

## BURSA MALAYSIA DERIVATIVES BERHAD

Date: 6 September 2010

Trading Participant Circular: 21/2010

### DIRECTIVES ON COMPLIANCE REPORTING

In respect of the above matter, Trading Participants (“TP”) are hereby informed of the following directives issued pursuant to Rule 103 of the Rules of Bursa Malaysia Derivatives Berhad (“Rules of Bursa Derivatives”), which takes immediate effect.

#### 1. MONTHLY WRITTEN REPORTS ON COMPLIANCE MATTERS

- 1.1 Pursuant to Rule 610.1B(1)(a) of the Rules of Bursa Derivatives, the Compliance Officer shall submit monthly written reports to the board of directors of the Trading Participant on all matters pertaining to compliance of the Trading Participant with the Derivatives Laws, Rules of Bursa Derivatives, directives, rulings and guidelines issued by the Exchange. Rule 601B(1)(c) states that the Compliance Officer shall report to the Exchange on a monthly basis, not later than the last day of the following month or such other period as may be prescribed by Bursa Malaysia Derivatives Bhd (the “Exchange”) from time to time, on all matters pertaining to compliance of the Trading Participant respectively.
- 1.2 The Exchange hereby directs that the format for the monthly written reports submitted pursuant to the above Rules of Bursa Derivatives must be in the format appended here as “**ANNEXURE 1**” (the “Standard Compliance Report”) and this format is effective from the Effective Date onwards.
- 1.3 All Heads of Compliance and Compliance Officers of the TPs are hereby directed to use the Standard Compliance Report when submitting compliance reports pursuant to the rules stipulated in Paragraph 1.1.
- 1.4 The Standard Compliance Report is not intended and must not be construed to limit the scope of reporting or the scope of duties and responsibilities of a Head of Compliance and a Compliance Officer as stipulated in the Rules of Bursa Derivatives. The Standard Compliance Report serves to streamline and standardise the form and manner in which breaches of the derivative laws, the Rules of Bursa Derivatives, directives, rulings and guidelines issued by the Exchange and any other matters pertaining to compliance or otherwise are to be reported to the Exchange and the TP’s board of directors.

## 2. DIRECTIVES

- 2.1 All items stated in the respective sections of the Standard Compliance Report shall be completed in accordance with the directive prescribed in the table below:

Section No.	Item	Directives
1.0	Summary of Non Compliance	This section provides for a brief description of the non compliances noted in the month reported and the remedial action(s) taken, if any.
2.0	Status of Non Compliances Reported Earlier	This section provides for the status of the remedial action(s) on the non compliances reported in the previous report.
3.0	Status of Compliance With The Conditions Imposed by Bursa Derivatives and Securities Commission	This section provides for the status of compliance with the terms and conditions imposed by Bursa Derivatives and/or the Securities Commission on the Trading Participant arising from its operations as a Trading Participant whether the same were imposed arising from applications made by the Trading Participants to Bursa Derivatives and/or Securities Commission or otherwise and where the compliance thereof is required on a continuing basis. For example the status of compliance with the terms and conditions imposed pursuant to the readiness audit conducted and applications made under the Rules of Bursa Derivatives for approvals or waivers.
4.0	Matters To Be Highlighted To Bursa	This section is optional. Trading Participant may wish to highlight to Bursa Derivatives general matters in relation to compliance other than breaches of the Rules or otherwise with a view of improving the standard of compliance and regulations. For example areas in the Rules of Bursa Derivatives that lack clarity or require enhancement.
5.0	Report On General Compliance Level of Trading Participant	This section is for Head of Compliance/ Compliance Officer to provide his opinion or make an assessment of the general compliance level of the Trading Participant for the month.

Section No.	Item	Directives
6.0 to 15.0	Detailed Report	<p>This section prescribes the “mandatory areas” where Trading Participant has to expressly state whether the requirements stated in the mentioned areas have been complied with or not.</p> <p>This is to ensure that the Trading Participant’s level of compliance with the laws, Rules of Bursa Derivatives, directives, rulings and guidelines issued by the Exchange in relation to the areas set out in these sections are fully disclosed to its board of directors and to the Exchange.</p>
16.0		<p>Reporting in relation to compliance by the Trading Participant with the areas in the laws, Rules of Bursa Derivatives, directives, rulings and guidelines issued by Bursa Derivatives other than the areas itemized in section 6.0 to 15.0 is only required if there is a non compliance with the same.</p> <p>Trading Participant must add section 16.0 to the Standard Compliance Report for the purpose of reporting the above non compliances. Where the areas involved in the above reporting are varied and many Trading Participant, may for ease of reporting add more section numbers after section 16.0.</p>

### 3. EFFECTIVE DATE

Kindly be informed that this format for the Standard Compliance Report will be effective from 6 September 2010 onwards whereby the first submission being due is by the end of October 2010.

### 4. CONTACT PERSONS

For further information or inquires on these directives, kindly contact the following persons:-

Name	Contact Details
Ng G-Ming	03-20347364 ng_gm@bursamalaysia.com
Pasupathy Velauthah	03-30347141 PasupathyVelauthah@bursamalaysia.com
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This circular is available at:

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

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## Regulation

**ABC FUTURES SDN BHD**

**COMPLIANCE REPORT**  
**FOR THE MONTH OF**  
**XXX 2010**

**EXECUTIVE SUMMARY**

**1. SUMMARY OF NON-COMPLIANCE**

No	Ref	Relevant Rule/ Guidelines/Acts	Description of non-compliance	Action(s) taken

**2. STATUS OF NON-COMPLIANCES REPORTED EARLIER**

*(To the extent that the issue has not been rectified and reported)*

No	Reported in Compliance Report for the month of	Description of non- compliance	Status of rectification

**3. STATUS OF COMPLIANCE WITH THE CONDITIONS IMPOSED BY BURSA DERIVATIVES AND THE SECURITIES COMMISSION**

No	Readiness or applications (include the date of approval)	Condition	Status of compliance

*Note: The TP is to report all the conditions that the TP has yet to comply. Those conditions that have been complied with and reported need not be included in the reports of subsequent months.*

**4. MATTERS TO BE HIGHLIGHTED TO BURSA DERIVATIVES**

- Comments on existing Bursa Derivatives Rules
- Regulatory burden encountered

**5. REPORT ON GENERAL COMPLIANCE LEVEL OF TP**

- The Head of Compliance/Compliance Officer to express opinion/assessment on the general compliance level of the TP for the month.

**DETAILED REPORT**

**6. On Adjusted Net Capital (“ANC”) and financial requirement, the Compliance Officer shall report whether :-**

*Note: This section is not applicable to Investment Banks or the exposures of Trading Participants that have been reported under the Capital Adequacy Framework*

- There is any exception noted in respect of Trading Participant’s ANC and minimum financial requirement reports, paying particular attention to the accuracy and timelines of the reports and also the integrity of the data.
- There is any item/transactions not recorded/reported, including trading in overseas market and off balance sheet transactions that may affect Trading Participant’s ANC.
- For existing Subordinated Loans which have less than 2 years to expiry, highlight any intention to renew/extend the same.

**ANNEXURE 1**  
**Compliance Report Template**

**7. On opening of new accounts, the Compliance Officer shall report whether:-**

- The internal policies and procedures on “Know your client” and opening of accounts are complied with.

**8. On error trades, the Compliance Officer shall report whether:-**

- Errors are closed out immediately or promptly liquidated.

To summarise the total error trades occurred in the month, the reasons for error trades as well as the amount of profits/losses from error trades in the following table:-

Date	Product	Qty (Lot)	Profit/(Loss) RM	Remarks

**9. On registered representatives (either salaried or commissioned), the Compliance Officer shall report:-**

- Exceptions on registered representatives who are not engaged on a full time basis and/or involved in back office operations
- Exceptions on registration, renewal and cessation of registered representative’s licence
- Exceptions on unlicensed trading
- Exceptions on instances of sharing of user-ids and passwords

**10. On segregated account, the Compliance Officer shall report whether :-**

- All deficiencies in the segregated account have been addressed in a timely manner
- Irregularities noted on withdrawal of monies from the client’s segregated account

To state the deficiency in the segregated account in the following table:-

Date	Deficiency (RM)	Action taken/Remarks

**11. On complaints, the Compliance Officer shall report whether:-**

- All complaints received have been promptly resolved

To indicate the number and nature of complaints received and resolved in the following table:-

No	Nature of Complaint	Date of Complaint	Date complaints is resolved/Action taken

**ANNEXURE 1**  
**Compliance Report Template**

**12. On transaction by employees and directors, the Compliance Officer shall report whether:-**

- The transactions carried out on account of the employees and directors were with the prior and separate written consent of the TP.
- The transactions carried out on account of a director were with the prior and separate written consent of the TP

Total number of employees involved	Total number of lots traded	Total notional value of transactions (RM)	Type of Contract

Total number of directors involved	Total number of lots traded	Total notional value of transactions (RM)	Type of Contract

**13. On client's margin, the Compliance Officer shall report whether:-**

- There is any exception noted in respect of minimum initial margin obtained from client prior to trading;
- Margin calls are promptly issued to clients when required;
- Forms of margin payment are in line with the requirements of the TP's internal policies and procedures;
- Irregularities were noted on withdrawal of excess margin by clients;
- New positions were allowed for clients who have insufficient margin above T+3 days. To indicate in the following table:

No of clients	Total new position allowed (lots)	Total margin shortfall

**14. On advertising, sales literature and educational materials, the Compliance Officer shall report whether:-**

- There is any exception noted on the compliance with the requirement on advertising, sales literature and educational materials.

**15. On segregation of duties and policies and procedures, the Compliance Officer shall report:-**

- Irregularities noted on the segregation of duties especially between the back and front office;
- Exceptions noted on the inadequacies of policies and procedures of the Trading Participant.

**16. On non-compliances other than in the areas itemized in sections 6.0 to 15.0 above.**

[End of Report]