

## PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 25 AUGUST 2010

No: R/R 5 of 2010

### AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD ("RULES OF BURSA SECURITIES") IN RELATION TO SECURITIES BORROWING AND LENDING ("SBL") AND REGULATED SHORT SELLING ("RSS")

#### 1. INTRODUCTION

Kindly be advised that amendments have been made to the Rules of Bursa Securities as explained in paragraph 2 below.

#### 2. AMENDMENTS TO THE RULES OF BURSA SECURITIES

The amendments to the Rules of Bursa Securities are set out in **Annexure 1** ("Amendments").

The salient aspects of the Amendments are as follows:

- (a) Deletion of the conditions for a contra provided under Rules 704.5(5)(a)(i) to (vi).
- (b) Insertion of a new Rule 704.5(5)(c) to allow Participating Organisations ("PO") to purchase approved securities in the RSS Account for lending to another client for the purpose of executing another regulated short sale for that client.
- (c) Removal of reference to Appendix 10 in Rule 608.4(1)(d). The declaration of compliance for SBL activities will be in a form determined by the Exchange.

Please be advised that the form of declaration prescribed by the Exchange for the purposes of Rule 608.4(1)(d) shall be the same as the declaration made by the POs in the application form submitted to the Bursa Malaysia Securities Clearing Sdn Bhd ("Bursa Securities Clearing") to be an approved Securities Borrowing and Lending Negotiated Transactions ("SBLNT") borrower/lender or Borrower under the Bursa SBL Transactions as defined in the Rules of Bursa Securities Clearing. An extract of the declaration is reproduced below:

- (i) SBLNT application form

*'in relation to our application to be an Approved SBLNT Borrower (if applicable), agree, upon approval of this application, to at all times comply with Rules 608.4(1)(a) to (c) of the Rules of Bursa Malaysia Securities Berhad as may be amended, varied, modified, supplemented or substituted from time to time as if we were the Participating Organisation referred to in such Rule'.*

- (ii) Bursa SBL Transactions application form

*'We agree, upon approval of this application, to at all times comply with Rules 608.4(1)(a) to (c) of the Rules of Bursa Malaysia Securities Berhad as may be amended, varied, modified, supplemented or substituted from time to time as if we were the Participating Organisation referred to in such Rule'.*

As such POs are not required to submit a separate declaration to the Exchange under Rule 608.4(1)(d), when it commences with its securities borrowing and/or lending activities. The Exchange will rely on and treat the declaration made by a PO to Bursa Securities Clearing as stated above as a declaration made by the PO to the Exchange under Rule 608.4(1)(d) as well. Thus, the declaration, once made by a PO, will be taken as being made to both Bursa Securities Clearing and the Exchange, even though the contents make no mention of the Exchange.

In this regard, the Exchange can take action against the PO if the declaration given is false or misleading.

The above approach is meant to simplify and reduce the administrative processes and time taken by a PO to commence with securities borrowing and lending activities.

- (d) Amendments to Appendix 10 by removing references to SBL. Appendix 10 remains as a requirement for the declaration of compliance for RSS.

### 3. EFFECTIVE DATE

Please be informed that the Amendments will be effective from **25 August 2010**.

All rules, directives or circulars in force which make reference to or contain provisions relating to the above matters shall have effect as if such references or provisions relate to the Amendments.

### 4. CONTACT PERSONS

Please direct any queries you may have in relation to the above to the following person:

Name	Contact Details
Lim Yoke May	03-2034 7312 yokemay_lim@bursamalaysia.com

This Circular is available at:

[http://www.bursamalaysia.com/website/bm/regulation/rules/bursa\\_rules/bm\\_securities.html](http://www.bursamalaysia.com/website/bm/regulation/rules/bursa_rules/bm_securities.html)

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**Regulation**



**RULES OF BURSA MALAYSIA SECURITIES BHD  
RULE AMENDMENTS IN RELATION TO REGULATED SHORT SELLING AND SECURITIES BORROWING AND LENDING**

RULES	EXISTING PROVISIONS	AMENDED PROVISIONS
<b>Rule 608.4(1)(d)</b>	<p>(1) Subject always to the Clearing House Requirements, a Participating Organisation shall only be permitted to commence with its securities borrowing and/or lending activities when the following requirements are complied with:</p> <p>(d) subject to Rule 608.5, the Participating Organisation has submitted a written declaration in the form prescribed in Appendix 10 to the Exchange of its compliance with Rules 608.4(1)(a), 608.4(1)(b) and 608.4(1)(c) at least two (2) market days prior to the commencement of its securities borrowing and/or lending activities.</p>	<p>(1) Subject always to the Clearing House Requirements, a Participating Organisation shall only be permitted to commence with its securities borrowing and/or lending activities when the following requirements are complied with:</p> <p>(d) subject to Rule 608.5, the Participating Organisation has submitted a written declaration in <del>the a form prescribed in Appendix 10 to</del> <u>prescribed by</u> the Exchange of its compliance with Rules 608.4(1)(a), 608.4(1)(b) and 608.4(1)(c) at least two (2) market days prior to the commencement of its securities borrowing and/or lending activities.</p>
<b>Rule 704.2</b>	<b>RULE 704.2 PERMITTED SHORT SELLING</b>	<b>RULE 704.2 <del>PERMITTED SHORT SELLING</del><u>GENERAL</u></b>
<b>Rule 704.5(5)</b>	<p>(5) A Participating Organisation shall be permitted to execute purchase of securities in the RSS Account but only for the following purposes:</p> <p>(a) to contra in full or partially any regulated short sale of an approved securities executed in the RSS account subject to the following conditions:</p> <p>(i) that the purchase is of securities falling within the</p>	<p>(5) A Participating Organisation shall be permitted to execute purchase of <u>approved</u> securities in the RSS Account <del>but only</del> for the following purposes <u>only</u>:</p> <p>(a) to contra in full or partially any regulated short sale of an approved securities executed in the RSS <u>a</u>Account <del>subject to the following conditions:</del></p> <p><del>(i) that the purchase is of securities falling within</del></p>

**ANNEXURE 1  
AMENDMENTS**

**in relation to Regulated Short Selling and  
Securities Borrowing and Lending**



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	<p>same class of securities as the approved securities in relation to which the regulated short sale was executed;</p> <p>(ii) that the purchase of securities is executed at any time after the execution of any regulated short sale of an approved securities and on the same market day that the regulated short sale of that approved securities was executed;</p> <p>(iii) shall not be more than the total quantity of the net position of the approved securities, prior to the execution of the purchase, on that same market day;</p> <p>(iv) that in relation to the quantity of regulated short sale of an approved securities to be executed on a market day subsequent to any purchase executed to contra whether in full or partially any regulated short sale of an approved securities executed in RSS Account on that same market day, the Participating Organisation shall ensure that the total quantity of the net short position of that approved securities and the regulated short sale to be executed on that market day shall not be more than the quantity of that approved securities borrowed in the RSS account on that market day. The expression 'approved securities borrowed in the RSS Account' for purposes of this Rule 704.5(5)(a) means the quantity of approved securities which has been borrowed for execution of any regulated short sale in the RSS Account including the quantity of approved</p>	<p><del>the same class of securities as the approved securities in relation to which the regulated short sale was executed;</del></p> <p><del>(ii) that the purchase of securities is executed at any time after the execution of any regulated short sale of an approved securities and on the same market day that the regulated short sale of that approved securities was executed;</del></p> <p><del>(iii) shall not be more than the total quantity of the net position of the approved securities, prior to the execution of the purchase, on that same market day;</del></p> <p><del>(iv) that in relation to the quantity of regulated short sale of an approved securities to be executed on a market day subsequent to any purchase executed to contra whether in full or partially any regulated short sale of an approved securities executed in RSS Account on that same market day, the Participating Organisation shall ensure that the total quantity of the net short position of that approved securities and the regulated short sale to be executed on that market day shall not be more than the quantity of that approved securities borrowed in the RSS account on that market day. The expression 'approved securities borrowed in the RSS Account' for purposes of this Rule 704.5(5)(a) means the quantity of approved securities which has been borrowed for execution of any regulated short sale in the RSS Account</del></p>

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	<p>securities stipulated in the confirmation given by the Authorised SBL Participant to be made available for borrowing to enable settlement of any regulated short sale in the RSS Account;</p> <p>(v) the net short position in the RSS Account on a market day in relation to the approved securities shall not be more than the quantity of that approved securities borrowed in the RSS Account; and</p> <p>(vi) that any quantity of an approved securities borrowed in the RSS Account for the purpose of settlement of any regulated short sale executed on a market day in the RSS Account but not utilised as a result of contra executed in accordance with provisions herein, may be utilised for execution of any regulated short sale on subsequent market day(s) provided that the approved securities borrowed in the RSS Account is still available to enable settlement of the subsequent regulated short sale, or</p> <p>(b) for redelivery of securities arising from any borrowing of approved securities under a SBL agreement.</p>	<p><del>including the quantity of approved securities stipulated in the confirmation given by the Authorised SBL Participant to be made available for borrowing to enable settlement of any regulated short sale in the RSS Account;</del></p> <p><del>(v) the net short position in the RSS Account on a market day in relation to the approved securities shall not be more than the quantity of that approved securities borrowed in the RSS Account; and</del></p> <p><del>(vi) that any quantity of an approved securities borrowed in the RSS Account for the purpose of settlement of any regulated short sale executed on a market day in the RSS Account but not utilised as a result of contra executed in accordance with provisions herein, may be utilised for execution of any regulated short sale on subsequent market day(s) provided that the approved securities borrowed in the RSS Account is still available to enable settlement of the subsequent regulated short sale, or</del></p> <p>(b) for redelivery of securities arising from any borrowing of approved securities under a SBL agreement; <u>or</u></p> <p>(c) <u>for borrowing to execute another regulated short sale of that approved securities in accordance with the requirements of Rule 704.</u></p>



RULES	EXISTING PROVISIONS	AMENDED PROVISIONS
<p><b>Appendix 10</b></p>	<p><b>APPENDIX 10 – DECLARATION ON COMPLIANCE</b> <b>[RULE 608.4(1)(d) and 704.4(1)(c)]</b></p> <p><b>DECLARATION ON COMPLIANCE</b></p> <p>Pursuant to the requirements of <i>Rule 608.4(1)(d) and Rule 704.4(1)(c)</i>, we [name of Participating Organisation] hereby declare as follows:</p> <ol style="list-style-type: none"> <li>that we have formulated a set of <i>Internal Guidelines for Securities Borrowing and Lending and the Internal Guidelines for Short Selling</i> which have been approved by the board of directors;</li> <li>the <i>Internal Guidelines for Securities Borrowing and Lending and the Internal Guidelines for Short Selling</i> have been brought to the notice of the relevant employees and registered persons who have read and understood the contents therein;</li> <li>that the <i>Internal Guidelines for Securities Borrowing and Lending and the Internal Guidelines for Short Selling</i> comply with the requirements set out in <i>Rule 608.3 and Rule 704.3 respectively</i>;</li> <li>that all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for</li> </ol>	<p><b>APPENDIX 10 – DECLARATION ON COMPLIANCE</b> <b>[<del>RULE 608.4(1)(d) and</del> 704.4(1)(c)]</b></p> <p><b>DECLARATION ON COMPLIANCE</b></p> <p>Pursuant to the requirements of <del><i>Rule 608.4(1)(d) and Rule 704.4(1)(c)</i></del>, we [name of Participating Organisation] hereby declare as follows:</p> <ol style="list-style-type: none"> <li>that we have formulated a set of <del><i>Internal Guidelines for Securities Borrowing and Lending and the Internal Guidelines for Short Selling</i></del> which have been approved by the board of directors;</li> <li>the <del><i>Internal Guidelines for Securities Borrowing and Lending and the Internal Guidelines for Short Selling</i></del> have been brought to the notice of the relevant employees and registered persons who have read and understood the contents therein;</li> <li>that the <del><i>Internal Guidelines for Securities Borrowing and Lending and the Internal Guidelines for Short Selling</i></del> comply with the requirements set out in <del><i>Rule 608.3 and Rule 704.3 respectively</i></del>;</li> <li>that all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for</li> </ol>

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	<p>the purpose of carrying out <i>securities borrowing and lending activities and regulated short selling activities</i> in accordance with these Rules; and</p> <p>5. that the Effective Shareholders' Funds is not less than Ringgit Malaysia Fifty (50) Million as at the date of the declaration herein for the purpose of undertaking securities borrowing and/or lending activities pursuant to Rule 608.</p>	<p>the purpose of carrying out <del><i>securities borrowing and lending activities and</i></del> regulated short selling activities in accordance with these Rules; and</p> <p>5. <del>[Deleted] that the Effective Shareholders' Funds is not less than Ringgit Malaysia Fifty (50) Million as at the date of the declaration herein for the purpose of undertaking securities borrowing and/or lending activities pursuant to Rule 608.</del></p>

[End of Rule Amendments]