rule 8.20(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all Direct Market Access if:
  - (a) there is a breach or likelihood of breach of any provision in Part B of Chapter 8; or
  - (b) the Direct Market Access may lead or is likely to lead to the commission of any offence under the Capital Markets and Services Act.
- (2) Pursuant to Rule 8.20(1), the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all Direct Market Access:
  - (a) directing further Direct Market Access provided by a Participating Organisation to any or all of its Clients and the persons authorised by the Clients to be suspended or ceased; or
  - (b) imposing restrictions or conditions on the Direct Market Access provided by a Participating Organisation to any or all of its Clients and the persons authorised by the Clients.

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**PART C REGULATED SHORT SELLING****8.21 Definitions**

For the purpose of this Part C of Chapter 8, the following interpretations apply:

- (a) the word 'Client' includes the Participating Organisation where the Participating Organisation is executing Regulated Short Selling for itself; and
- (b) a reference in this Part C of Chapter 8 to a person associated with another person is construed as a reference to "Associated Person" in Section 3 of the Capital Markets and Services Act.

**8.22 Regulated short selling**

- (1) A Participating Organisation may execute Regulated Short Selling if the same is carried out in accordance with this Part C of Chapter 8 and Section 98(4)(c) of the Capital Markets and Services Act.
- (2) A Participating Organisation must not execute Regulated Short Selling if the Client of the Participating Organisation or the person on whose behalf the Client of the Participating Organisation is executing the Regulated Short Selling, is associated with the body corporate that issued or made available the Approved Securities.
- (3) All other provisions in these Rules apply to Regulated Short Sales as if they were normal sales of securities.
- (4) Regulated Short Selling can only be carried out for Approved Securities.
- (5) The Exchange may declare any securities that meet with such criteria as prescribed by the Exchange as Approved Securities.

*[Refer to Directives No. 8.22(5)-001 and 8.22(5)-002]*

- (6) The Exchange may declare any securities as being no longer Approved Securities at any time if:
  - (a) the securities no longer meet the criteria for Approved Securities; or
  - (b) in any other circumstance it deems fit.
- (7) The Exchange may determine not to declare any securities as Approved Securities although the securities fulfil the criteria for Approved Securities.
- (8) The Exchange may vary the criteria for Approved Securities, with the prior approval of the Commission.

**8.23 Commencement of Regulated Short Selling**

A Participating Organisation may only commence its Regulated Short Selling activities if it:

- (a) has established internal guidelines for Regulated Short Selling as required by the Exchange;
- (b) has put in place systems and infrastructure including front office and back office systems which are operative and have all the relevant functionalities, requirements and

controls for the carrying out of Regulated Short Selling in accordance with this Part C of Chapter 8; and

- (c) submits a written declaration in the form as prescribed by the Exchange of its compliance with Rules 8.23(a) and 8.23(b) at least 2 Market Days before commencing its Regulated Short Selling activities.

*[Refer to Directive No. 8-002]*

#### **8.24** *[Deleted]*

#### **8.25 Designated trading account and Securities Account**

- (1) A Participating Organisation must open a separate trading account designated as 'RSS', in the name of the Participating Organisation if it is executing Regulated Short Selling for itself or in the name of each Client if it is executing Regulated Short Selling for its Clients ("RSS Account").
- (2) A Participating Organisation must only execute Regulated Short Selling and transactions permitted under Rule 8.25(5) in the RSS Account.
- (3) A Participating Organisation intending to execute Regulated Short Selling in a Clearing Account must open a separate Clearing Account for that purpose and designate that account as 'RSS' together with the designation requirements as the Exchange may prescribe. Any reference in these Rules to 'RSS Account' is read to include a Clearing Account opened to execute Regulated Short Selling.
- (4) A Participating Organisation must, prior to opening a RSS Account:
  - (a) obtain confirmation in writing from the Client that the Client has a SBL Agreement or an ISSBNT Agreement in place; and
  - (b) bring to the notice of the Client that a copy of the SBL Agreement or the ISSBNT Agreement must be furnished when requested by the Exchange and that where there is a failure to do so, the Exchange may take appropriate action including directing the Participating Organisation to suspend trading for the Client; or
  - (c) if the RSS Account is to be opened in the name of the Participating Organisation, execute a SBL Agreement or an ISSBNT Agreement.
- (5) A Participating Organisation may execute purchases or make use of the purchases of securities in the RSS Account only for the following purposes:
  - (a) to contra in full or in part any Regulated Short Sale of an Approved Securities executed in the RSS Account;
  - (b) for redelivery under a SBL Agreement or an ISSBNT Agreement ("Approved Securities for Redelivery"); or
  - (c) to use the Approved Securities for Redelivery:
    - (i) to execute another Regulated Short Sale; or
    - (ii) for lending under a SBL Agreement or sale under an ISSBNT Agreement.

*[Refer to Directive No. 8-002]*

- (6) A Participating Organisation must open a separate Securities Account for each trading account opened pursuant to Rule 8.25(1) and Rule 8.25(3). This Securities Account must be designated in accordance with the Depository Rules or any directives issued by the Depository. A Participating Organisation can only utilize this Securities Account for the following purposes:
- (a) for settlement of Regulated Short Selling;
  - (b) for settlement of purchases as permitted under Rule 8.25(5);
  - (c) to hold securities for redelivery under a SBL Agreement or an ISSBNT Agreement; or
  - (d) to hold Approved Securities for executing the Regulated Short Sale, if the Securities Account is maintained in the name of a Participating Organisation, in its capacity as Authorised Nominee or Exempt Authorised Nominee, provided Rule 7.22(2) or 7.38(2) is complied with.
- (7) Where a Participating Organisation executes a purchase of securities in the RSS Account other than for the purposes stipulated in Rule 8.25(5) by reason of mistake, the Participating Organisation may sell the securities so purchased but the Head of Dealing must:
- (a) report the sale made to the Exchange not later than the end of the next Market Day from the date of the sale; and
  - (b) provide an explanation as to the cause of the mistake in the report.
- (8) Even though the Participating Organisation may sell the securities purchased by mistake as stipulated under Rule 8.25(7), this does not prejudice the Exchange's right to take action against the Participating Organisation for a breach of Rule 8.25(5).
- (9) The Exchange reserves its right to take action against a Participating Organisation for breach of Rule 8.25(5) if:
- (a) the Exchange is not satisfied that the purchase of securities as stipulated in Rule 8.25(7) arose from a mistake made by the Participating Organisation; or
  - (b) the mistake was caused by reason of a breach of the internal guidelines for short selling as required to be established under Rule 8.23(a).

## 8.26 Execution

- (1) A Participating Organisation must ensure the following conditions are met before entering an order for a Regulated Short Sale whether for itself or a Client:
- (a) the Approved Securities to be short sold have been borrowed through SBL or purchased through ISSBNT, as the case may be; or
  - (b) a confirmation has been obtained from an Authorised SBL Participant or Authorised ISSBNT Participant, as the case may be, that the Approved Securities to be short sold are available to settle the sale;
  - (c) the person for whom the order for a Regulated Short Sale is entered, is not associated in the manner referred to in Rule 8.21 with the body corporate that issued or made available the Approved Securities in relation to which the order for short sale is to be entered, and if the order for the Regulated Short Sale is for a Client, to obtain a confirmation from the Client in this respect;
  - (d) the order price of the Approved Securities to be entered into the ATS is in compliance with all requirements as may be prescribed by the Exchange; and

- (e) the order is entered into ATS through the screen designated in the ATS for Regulated Short Sale.
- (2) A Participating Organisation must not execute Regulated Short Sale by way of Direct Business Transaction.
- (3) A Participating Organisation must execute all orders for Regulated Short Sale in a Clearing Account on the same Market Day that the Client instructs for the order to be executed and cannot carry forward any order to the next Market Day even though the order remains unexecuted, whether fully or partially.
- (4) A Participating Organisation must keep documents relating to the requirements on Rules 8.26(1)(a), (b), (c) and (d) for at least 7 years. The documents must be either in writing, tape recording or electronic form.
- (5) The Head of Dealing is responsible to ensure that no Regulated Short Sale is executed in the ATS through a screen other than the screen designated in the ATS for Regulated Short Sale. If any Regulated Short Sale is executed through the screen not designated in the ATS for Regulated Short Sale, the Head of Dealing must report the same by the next Market Day to the Exchange.
- (6) No Regulated Short Sale can be executed by a Participating Organisation during the period:
  - (a) of 21 days immediately following a takeover announcement involving the Issuer of an Approved Securities; or
  - (b) where the Approved Securities has been declared as Designated Securities under Rule 7.14 when expressly directed by the Exchange.

### 8.27 Contract note for Regulated Short Sale

A Participating Organisation must upon execution of a Regulated Short Sale stipulate on the Contract Note issued by the Participating Organisation to the Client that the sale is a Regulated Short Sale.

### 8.28 Prohibition on amendments of contracts

- (1) Notwithstanding Rule 8.09, a Participating Organisation may not effect any amendment of Contract from a trading account or a Securities Account opened not for execution of a Regulated Short Sale to a trading account or Securities Account opened under Rule 8.25 for execution of a Regulated Short Sale.
- (2) A Head of Dealing is responsible to ensure that proper systems and procedures for review and monitoring are in place to ensure that all amendments of Contracts made in accordance with Rule 8.09 are not in breach of Rule 8.28(1). ~~In the event of a breach, the Head of Dealing must report the breach to the Exchange by the next Market Day after the amendments were made.~~

### 8.29 Delivery and settlement

The Rules relating to delivery and settlement under Chapter 9 apply to Regulated Short Sales in the same manner as they apply to normal sales.

**8.30 Reporting by Participating Organisation**

Participating Organisations must report to the Exchange daily or in such other frequency as may be determined by the Exchange, in the format prescribed by the Exchange, the Net Short Position and any other information in relation to the Net Short Position as may be required by the Exchange from time to time.

*[Refer to Directive No. 8-002]*

**8.31 Limit for regulated short selling**

- (1) Without affecting Rule 8.32, the Exchange may suspend any order entry into the order book in the ATS for any further Regulated Short Selling of Approved Securities, if:
  - (a) the quantity of the total short position of an Approved Securities on a particular Market Day is as follows:
    - (i) the quantity of the total short position of the shares of an Issuer, on a particular Market Day is at 3% of the outstanding shares of the Issuer on that Market Day; or
    - (ii) the quantity of the total short position of a class of securities other than shares of an Issuer on a particular Market Day is at 3% of the quantity of the outstanding securities on that Market Day; or
  - (b) the quantity of the total short position of an Approved Securities referred to in Rule 8.31(1)(a)(i) and 8.31(1)(a)(ii) aggregated over a period of time is 10% of the quantity of outstanding shares or securities.
- (2) For the purpose of Rule 8.31(1), the following applies:
  - (a) “Outstanding shares” means the total quantity of shares held by the shareholders of the Issuer including shares held by the Issuer pursuant to a share buy back scheme as provided for in the Listing Requirements; and
  - (b) “Outstanding securities” means total quantity of securities held by the holders of the securities.
- (3) The suspension referred to in Rule 8.31(1) may be for:
  - (a) in relation to the circumstance described in Rule 8.31(1)(a), the remaining Market Day from the time the suspension was instituted on that Market Day; or
  - (b) in relation to the circumstance described in Rule 8.31(1)(b), the period until the aggregated quantity falls below 10% of the quantity of outstanding shares or securities, which can only occur when there is a redelivery of Eligible Securities under a SBL Agreement or of ISSBNT Eligible Securities under a ISSBNT Agreement.
- (4) If a suspension on Regulated Short Selling is imposed on the shares of an Issuer pursuant to Rule 8.31(1)(a) or Rule 8.31(1)(b), such suspension also applies to:
  - (a) all securities referred to in Rule 8.31(1)(a)(ii) although the total short position of the securities is not in breach of the limit referred to in Rule 8.31(1)(a) or Rule 8.31(1)(b); and
  - (b) all securities issued by any Issuer if the underlying instrument of the securities issued, comprise solely the shares of an Issuer in relation to which suspension under Rule 8.31(1)(a) or Rule 8.31(1)(b) has been imposed.

- (5) If the shares or securities referred to under Rules 8.31(1)(a) and Rule 8.31(1)(b) respectively falls within the class of Eligible Securities or ISSBNT Eligible Securities, the following apply:
- (a) the suspension referred to in Rule 8.31(1)(a), Rule 8.31(1)(b) and Rule 8.31(2) includes suspension on the short selling of the Eligible Securities or ISSBNT Eligible Securities; and
  - (b) the 'securities' referred to in Rule 8.31(3) includes Eligible Securities or ISSBNT Eligible Securities and the suspension referred to in that rule is applicable to the short selling of that Eligible Securities or ISSBNT Eligible Securities.

### **8.32 Action by the Exchange**

- (1) The Exchange may take any of the actions enumerated under Rule 8.32(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all Approved Securities if:
- (a) there is a breach or likelihood of breach of any provisions in this Part C of Chapter 8; or
  - (b) the execution of a Regulated Short Sale may lead or is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 8.32(1) the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all Approved Securities:
- (a) directing further Regulated Short Selling by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients to be suspended or ceased;
  - (b) imposing limits on the Net Short Positions or total short positions that may be held by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients; or
  - (c) imposing restrictions or conditions on Regulated Short Selling carried out by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients.

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**PART D      TRADING SUSPENSION**

**8.33      Trading Suspension**

The Exchange may suspend trading of all or any of the securities quoted on the stock market of the Exchange if:

- (a)      there is a significant drop in the Exchange’s benchmark composite index; or
- (b)      a suspension from trading is imposed pursuant to these Rules or the Listing Requirements.

[End of Chapter]

Chapter 12 – Accounting, Audit and Financial Reporting Requirements

**CHAPTER 12 ACCOUNTING, AUDIT AND FINANCIAL REPORTING REQUIREMENTS**

**PART A ACCOUNTS AND FINANCIAL REPORTING**

**12.01 Accounts**

A Participating Organisation must keep up-to-date accounting and other books and records. The accounting and other books and records must:

- (a) comply with the Exchange's requirements; and
- (b) be kept for a period of not less than 7 years from the date the records are first prepared.

*[Refer to Directive No. 12-002]*

**12.02 Financial statements**

A Participating Organisation must submit to the Exchange all financial statements the Exchange specifies within the period stipulated. The financial statements must comply with the Exchange's requirements.

*[Refer to Directive No. 12-002]*

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## Chapter 12 – Accounting, Audit and Financial Reporting Requirements

## PART B STATUTORY AUDIT

12.03 Annual statutory audit ~~and Annual Report~~

- (1) ~~A Participating Organisation must have an auditor to audit accounts relating to the Participating Organisation's business for each financial year in accordance with the Companies Act and Capital Markets and Services Act ("Statutory Auditor").~~
- (21) A Participating Organisation must submit to the Exchange the accounts audited by ~~the~~ Sstatutory Aauditor annually as stipulated in Rule 12.03(1) ("Annual Statutory Audit Report Audited Accounts") ~~and an Annual Report~~ within 3 months after the close of the financial year. ~~The Annual Statutory Audit Report and Annual Report must comply with the Exchange's requirements.~~

~~[Refer to Directive No. 12.03(2)-001]~~

- (32) ~~The Annual Statutory Audit Report must contain the Statutory Auditor's opinion on whether the Participating Organisation has complied with the relevant requirements in these Rules and the Directives and laws on the Participating Organisation's financial position and treatment of Client's assets. [Deleted]~~
- (43) A Participating Organisation must, within 2 months from commencing business as a Participating Organisation, inform the Exchange in writing of:
- (a) the date of the Participating Organisation's financial year end; and
  - (b) the name of the Sstatutory Aauditor who will furnish the Annual Report Audited Accounts.
- (54) A Participating Organisation must inform the Exchange in writing prior to any change to the financial year end or the Sstatutory Aauditor of the Participating Organisation.

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Chapter 12 – Accounting, Audit and Financial Reporting Requirements

**PART C           SUSPENSION OF INTEREST AND  
PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

**12.04 Directives**

A Participating Organisation must comply with the Exchange's Directives which sets out the minimum requirements on:

- (a) the treatment of interest charged by the Participating Organisation to a Client; and
- (b) the impairment provisions for bad and doubtful debts irrespective of whether such debts have been assigned.

*[Refer to Directive No. 12-001 and Best Practices No. 12.04-001 and 12.04-002]*

**12.05 ~~Duty to disclose~~**

~~\_\_\_\_\_ A Participating Organisation must ensure that the relevant information on suspension of interest and impairment provision for bad and doubtful debts are disclosed in the Participating Organisation's audited financial statements. *[Deleted]*~~

~~*[Refer to Directive No. 12-001]*~~

[End of Chapter]

**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 <del>except for Direct Business Transactions provided at items (a), (b) and (c)(i) and (c)(ii) below</del></b>	<del>Fully Negotiable subject to the minimum commission</del>	<del>Minimum Fixed Commission</del> <del>Not applicable</del>	Not applicable
	<del>(i) Direct Business Transactions of ABFMY1 trades</del>	<del>Negotiable subject to the minimum commission</del>	<del>RM12.00</del>	<del>Not applicable</del>
	<del>(ii) Direct Business Transactions of ETB trades</del>	<del>Fully negotiable</del>	<del>Not applicable</del>	<del>Not applicable</del>
(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), (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
	(iii) Trades in securities on the LEAP Market	Fully negotiable	Not applicable	Not applicable
(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
(f)	<b>ISSBNT trades</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]