

PARTICIPATING ORGANISATIONS' CIRCULAR

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No : R/R 7 of 2017

AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD (“RULES OF BURSA SECURITIES”) IN RELATION TO THE INTRODUCTION OF THE LEAP MARKET

1.0 INTRODUCTION

- 1.1 Bursa Malaysia Securities Berhad (“**the Exchange**”) is introducing the LEAP Market, a new market aimed at facilitating access by small and medium-sized enterprises to raise capital from the capital market. It is a qualified market mainly for Sophisticated Investors.
- 1.2 In conjunction with this, the Exchange has amended the Rules of Bursa Securities and Directive No. 3.39(5)-001 (Directive on Monthly Compliance Report), Directive No. 5-001 (Directives on Conduct of Business) and Directive No. 7.05(1)-001 (Directives on the use of Day Trading Activities Account) as well as introduced a new Directive No. 16.02(3)-001 (Directive on proprietary trading by a Participating Organisation on the LEAP Market) (collectively referred to as “**the Directives**”).
- 1.3 The amendments to the Rules and Directives have been approved by the Securities Commission Malaysia.

2.0 AMENDMENTS TO THE RULES

- 2.1 In addition to amendments in Chapter 1, a new Chapter 16 is inserted to set out the additional provisions, modification to existing provisions, and disapplication of existing provisions for trading in securities in the LEAP Market.
- 2.2 The key amendments are as follows:
- (a) Amendments to definitions to cater to the LEAP Market (e.g. insertion of new definition “Sophisticated Investor”);
 - (b) New Rule 16.02 has been inserted to clarify that trading on the LEAP Market is only intended for persons who qualify as Sophisticated Investors. An exception is made in relation to a securities holder who does not qualify as a Sophisticated Investor but is a current securities holder of a corporation listed on the LEAP Market and the trade is solely for selling the securities holder’s existing securities in the corporation. In this regard, a Participating Organisation (“**PO**”) must not allow a Client to trade or undertake transactions on the LEAP Market, unless the Client falls within one of the two categories described above. A PO is also required to limit its proprietary trading in securities listed on the LEAP Market to circumstances which are prescribed by the Exchange. These circumstances are set out in the new Directive on proprietary trading by a Participating Organisation on the LEAP Market;
 - (c) New Rule 16.03 has been inserted to require a PO to provide a risk disclosure statement to a Client for the purposes of trading on the LEAP Market;
 - (d) New Rule 16.04 has been inserted to clarify that margin financing is not permitted for the subscription or purchase of LEAP Market securities;

- (e) New Rule 16.05 has been inserted to clarify that a Direct Business Transaction (“DBT”) is permitted to be undertaken on the LEAP Market, and that a PO does not need to apply to the Exchange for prior approval of a DBT undertaken on the LEAP Market, even if the DBT meets the criteria prescribed in Rule 10.01(1)(d).
 - (f) Amendment to Schedule 6 to insert new item (d)(iii) has been made to clarify that there is no prescribed commission for trades on the LEAP Market, and that commission rates are fully negotiable
- 2.3 The detailed amendments to the Rules of Bursa Malaysia Securities are as set out in **Annexure 1**.

3.0 AMENDMENTS TO THE DIRECTIVES

3.1 The amendments to the Directives are as follows:

(a) **Directive No. 3.39(5)-001 (Directive on Monthly Compliance Report)**

A new provision has been inserted to include LEAP Market compliance matters in the template compliance report attached as Appendix 1 to Directive No. 3.39(5)-001. The LEAP Market compliance matters must be included in the compliance report every quarter of a calendar year, rather than on a monthly basis as is currently prescribed in Rules 3.39(2)(b) and 3.39(5).

(b) **Directive No. 5-001 (Directives on Conduct of Business)**

Paragraph 8.1 has been amended to clarify that a PO must ensure that it obtains information that a Client qualifies as a Sophisticated Investor or as a current securities holder as specified in Rule 16.02(2)(b) before opening a trading account for the Client for trading on the LEAP Market.

(c) **Directive No. 7.05(1)-001 (Directives on the use of Day Trading Activities Account)**

- Paragraph 2(1) has been amended to clarify that LEAP Market securities are excluded from the class of securities to which a short sale may be executed;
- Paragraph 3.1(1)(f) has been amended to prohibit Day Trading in respect of LEAP Market securities; and
- Paragraphs 3.4(3)(c) and 3.4(4)(c) and Appendix 1(c) have been amended to insert an obligation for POs to report positions or Day Trading of LEAP Market securities, in breach of para 3.1(1)(f) of the Directive.

(d) **New Directive No. 16.02(3)-001 (Directive on proprietary trading by a Participating Organisation on the LEAP Market)**

Pursuant to Rule 16.02(3), the new directive has been introduced to prescribe the list of circumstances in which a PO may carry out proprietary trading on the LEAP Market.

3.2 The amendments to the Directives are as set out in **Annexure 2**.

4.0 PARTICIPATING ORGANISATION’S TRADING MANUAL

4.1 The provisions on buying-in under Chapter 6 of the Trading Manual have been amended pursuant to the introduction of the LEAP Market.

4.2 The updated version of Chapter 6 of the Trading Manual is attached as **Annexure 3**.

5.0 EFFECTIVE DATE

5.1 The amendments to the Rules of Bursa Malaysia Securities, the Directives and the Trading Manual above will take effect from **16 June 2017**.

6.0 FREQUENTLY-ASKED QUESTIONS (“FAQs”)

6.1 A set of FAQs in relation to the amendments to the Rules of Bursa Securities is attached as **Annexure 4** and may also be accessed at the following link:

<http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/faqs/>

7.0 CONTACT PERSON

7.1 In the event of any queries in relation to the above matter, kindly contact the following persons:

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This Circular is available at:

<http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/securities/rules-of-bursa-malaysia-securities>

Regulation