

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 23 December 2005

No.: R/R 22 of 2005

- (A) AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD (“THE RULES”) PERTAINING TO THE PROVISION OF OTHER TYPES OF FINANCING BY PARTICIPATING ORGANISATIONS (“POs”) (OTHER THAN MARGIN FINANCING).**
- (B) DIRECTIVES ALLOWING THE PROVISION OF DISCRETIONARY FINANCING BY POs.**
- (C) AMENDMENTS TO THE RULES CONSEQUENTIAL TO ALLOWING FOR THE PROVISION OF DISCRETIONARY FINANCING BY POs.**

Please be advised of the following matters set out below:

- (a) Pursuant to Section 9(3) of the Securities Industry Act 1983, amendments have been made to the Rules pertaining to other types of financing that may be provided by POs to their clients (other than margin financing), as determined by Bursa Securities in consultation with the Securities Commission. A copy of the aforementioned amendments is hereby attached as **ANNEXURE 1**.
- (b) Please further be advised that pursuant to Rule 703.2(3) of the Rules (as set out in **ANNEXURE 1**), directives are hereby issued allowing POs to provide their clients with Discretionary Financing. A copy of the aforementioned amendments is hereby attached as **ANNEXURE 2**.
- (c) Pursuant to Section 9(3) of the Securities Industry Act 1983, the Rules have been amended, consequential to the directives issued as stipulated in paragraph (b). A copy of the aforementioned amendments is hereby attached as **ANNEXURE 3**.

Kindly be advised that the above rule amendments and directives shall take effect from 23 December 2005.

Please be informed that the said the above rule amendments and directives are available on Bursa Malaysia's website at: http://www.bursamalaysia.com/website/aboutus/biz_rules.htm.

Date: 23 December 2005

AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD PERTAINING TO THE PROVISION OF OTHER TYPES OF FINANCING (OTHER THAN MARGIN FINANCING) BY PARTICIPATING ORGANISATIONS

| Existing Rule | | Amended Rule | |
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| Rule 201.1 | <p>(1) Description of powers: Subject to the provisions of the Securities Laws, the Exchange may exercise its powers in such manner and on such terms as it shall deem necessary or expedient and which powers shall include, without limitation, the following –</p> <ul style="list-style-type: none"> (a) to make new rules for the order and good governance of the Participating Organisations and their affairs; (b) to add to, vary, repeal, enforce or waive any of these Rules; (c) to administer, manage, formulate policies and give directions to the Participating Organisations and such persons to whom these Rules are directed; (d) <i>to issue directives, rulings or guidelines for the purposes of or in connection with any of these Rules;</i> (e) to admit or refuse to admit any person or corporation as a Participating Organisation or registered person(s); (f) to interpret conclusively any provision in these Rules and any rulings, directives or guidelines and the validity of any act or thing done pursuant thereto in the | Rule 201.1 | <p>(1) Description of powers: Subject to the provisions of the Securities Laws, the Exchange may exercise its powers in such manner and on such terms as it shall deem necessary or expedient and which powers shall include, without limitation, the following –</p> <ul style="list-style-type: none"> (a) to make new rules for the order and good governance of the Participating Organisations and their affairs; (b) to add to, vary, repeal, enforce or waive any of these Rules; (c) to administer, manage, formulate policies and give directions to the Participating Organisations and such persons to whom these Rules are directed; (d) <i>to issue directives, rulings or guidelines for the purposes of or in connection with any of these Rules including any modifications thereto;</i> (e) to admit or refuse to admit any person or corporation as a Participating Organisation or registered person(s); (f) to interpret conclusively any provision in these Rules and any rulings, directives or guidelines and the validity of any act or thing done pursuant thereto in the event of any dispute or difference over such Rules and any rulings, directives or guidelines; (g) to release at its absolute discretion information concerning any Participating Organisation or registered |

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|----------------------|--|---------------------|---|
| | <p>event of any dispute or difference over such Rules and any rulings, directives or guidelines;</p> <p>(g) to release at its absolute discretion information concerning any Participating Organisation or registered person(s) to the Commission, Depository, Clearing House or any other relevant body or authority when so requested;</p> <p>(h) to grant, suspend or revoke the rights of any Participating Organisation or registered person(s);</p> <p>(i) to enforce the directions given by the Commission;</p> <p>(j) to inspect the books and records of all Participating Organisations and registered person(s) from time to time and to require any Participating Organisation and/or registered person(s) to appear before it or any Committee at any time and produce the Participating Organisation's or registered person(s)'s books and records and furnish such information as may be required by the Exchange including information relating to any client of such Participating Organisation or registered person(s) and to answer any question regarding any</p> | | <p>person(s) to the Commission, Depository, Clearing House or any other relevant body or authority when so requested;</p> <p>(h) to grant, suspend or revoke the rights of any Participating Organisation or registered person(s);</p> <p>(i) to enforce the directions given by the Commission;</p> <p>(j) to inspect the books and records of all Participating Organisations and registered person(s) from time to time and to require any Participating Organisation and/or registered person(s) to appear before it or any Committee at any time and produce the Participating Organisation's or registered person(s)'s books and records and furnish such information as may be required by the Exchange including information relating to any client of such Participating Organisation or registered person(s) and to answer any question regarding any violation of any Rules and any rulings, directives or guidelines;</p> <p>(k) to order an investigation into the affairs of a Participating Organisation or registered person(s), without giving any reason therefor, who it may suspect or having violated any of the provisions of these Rules, Depository Rules, Clearing House Rules and any rulings, directives or guidelines issued thereunder and for this purpose, to demand the production of all books, accounts, records or any other documents which he may deem necessary for inspection and to engage any accountant, advocate and solicitor or any other qualified person or persons to</p> |

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| | <p>violation of any Rules and any rulings, directives or guidelines;</p> <p>(k) to order an investigation into the affairs of a Participating Organisation or registered person(s), without giving any reason therefor, who it may suspect or having violated any of the provisions of these Rules, Depository Rules, Clearing House Rules and any rulings, directives or guidelines issued thereunder and for this purpose, to demand the production of all books, accounts, records or any other documents which he may deem necessary for inspection and to engage any accountant, advocate and solicitor or any other qualified person or persons to assist in the investigation; and</p> <p>(l) to exercise all such other powers as may be necessary for purposes of monitoring compliance with and enforcement of these Rules.</p> | | <p>assist in the investigation; and</p> <p>(l) to exercise all such other powers as may be necessary for purposes of monitoring compliance with and enforcement of these Rules.</p> |
| Rule 703 | RULE 703 MARGIN FINANCING | Rule 703 | RULE 703 FINANCING |

AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD PERTAINING TO THE PROVISION OF OTHER TYPES OF FINANCING (OTHER THAN MARGIN FINANCING) BY PARTICIPATING ORGANISATIONS

| Existing Rule | | Amended Rule | |
|---------------|--|--------------|--|
| Rule 703.2 | <p>RULE 703.2 PRE-REQUISITE</p> <p>(1) Only Participating Organisations which have been approved by the Exchange to carry out margin financing may undertake such activities subject to adherence to this Rule 703.</p> <p>(2) The Exchange may, with the consent of the Commission, grant approval to a Participating Organisation to carry out margin financing as an approved business activity.</p> | | <p>RULE 703.2 PRE-REQUISITE</p> <p>(1) Only Participating Organisations which have been approved by the Exchange to carry out margin financing may undertake such activities subject to adherence to this Rule 703.</p> <p>(2) The Exchange may, with the consent of the Commission, grant approval to a Participating Organisation to carry out margin financing as an approved business activity.</p> <p>(3) The Exchange may allow for Participating Organisations to provide any other type of financing as determined by the Exchange in consultation with the Commission, other than margin financing, subject to any terms and conditions as may be prescribed by the Exchange.</p> |
| Rule 703.3 | <p>RULE 703.3 PURPOSE AND PERIOD</p> <p>(1) Subject to the provisions of this Rule 703, a Participating Organisation may extend <i>credit facilities</i> to its clients for trading exclusively in securities that are listed on the Exchange.</p> <p>(2) The margin account shall not be used to subscribe for any new issue of securities.</p> <p>(3) A Participating Organisation may extend <i>credit</i></p> | | <p>RULE 703.3 PURPOSE AND PERIOD</p> <p>(1) Subject to the provisions of this Rule 703, a Participating Organisation may extend margin financing to its clients for trading exclusively in securities that are listed on the Exchange.</p> <p>(2) The margin account shall not be used to subscribe for any new issue of securities.</p> <p>(3) A Participating Organisation may extend margin financing to its clients for the purchase of any securities for a period of three (3)</p> |

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|----------------------|---|---------------------|--|
| | <i>facilities</i> to its clients for the purchase of any securities for a period of three (3) months only, with rollover, if necessary. | | months only, with rollover, if necessary. |
| | <p>RULE 703.5 SINGLE CLIENT RULE</p> <p>(1) Limit of credit: The amount of <i>credit facilities</i> that a Participating Organisation may extend to any single client shall not be more than thirty per cent (30%) of its Adjusted Capital.</p> <p>(2) Single client: For the purposes of this Rule 703.5, in computing the total amount of <i>credit facilities</i> given to any single client the term "single client" is defined as follows -</p> <p>(a) Where such single client is an individual, any <i>credit facilities</i> 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, shall be deemed to be <i>credit facilities</i> extended to a single client. For the purpose of 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 -</p> | | <p>RULE 703.5 SINGLE CLIENT RULE</p> <p>(1) Limit of credit: The amount of margin financing that a Participating Organisation may extend to any single client shall not be more than thirty per cent (30%) of its Adjusted Capital.</p> <p>(2) Single client: For the purposes of this Rule 703.5, in computing the total amount of margin financing given to any single client the term "single client" is defined as follows -</p> <p>(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, shall be deemed to be margin financing extended to a single client. For the purpose of 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 -</p> <p>(i) holds, directly or indirectly, more than fifty per cent (50%) of the shares of the company or corporation;</p> <p>(ii) has the power to appoint, or cause to be appointed, a majority of the directors of the</p> |

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| | <p>(i) holds, directly or indirectly, more than fifty per cent (50%) of the shares of the company or corporation;</p> <p>(ii) has the power to appoint, or cause to be appointed, a majority of the directors of the company or corporation; or</p> <p>(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.</p> <p>(b) Where such single client is a company or corporation, any <i>credit facilities</i> extended to the company or corporation, its related company or corporation and its associated companies shall be deemed to be <i>credit facilities</i> extended to a single client. For the purpose of this paragraph (b), a "related company or corporation" shall have the meaning as defined by section 6 of the Companies Act.</p> | | <p>company or corporation; or</p> <p>(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.</p> <p>(b) Where such single client is a company or corporation, any margin financing extended to the company or corporation, its related company or corporation and its associated companies shall be deemed to be margin financing extended to a single client. For the purpose of this paragraph (b), a "related company or corporation" shall have the meaning as defined by section 6 of the Companies Act.</p> |
| | <p>(3) Associated company: A company is deemed to be an associated company of a corporation where the corporation holds, directly or indirectly, not less than twenty per cent (20%) and not more</p> | | <p>(3) Associated company: A company is deemed to be an associated company of a corporation where the corporation holds, directly or indirectly, not less than twenty per cent (20%) and not more than fifty per cent (50%) of the issued share capital of such company.</p> |

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| | than fifty per cent (50%) of the issued share capital of such company. | | |
| | <p>RULE 703.6 RESTRICTIONS</p> <p>(1) No Participating Organisation shall extend <i>credit facilities</i> to the following persons -</p> <p>(a) any of its directors, employees or Commissioned Dealer's Representatives;</p> <p>(b) any firm in which any of its directors, employees or Commissioned Dealer's Representative is interested as a partner, manager, guarantor or agent other than as a stockbroking agent;</p> <p>(c) any corporation in which any of its directors, employees or Commissioned Dealer's Representatives is interested as a director, manager, guarantor or agent other than as a stockbroking agent;</p> <p>(d) any corporation in which any of its directors, employees or Commissioned Dealer's Representatives holds shares save and except -</p> <p>(i) where none of its executive directors, employees or Commissioned Dealer's Representatives holds five per</p> | | <p>RULE 703.6 RESTRICTIONS</p> <p>(1) No Participating Organisation shall extend margin financing to the following persons -</p> <p>(a) any of its directors, employees or Commissioned Dealer's Representatives;</p> <p>(b) any firm in which any of its directors, employees or Commissioned Dealer's Representative is interested as a partner, manager, guarantor or agent other than as a stockbroking agent;</p> <p>(c) any corporation in which any of its directors, employees or Commissioned Dealer's Representatives is interested as a director, manager, guarantor or agent other than as a stockbroking agent;</p> <p>(d) any corporation in which any of its directors, employees or Commissioned Dealer's Representatives holds shares save and except -</p> <p>(i) where none of its executive directors, employees or Commissioned Dealer's Representatives holds five per cent (5%) or more of the issued share capital of that corporation;</p> <p>(ii) in respect of any corporation, whether listed or</p> |

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| | <p>cent (5%) or more of the issued share capital of that corporation;</p> <p>(ii) in respect of any corporation, whether listed or not listed on the Exchange where no non-executive director of the Participating Organisation holds, directly or indirectly five per cent (5%) or more of the issued share capital of that corporation;</p> <p>(iii) in respect of a corporation not listed on the Exchange, where no non-executive director of a Participating Organisations holds shares in his personal capacity;</p> <p>(e) any individual to whom any of its directors, employees or Commissioned Dealer's Representatives has provided a guarantee;</p> <p>(f) any person who is prohibited under Section 93(2) of the Securities Industry Act; and</p> <p>(g) any other person as may be determined by the Minister with prior written notice given to all the Participating Organisations.</p> <p>For the purposes of this Rule 703.6, the term</p> | | <p>not listed on the Exchange where no non-executive director of the Participating Organisation holds, directly or indirectly five per cent (5%) or more of the issued share capital of that corporation;</p> <p>(iii) in respect of a corporation not listed on the Exchange, where no non-executive director of a Participating Organisations holds shares in his personal capacity;</p> <p>(e) any individual to whom any of its directors, employees or Commissioned Dealer's Representatives has provided a guarantee;</p> <p>(f) any person who is prohibited under Section 93(2) of the Securities Industry Act; and</p> <p>(g) any other person as may be determined by the Minister with prior written notice given to all the Participating Organisations.</p> <p>For the purposes of this Rule 703.6, the term "director" and "employee" shall include the spouse, parent and child thereof.</p> |

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| | "director" and "employee" shall include the spouse, parent and child thereof. | | |
| | <p>RULE 703.12 MONTHLY RETURNS</p> <p>(1) Every Participating Organisation shall submit returns on <i>credit facilities</i> extended in relation to margin account -</p> <p>(a) to the Balance of Payments Department, Bank Negara Malaysia, on a monthly basis in accordance with the format prescribed in the Appendix 7 within ten (10) days from the last day of the reporting month;</p> <p>(b) to the Exchange at such time and in accordance with such format as prescribed by the Exchange from time to time.</p> | | <p>RULE 703.12 MONTHLY RETURNS</p> <p>(1) Every Participating Organisation shall submit returns on margin financing extended in relation to margin account -</p> <p>(a) to the Balance of Payments Department, Bank Negara Malaysia, on a monthly basis in accordance with the format prescribed in the Appendix 7 within ten (10) days from the last day of the reporting month;</p> <p>(b) to the Exchange at such time and in accordance with such format as prescribed by the Exchange from time to time.</p> |

**DIRECTIVES ALLOWING FOR THE PROVISION OF DISCRETIONARY
FINANCING BY PARTICIPATING ORGANISATIONS TO THEIR CLIENTS
PURSUANT TO RULE 703.2(3) OF THE RULES OF BURSA MALAYSIA
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1. Application and Effect

- 1.1 Words and expressions used in this directive shall save as otherwise defined herein or unless the context otherwise requires, bear the same meaning as defined in the Rules of Bursa Malaysia Securities Bhd (“the Rules”).
- 1.2 Unless otherwise expressly provided herein, these directives shall take effect from the date hereof unless and until amended, varied, supplemented, substituted thereof or revoked by Bursa Securities.
- 1.3 All rules, directives, circulars in force which make reference or contain provisions relating to the above matter shall have effect from the date hereof as if such reference or provisions relate to these directives.
- 1.4 For the avoidance of doubt, the provisions of these directives shall only apply to Participating Organisations who wish to undertake Discretionary Financing referred to in paragraph 3.1.

2. Interpretation

“DF Account” means an account opened by a client of a Participating Organisation, which allows the client, subject to the provisions in these directives, to utilise Discretionary Financing referred to in paragraph 3.1.

“Retail Clients” means clients of a Participating Organisation who carry out Retail Trades as defined in Rule 1001.1(7) of the Rules.

“contract” means a contract for the sale or purchase transaction of securities entered into on the stock market of Bursa Malaysia Securities Berhad and/or a Direct Business transaction.

3. Discretionary Financing

- 3.1 Notwithstanding Rule 804.2 of the Rules, a Participating Organisation may, subject to the conditions in these directives, allow a buying client to effect settlement of its outstanding purchase position in relation to a contract between the fourth (4th) market day following the contract date and the seventh (7th) market day following the contract date (“Discretionary Financing”):
 - (a) A Participating Organisation shall only allow Discretionary Financing to a client who has opened a DF Account with the Participating Organisation (“DF Account Holder”) for the purpose of trading on the stock market of Bursa Securities, subject to paragraph 3.1(d) and 3.1(e).
 - (b) Discretionary Financing shall only be allowed for a contract transacted as a Ready Basis Contract.

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- (c) In opening a DF Account for a client, the Participating Organisation shall comply with the following:
- (i) A Participating Organisation shall only be allowed to open DF Accounts for Retail Clients.
 - (ii) Notwithstanding paragraph 3.1(c)(i), a Participating Organisation shall not be allowed to open a DF Account for any person stipulated under Rule 703.6 of the Rules.
 - (iii) A Participating Organisation shall evaluate the suitability of a client to open a DF Account. In this respect a Participating Organisation shall have in place clear criteria to assess the suitability of a client to open a DF Account.
 - (iv) A Participating Organisation shall ensure that the terms and conditions in relation to the opening and operation of the DF Account shall be in writing and consented to by the client and that such terms and conditions shall not be inconsistent with these directives and the Rules.
 - (v) A Participating Organisation may allow for the opening of a DF Account notwithstanding that the client of the Participating Organisation has applied for the opening of a margin account or has opened a margin account under Rule 703 of the Rules.
- (d) Notwithstanding that a DF Account has been opened, the Participating Organisation shall only allow a DF Account Holder to utilise Discretionary Financing in relation to a contract done on a contract date, provided that the client has notified the Participating Organisation not later than T+3, that Discretionary Financing is required in relation to the particular contract. The manner and the arrangement by which such notification is obtained shall be determined by the Participating Organisation.
- (e) The Participating Organisation may upon notice received pursuant to paragraph 3.1(d) above, either reject or approve the utilisation of Discretionary Financing in accordance with the internal guidelines and procedures of the Participating Organisation stipulated under paragraph 6.
- (f) Where a Participating Organisation does not receive any notification in accordance with paragraph 3.1(d), the Participating Organisation shall deem that the settlement of the outstanding purchase position in relation to the contract done on a contract date by the DF Account Holder shall be in accordance with Rule 804.2 of the Rules.

4. Settlement

- 4.1 Subject to paragraph 4.2, where a Participating Organisation has approved the utilisation of Discretionary Financing by a DF Account Holder pursuant to paragraph 3.1(e), the DF Account Holder shall effect settlement of the outstanding purchase position of the contract not later than 12.30 p.m. on the seventh (7th) market day following the contract date.
- 4.2 A Participating Organisation may permit settlement by way of “Contra” subject to paragraph 4.3.

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- 4.3 Where Participating Organisation permits settlement by way of “Contra” pursuant to paragraph 4.2, the following shall apply:
- (a) Settlement between Participating Organisations and their clients for outstanding purchase positions against outstanding sale positions of the same securities on a "contra" basis shall be at the discretion of the Participating Organisations concerned, subject however to the terms and conditions set out below:
 - (i) **Charges:** Participating Organisations may impose charges on clients only in respect of the “contra” of purchase against subsequent sales made after the date of contract or against subsequent sales to close of the purchase position.
 - (ii) **Payments:** Any difference resulting from a “contra” between outstanding purchase position and outstanding sale position shall be settled between the Participating Organisation and their clients not later than the fifth (5th) market day following the date of such “contra”.
 - (b) Participating Organisations shall have in place internal guidelines to ensure that a client permitted to engage in contra transactions does not incur outstanding losses deemed not within the financial ability of the client.
 - (c) No Participating Organisation may allow or permit any of its clients to effect settlement by way of "contra" unless it has issued "contra" guidelines to its clients in relation to paragraph 4.2.
 - (d) Settlement by way of “contra” in respect of any purchase contract may only be effected not later than 12.30 p.m. on the seventh (7th) market day following the contract date. This paragraph shall not apply to subsequent sales of securities made in pursuance of a selling-out under paragraph 4.4.
- 4.4 Where a DF Account Holder fails to effect settlement of outstanding purchase position in relation to a contract in accordance with the time prescribe in paragraph 4.1, the Participating Organisation shall close off the purchase positions of their respective clients (“Defaulting Clients”) who fail to pay for their purchases by 12.30 p.m. on the seventh (7th) market day following the contract date and shall institute a selling out by the eighth (8th) market day following the contract date, subject to paragraph 4.5.
- 4.5 Where a Participating Organisation institutes selling-out pursuant to paragraph 4.4, the following shall apply:
- (a) It shall not be necessary for Participating Organisations to give notice of a selling out.
 - (b) In the event of the death of a purchaser of securities between the time of his placing the order to buy but before he has paid for such securities, the Participating Organisation’s right to institute selling-out proceedings against the purchaser shall not be impaired and the executors or administrators, as the case may be, of the deceased purchaser shall be

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liable to pay for all losses and expenses incurred by the Participating Organisation as a result of the selling-out.

- (c) Participating Organisations may, at any time after the institution of a selling-out, sue the Defaulting Clients for the difference between the contract price and the market price together with all consequential losses and expenses, and all damages which the Participating Organisation may sustain shall be recoverable from the Defaulting Client as liquidated damages.

5. Discretionary Financing Fees (“DF fees”)

- 5.1 A Participating Organisation shall be entitled to charge a DF Account Holder a fee for each outstanding purchase position in relation to a contract for which the Participating Organisation provides Discretionary Financing (“DF Fees”).
- 5.2 DF fees charged pursuant to paragraph 5.1 shall be on a fully negotiable basis between the Participating Organisation and the DF Account Holder.
- 5.3 A Participating Organisation shall be allowed to share DF fees with its Commissioned Dealer’s Representative and the rates at which such fees are shared between both parties shall be as agreed between parties.
- 5.4 DF fees shared with a Commissioned Dealer’s Representative shall not be construed as a commission paid to a Commissioned Dealer’s Representative for purposes of Rule 310.2(5) of the Rules.

6. Control by Participating Organisation

- 6.1 All Participating Organisations shall establish and implement guidelines and procedures for the opening of a DF Account and granting of Discretionary Financing. Such guidelines and procedures shall include:
- (a) detailed procedures to process applications for the opening of DF Accounts;
 - (b) the criteria for approving a request for Discretionary Financing;
 - (c) the documentation in respect of opening of DF Accounts;
 - (d) the documentation in respect of the approval to provide the Discretionary Financing;
 - (e) the procedures for monitoring and management of DF Account and risks associated with granting of Discretionary Financing, including its impact on the Participating Organisation’s ability to comply with the capital adequacy requirements in Rule 1105; and
 - (g) an effective monitoring system to ensure that the above internal guidelines and procedures are complied with.
- 6.2 A Participating Organisation shall 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.

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- 6.3 The Compliance Officer and the internal audit department of a Participating Organisation shall be responsible in reviewing the requirements stipulated in these directives and the internal policies and procedures of the Participating Organisation in relation to the opening of DF Accounts and the provision of Discretionary Financing, for the purpose of monitoring compliance with the same.

7. Reporting

- 7.1 The Participating Organisation's Compliance Officer shall ensure that monthly reports submitted to the Exchange pursuant to Rule 309.8(4) of the Rules include reports on the Participating Organisation's compliance with the requirements stipulated in these directives and the internal policies and procedures of the Participating Organisation in relation to opening of DF Accounts and provision of Discretionary Financing.
- 7.2 The internal audit department and audit committee of a Participating Organisation shall ensure that the audit reports prepared pursuant to Rule 1202.3 of the Rules include reports on the Participating Organisation's compliance with the requirements stipulated in these directives and the internal policies and procedures of the Participating Organisation in relation to opening of DF Accounts and provision of Discretionary Financing.
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AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BHD CONSEQUENTIAL TO ALLOWING THE PROVISION OF DISCRETIONARY FINANCING BY PARTICIPATING ORGANISATIONS TO CLIENTS

| No | Rule | Existing Rule | Amended Rule |
|----|------------|--|--|
| 1. | 1105.1 | New insertion. | <p>Insertion of the definition for “DF Account” after the definition for “debt” in Rule 1105.1.</p> <p>“DF Account” shall have the same meaning as “DF Account” stipulated in the ‘Directives Allowing For The Provision Of Discretionary Financing By Participating Organisations To Their Clients Pursuant To Rule 703.2(3) of the Rules of Bursa Malaysia Securities Bhd’.</p> |
| 2. | 1105.7 (1) | <p>(1) General Principle: Subject Always to Rule 1105.10, a Participating Organisation shall calculate its Counterparty Risk Requirement for all counterparty exposures arising from –</p> <p>(i) unsettled agency and principal trades;</p> <p>(ii) debt, contra losses and other amounts due;</p> <p>(iii) free deliveries;</p> <p>(iv) securities borrowing and lending transactions;</p> <p>(v) equity derivative transactions;</p> | <p>(1) General Principle: Subject Always to Rule 1105.10, a Participating Organisation shall calculate its Counterparty Risk Requirement for all counterparty exposures arising from –</p> <p>(i) unsettled agency (including those under DF Accounts) and principal trades;</p> <p>(ii) debt, contra losses and other amounts due;</p> <p>(iii) free deliveries;</p> <p>(iv) securities borrowing and lending transactions;</p> <p>(v) equity derivative transactions;</p> <p>(vi) sub-underwriting arrangements;</p> <p>(vii) other exposures as determined by the Exchange from time to time.</p> |

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| No | Rule | Existing Rule | Amended Rule |
|----|-----------------|---|---|
| | | <p>(vi) sub-underwriting arrangements, and</p> <p>(vii) other exposures as determined by the Exchange from time to time.</p> | |
| 3. | 1105.7(5)(a)(i) | <p>(5) General rules in calculating CE and CRR: A Participating Organisation shall calculate its counterparty exposures and Counterparty Risk Requirement in accordance with the following -</p> <p>(a) Unsettled Agency and Principal Trades:</p> <p>(i) Counterparty exposures: A Participating Organisation's counterparty exposures on -</p> <p>(aa) an agency purchase or a principal sale shall be equal to the mark to market value of the contract; and</p> <p>(bb) an agency sale or a principal purchase shall be equal to the mark to market value of the contract.</p> <p>(ii) CRR for unsettled "delivery vs. payment" trades: A Participating Organisation shall determine or</p> | <p>(5) General rules in calculating CE and CRR: A Participating Organisation shall calculate its counterparty exposures and Counterparty Risk Requirement, including in accordance with the following -</p> <p>(a) Unsettled Agency (including those under DF Accounts) and Principal Trades:</p> <p>(i) Counterparty exposures: A Participating Organisation's counterparty exposures on -</p> <p>(aa) an agency purchase or a principal sale shall be equal to the mark to market value of the contract; and</p> <p>(bb) an agency sale or a principal purchase shall be equal to the mark to market value of the contract.</p> <p>(ii) CRR for unsettled "delivery vs. payment" trades: A Participating Organisation shall determine or calculate its Counterparty Risk Requirement on its unsettled agency and principal "delivery versus payment" trades in accordance with Schedule 8G.</p> |

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| No | Rule | Existing Rule | Amended Rule |
|----|--------------------------|---|---|
| | | calculate its Counterparty Risk Requirement on its unsettled agency and principal "delivery versus payment" trades in accordance with Schedule 8G. | |
| 4. | 1105.8(5)(c)(iv) and (v) | <p>Meaning of "single equity": For the purposes this Rule 1105.8, the expression "single equity" includes -</p> <ul style="list-style-type: none"> (i) 30% of the value of the collateral underlying debtors or margin accounts (including interest); (ii) 30% of the value of the collateral underlying loans and advances; (iii) investment in the stock accounts; and (iv) the net purchase contract value of single equity underlying clients' accounts arising from transactions either under a Ready or Immediate Basis Contract, to the extent that it has not been paid for on and subsequent to the due settlement date. | <p>Meaning of "single equity": For the purposes this Rule 1105.8, the expression "single equity" includes -</p> <ul style="list-style-type: none"> (i) 30% of the value of the collateral underlying debtors or margin accounts (including interest); (ii) 30% of the value of the collateral underlying loans and advances; (iii) investment in the stock accounts; and (iv) the net purchase contract value of single equity underlying clients' accounts arising from transactions either under a Ready or Immediate Basis Contract, to the extent that it has not been paid for on and subsequent to the FDSS due settlement date. (v) the net purchase contract value of single equity underlying clients' accounts arising from transactions under a DF Account to the extent that it has not been paid for subsequent to the FDSS due settlement date. |

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| No | Rule | Existing Rule | Amended Rule |
|----|------------|---|---|
| 5. | Schedule 7 | Please refer to the attachment herein wherein all amendments have been tracked for ease of reference. | Please refer to the attachment herein wherein all amendments have been tracked for ease of reference. |

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FINANCING BY PARTICIPATING ORGANISATIONS TO CLIENTS**

Schedule 7 [Chapter 11]

SCHEDULE 7 [CHAPTER 11]

**SCHEDULE 7 (Chapter 11)
[Rule 1104.1]**

**GUIDELINES ON THE SUSPENSION
OF INTEREST AND PROVISION
FOR BAD AND DOUBTFUL DEBTS**

Definitions

1. For the purpose of these guidelines, unless the context otherwise requires -

"amount outstanding" means in relation to any account, the aggregate of all amounts outstanding under the account at any time (including commission charges, interest expenses and other relevant expenses).

"claw-back" shall have the meaning as is ascribed to it in paragraph 5 herein.

"contra losses" means all or any losses suffered by clients in the course of dealings in contra transactions and shall include all charges, costs and expenses.

"contra transaction" means a transaction where a Participating Organisation allows its client to settle outstanding purchase positions against outstanding sale positions of the same securities where the orders in respect of the purchase and sale transactions are transacted within the period stipulated in Schedule 2B and/or in the 'Directives Allowing For The Provision Of Discretionary Financing By Participating Organisations To Their Clients Pursuant To Rule 703.2(3) Of The Rules of Bursa Malaysia Securities Bhd.

"DF Account" shall have the same meaning as "DF Account" as stipulated in the 'Directives Allowing For The Provision Of Discretionary Financing By Participating Organisations To Their Clients Pursuant To Rule 703.2(3) Of The Rules of Bursa Malaysia Securities Bhd'.

"effective date" means 1 July 1999.

"equity" shall have the meaning as is ascribed to it in Rule 703.1.

"immovable property" means any land (including any parcel of sub-divided building) with or without registered title and whether in perpetuity or for a term of years.

"interest" shall include all charges and fees payable to a Participating Organisation by a client pursuant to any agreement between the Participating Organisation and the client.

"interest-in-suspense" means such interest that has been suspended and credited to the interest-in-suspense account in accordance with these guidelines.

"interest-in-suspense account" means such account which has been so designated for purposes of these guidelines.

"margin account" means an account opened and maintained by a client with the agreement of the Participating Organisation for the purpose of trading exclusively in securities that are listed on the Exchange pursuant to credit facilities made available by the Participating Organisation to the client.

"outstanding balance" shall have the meaning as is ascribed to it in Rule 703.1.

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"overdue purchase contract" means a contract for the purchase of securities entered into on the stock market of the Exchange which is, in accordance with the FDSS and/or the 'Directives Allowing For The Provision Of Discretionary Financing By Participating Organisations To Their Clients Pursuant To Rule 703.2(3) Of The Rules of Bursa Malaysia Securities Bhd', outstanding, but for which no selling-out has been instituted due to the following circumstances -

- (a) the securities giving rise to the outstanding position have been suspended from trading in accordance with the Listing Requirements of the Exchange -
- (b) there is no ready market; or
- (c) such other circumstances as may be acceptable to the Exchange,

and includes an outstanding contract remaining in the error or mistake account and an outstanding contract due to trade disputes.

Compliance

- 2. (a) For the purpose of the preparation of its audited financial statements, a Participating Organisation shall comply with these guidelines in respect of the financial year commencing on or after 1st July 1999.
- (b) For the purpose of the preparation of management accounts and any returns required by the Exchange, a Participating Organisation shall comply with these guidelines forthwith from the effective date.

Accrual Basis Of Accounting

- 3. A Participating Organisation shall prepare its accounting records for all transactions, including interest charged on contra losses, overdue purchase contracts and margin accounts, in accordance with the accrual basis of accounting. According to this basis, revenues and costs are accrued and recognised as they are earned or incurred (notwithstanding that the revenues or costs have not in fact been received or paid) and recorded in the financial statements of the periods to which they relate.

TREATMENT OF INTEREST ON NON-PERFORMING ACCOUNTS

- 4. All interest accrued but not collected from the date an account is classified as non-performing shall be suspended and credited to the interest-in-suspense account. Such interest-in-suspense must be reflected in the Participating Organisation's books of accounts and must not be maintained in a memorandum record.
- 5. Interest that has accrued and been recognised by the Participating Organisation as income prior to the date the account is classified as non-performing, but which has not been collected shall be reversed out of income.
- 6. For accounts with contract dates occurring on or after the effective date of these guidelines, interest shall be suspended when the account is classified as non-performing and claw-back of interest to the effective date shall be required.
- 7. For accounts that are classified as non-performing accounts prior to the effective date, interest shall be suspended immediately from the effective date and no claw-back of interest shall be required.
- 8. For accounts with contract dates occurring prior to the effective date and classified as non-performing accounts on or after the effective date, interest shall be suspended immediately

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upon the account being classified as a non-performing account. Claw-back of interest to the effective date shall be required.

9. A Participating Organisation shall comply with the following guidelines on the classification of non-performing accounts and the suspension of interest thereof -

| No. | Types of Accounts | Criteria For Classification of Accounts As Non-Performing | Date For Classification | Date For Suspension Of Interest |
|-------------------------------|----------------------------|--|---|--|
| 1. | Contra Losses | When an account remains outstanding for 16 calendar days or more from the date of the contra transaction | On the 16 th calendar day of the account becoming outstanding | From the 16 th calendar day of the account becoming outstanding |
| 2. | Overdue Purchase Contracts | <ul style="list-style-type: none"> • When an account remains outstanding from T+5 market days onwards; • When a DF Account remains outstanding from T+9 market days onwards. . | <ul style="list-style-type: none"> • On T+5 market days • On T +9 market days | <ul style="list-style-type: none"> • From T+5 market days • From T+9 market days |
| 3. | Margin Accounts | When the equity has fallen below 130% of the outstanding balance, as determined in accordance with Rule 703. | On the last day of each calendar month | From the last day of each calendar month |
| Key T Contract Date | | | | |

Reversal Of Interest-In-Suspense

10. Interest-in-suspense shall be reversed under the following circumstances:

| | Types of Accounts | Circumstances |
|----|----------------------------|---|
| 1. | Contra Losses | When full or partial payment in settlement is received, to the extent of the amount of cash received in settlement |
| 2. | Overdue Purchase Contracts | When full or partial payment in settlement is received, to the extent of the amount of cash received in settlement |
| 3. | Margin Accounts | When the margin account's equity exceeds 130% of the outstanding balance, as determined in accordance with Rule 703, at the end of the calendar month of that occurring |

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PROVISION FOR BAD AND DOUBTFUL DEBTS

Specific Provision

11. **General Principle:** A Participating Organisation shall make specific provisions for contra losses, overdue purchase contracts and margin accounts.
12. **Classification of Accounts:** A Participating Organisation shall comply with the following guidelines on the classification of bad and doubtful debts -

| Types of Accounts | Default Period | Classification |
|-------------------------------|---|--|
| 1. Contra Losses | <ul style="list-style-type: none"> • 16 to 30 calendar days • > 30 calendar days | <ul style="list-style-type: none"> • Doubtful • Bad |
| 2. Overdue Purchase Contracts | <p>Where securities are purchased in accordance with FDSS:</p> <ul style="list-style-type: none"> • T+5 market days to 30 calendar days • > 30 calendar days <p>Where securities are purchased under a DF Account:.</p> <ul style="list-style-type: none"> • T+9 market days to 30 calendar days • > 30 calendar days | <ul style="list-style-type: none"> • Doubtful • Bad • Doubtful • Bad |
| 3. Margin Accounts | When the equity has fallen below 130% of the outstanding balance, as determined in accordance with Rule 703 | Bad |
| Key | | |
| T Contract Date | | |

13. **Provision for Doubtful Account:** Subject to any provisions herein to the contrary, a Participating Organisation shall make specific provision in respect of each doubtful account of an amount equal to fifty per cent (50%) of the amount outstanding after deducting the amount of interest-in-suspense, the value of collateral held and the deposit of and all amounts due to the Dealer's Representative having charge of or assigned to the said account.
14. **Provision for Bad Account:** Subject to any provisions herein to the contrary, a Participating Organisation shall make specific provision in respect of each bad account of an amount equal to one hundred per cent (100%) of the aggregate amount outstanding after deducting the amount of interest-in-suspense, the value of collateral held and the deposit of and all amounts due to the Dealer's Representative having charge of or assigned to the said account.

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15. **Basis for Provision:** The provision for non-performing accounts shall be applied on the basis of individual accounts.
16. **Dealer's Representatives' Deposits:** For purposes of determining the amount outstanding for which specific provision must be made, the Dealer's Representatives' deposits placed with the Participating Organisation may be taken into account and applied on such basis as the Participating Organisation may determine provided the Participating Organisation establishes, implements and maintains adequate internal criteria and procedures for such application of the Dealer's Representatives' deposits which -
- (a) are clear and applied in a consistent manner; and
 - (b) will result in the fair treatment of its clients.
17. **Collateral Value:** For the purposes herein -
- (a) the value of collateral (other than collateral which is immovable property) shall be determined by applying the applicable discounts prescribed in Schedule 8J to Rule 1105 in respect of the rules relating to Capital Adequacy Requirements of Participating Organisation; and
 - (b) without derogation to any other provisions of these Rules and for the purposes of these guidelines -
 - (i) the value of immovable property held as collateral by the Participating Organisation shall be determined in accordance with such guidelines, directives or circulars as may be prescribed by the Exchange from time to time in consultation with the Commission; and
 - (ii) the Exchange may at any time and from time to time require ad-hoc or more frequent valuations to be conducted on any immovable property held as collateral by the Participating Organisation in accordance with such guidelines, directives or circulars for the time being in force.

Reversal Of Specific Provision

18. **Circumstances of Reversal:** Specific provision shall be reversed under the following circumstances –

| Types of Accounts | Circumstances |
|-------------------------------|--|
| 1. Contra Losses | When full or partial payment in settlement is received, to the extent of the amount of cash received in settlement |
| 2. Overdue Purchase Contracts | When full or partial payment in settlement is received, to the extent of the amount of cash received in settlement |
| 3. Margin Accounts | When the margin account's equity exceeds 130% of the outstanding balance, as determined in accordance with Rule 703 at the end of the calendar month of that occurring |

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19. Reclassification of Non-performing Account to Performing Account:

- (a) A non-performing account shall only be reclassified as a performing account when full payment in settlement of the amount outstanding is received.
- (b) A non-performing margin account shall only be reclassified as a performing margin account when the equity ratio exceeds one hundred thirty per cent (130%) of the outstanding balance, as determined in accordance with Rule 703, at the end of the calendar month of that occurring.

GENERAL PROVISION

20. A Participating Organisation shall establish and maintain a general provision account amounting to not less than one per cent (1%) of its total trade receivables, after deducting the amount of interest-in-suspense and specific provisions made for bad and doubtful debts. For the purposes herein, "total trade receivables" -

- (a) means assets which are generated from trades conducted by the Participating Organisation as agent and which includes losses, commission charges and accrued interest; but
- (b) excludes any contract for the purchase of securities entered into on the stock market of the Exchange which is, according to FDSS, not due for payment or contracts made under a DF Account, which is not due for payment.

WRITE-OFF OF BAD DEBTS

- 21. A Participating Organisation shall establish written policies for the writing-off of bad debts.
- 22. A Participating Organisation may write-off any amount which cannot be collected as evidenced by the Participating Organisation having exhausted all proceedings or actions for recovery thereof, or should judgement be obtained against the debtor and there is no prospect of recovery from execution proceedings instituted on that judgement.
- 23.
 - (a) A Participating Organisation must ensure that any amounts intended to be written-off must first be approved by its board of directors.
 - (b) In connection with the preceding paragraph, the Participating Organisation's board of directors may, at its discretion and in accordance with its Articles of Association, delegate such authority and duty to a Management Committee (which shall comprise senior management staff or individuals of senior positions) subject always to such conditions and limits as the board of directors may deem fit to impose.
 - (c) A Participating Organisation must ensure that any amounts written-off at the approval of such delegated authority be ratified by the board of directors as soon as practicable.
- 24. A Participating Organisation must submit, to the Exchange for its notation, details of the amounts written-off in respect of a single client (as defined in Rule 1105 in respect of the rules relating to Capital Adequacy Requirements of Participating Organisation) where such amount singly or amounts in aggregate written off exceeds Ringgit Five Hundred Thousand (RM500,000.00), not later than fourteen (14) days after the date of such amounts having been written-off.

[End Of Schedule]