
Frequently Asked Questions on the Regulated Short Selling (“RSS”)

1. Are all securities eligible for short-selling?

No, only selected securities which qualify as Approved Securities are eligible for RSS activities.

2. What are the Approved Securities for RSS?

The Approved Securities for the re-introduction of RSS consists of 70 stocks on the main board based on the criteria set.

3. Will this list of Approved Securities change?

Yes, the list of Approved Securities will be reviewed approximately every 6 months i.e. in June and December.

4. What are the criteria for the selection of RSS Approved Securities?

Securities which must satisfy all the following criteria:

- the securities are for the time being admitted to the Official List;
- Average daily market capitalization of more than RM500 million for the past 3 months;
- At least 50 million shares in public float;
- Average monthly volume traded of more than 1 million units for the past 12 calendar months.

However, Bursa may not declare securities as Approved Securities notwithstanding that it fulfils the criteria above.

5. Will the criteria for the selection of RSS Approved Securities change from time to time?

The criteria may be reviewed but any changes will be notified via circulars.

6. What are the new features of RSS?

There are 3 new features: (i) the Uptick Rule whereby RSS orders can only be keyed-in at a price greater than the last traded price; (ii) RSS orders must be executed through designated RSS Trading Accounts; and (iii) gross short transactions is limited to 10% of the total number of listed shares of a particular Approved Securities. RSS activities will be suspended for 4 trading days from the day the limit is reached.

7. Can RSS be executed in a Clearing Account?

Yes, provided the following conditions are complied with:

- (i) a separate Clearing Account is opened for solely for RSS purposes;
- (ii) comply with provisions prescribed in paragraph 1.1 of Directive 7.05(1)-002 followed by “RSS” in brackets;

FAQS ON REGULATED SHORT SELLING	
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- (iii) no carry forward of any execution of an order for RSS to the next market day from date of order notwithstanding that the order may be unexecuted either fully or partially; and
- (iv) no outward transfers of purchases from the Clearing Account.

8. What happens when the 10% limit is reached?

RSS activities for a particular Approved Security for RSS will be suspended for 4 market days from the day the limit is reached. Normal trades for the particular security will continue.

9. What happens to orders already entered prior to the above suspension?

Orders already entered will be matched in full unless withdrawn by the broker. The 10% limit is a trigger point to commence action to suspend RSS activities.

10. Where can I find the information on the percentage of „gross short transactions“?

The BFE will display the percentage of the „gross short transactions“ on a real-time basis in the short sell column of each RSS Approved Security and also in the „stock scoreboard“ in BFE.

11. What do investors need to do if they are interested to short-sell any of the RSS Approved Securities?

Investors interested to short-sell any of the RSS Approved Securities would need to open a designated RSS trading account with their brokers. All trades have to be executed via this designated RSS trading account. Before any short-selling orders can be executed, investors must provide a confirmation to the broker (i) that they are not an associate pursuant to section 3 of the Securities Industry Act 1983, and (ii) that have borrowed the RSS Approved Securities or have procured confirmation from an Authorised SBL Participant that the RSS Approved Securities are available for borrowing.

12. POs have the obligation to obtain confirmation from the client as stated under Question 11. Would a verbal confirmation be sufficient?

Yes, verbal confirmation is permitted provided that the verbal confirmation is taped. Therefore, if a Participating Organisation allows verbal confirmation, it must put in place phone taping system to record such verbal confirmation.

13. Can an investor borrow securities and do RSS at different POs?

Yes.

15. Are purchases allowed in an RSS Trading account?

Yes, purchases are allowed in an RSS Trading account provided it is executed after the execution of any RSS of an approved securities for the following purposes:

- (i) for a contra either in full or partially, the RSS trade provided an approved security executed in the RSS Account;

FAQS ON REGULATED SHORT SELLING	
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- (ii) for the return of the borrowed securities; or
- (iii) for the borrowing to execute another regulated short sale of that approved securities.

Purchases shall not exceed the total amount of net short positions of the approved securities on a market day.

16. Can a client sell overbought securities in the RSS account?

Yes, provided the overbought position of the securities arose from a mistake and the sale is subsequently reported by the Executive Director Dealing to the Exchange with explanation on how the mistake arose.

17. Can a trade on a non-RSS account be amended to a RSS account?

No, this is prohibited by the rules and the BFE.

18. Can a trade on using a RSS account be amended to a non-RSS account?

Yes.

19. Would POs have to still upload the TSHTSELL file to the Exchange?

No, POs will no longer have to upload the said file to the Exchange.

20. What action can be taken by the Exchange if there is a breach of any of the rules on RSS or where the Exchange suspects that the RSS is used for manipulative activities?

The Exchange amongst others will be able to suspend or restrict the short selling activities carried out by the Participating Organisation whether for itself or its clients immediately.

[End of FAQs]