

**AMENDMENTS TO THE DIRECTIVES OF BURSA MALAYSIA SECURITIES BERHAD (“BMS DIRECTIVES”) IN RELATION TO DISCRETIONARY TRADING AND OTHER AMENDMENTS**

PARA GRAPH	EXISTING PROVISIONS	PARA GRAPH	AMENDED PROVISIONS
<b>(1) Directive on Readiness Audit – Self Assessment Approach, Declaratory Approach and Green Lane (No. 2.01(2)-006)</b>			
<b>2(2)</b>	<p><b>Circumstances in which a readiness audit is required to be undertaken by a Participating Organisation</b></p> <p>An applicant wishing to commence new activities requiring the Exchange’s approval only must also first undertake a readiness audit in accordance with these Directives. These activities are:</p> <p>(a) [Deleted]</p> <p>(b) the relocation or change of business address of its Principal Office);</p> <p>(c) [Deleted]</p> <p>(d) [Deleted]</p> <p>(e) [Deleted]</p> <p>(f) the offering of Margin Financing facilities; and</p> <p>(g) the commencement of proprietary trading.</p>	<b>2(2)</b>	<p><b>Circumstances in which a readiness audit is required to be undertaken by a Participating Organisation</b></p> <p>An applicant wishing to commence new activities requiring the Exchange’s approval only must also first undertake a readiness audit in accordance with these Directives. These activities are:</p> <p>(a) [Deleted]</p> <p>(b) the relocation or change of business address of its Principal Office);</p> <p>(c) [Deleted]</p> <p>(d) [Deleted]</p> <p>(e) [Deleted]</p> <p>(f) the offering of Margin Financing facilities;<del>and</del></p> <p>(g) the commencement of proprietary trading-; <u>and</u></p> <p><u>(h) the offering of Discretionary Account trading facilities to Clients.</u></p>

PARA GRAPH	EXISTING PROVISIONS	PARA GRAPH	AMENDED PROVISIONS
4.2	<p><b>Activities</b></p> <p>Subject to paragraph 4.3, the Exchange may apply the Green Lane Policy to the following types of activities:</p> <p>(a) [Deleted]</p> <p>(b) the relocation or change of business address of its Principal Office);</p> <p>(c) [Deleted]</p> <p>(d) [Deleted]</p> <p>(e) [Deleted]</p> <p>(f) the offering of Margin Financing facilities; and</p> <p>(g) the commencement of proprietary trading.</p>	4.2	<p><b>Activities</b></p> <p>Subject to paragraph 4.3, the Exchange may apply the Green Lane Policy to the following types of activities:</p> <p>(a) [Deleted]</p> <p>(b) the relocation or change of business address of its Principal Office);</p> <p>(c) [Deleted]</p> <p>(d) [Deleted]</p> <p>(e) [Deleted]</p> <p>(f) the offering of Margin Financing facilities; <del>and</del></p> <p>(g) the commencement of proprietary trading; <del>and</del></p> <p><u>(h) the offering of Discretionary Account trading facilities to Clients.</u></p>

PARA GRAPH	EXISTING PROVISIONS	PARA GRAPH	AMENDED PROVISIONS
<b>(2) Directive for Head of Compliance (No. 3.36-001)</b>			
<b>1(b) of Appendix 1 on Guidelines for Compliance Officers</b>	<p><b><u>Discretionary Accounts</u></b></p> <p>In order for a Participating Organisation to exercise discretionary authority in a client's account, the following must be observed:</p> <ul style="list-style-type: none"> <li>• Before any discretionary authority can be exercised, prior written authorisation from the client and written approval from the authorised person in charge must be obtained. Comprehensive records of such approval must be maintained.</li> <li>• Full and complete records of every transaction undertaken under any discretionary account must be documented and maintained.</li> <li>• There must be no conflict of interests arising from such transactions.</li> </ul>	<b>1(b) of Appendix 1 on Guidelines for Compliance Officers</b>	<p><b><u>Discretionary Accounts</u></b></p> <p><del>In order for a Participating Organisation to exercise discretionary authority in a client's account, the following must be observed:</del></p> <ul style="list-style-type: none"> <li><del>• Before any discretionary authority can be exercised, prior written authorisation from the client and written approval from the authorised person in charge must be obtained. Comprehensive records of such approval must be maintained.</del></li> <li><del>• Full and complete records of every transaction undertaken under any discretionary account must be documented and maintained.</del></li> <li><del>• There must be no conflict of interests arising from such transactions.</del></li> </ul> <p><i>[Deleted]</i></p>
<b>5(III)(c) of Appendix 1 on Guidelines for Compliance Officers</b>	<p><b><u>Monitoring</u></b></p> <p><i><u>Discretionary accounts</u></i></p> <ul style="list-style-type: none"> <li>• Review the acceptance of discretionary accounts and to ensure that prior written authorisation from the client and written approval from the authorised person in charge has been duly obtained.</li> </ul>	<b>5(III)(c) of Appendix 1 on Guidelines for Compliance Officers</b>	<p><b><u>Monitoring</u></b></p> <p><i><u>Discretionary aAccounts</u></i></p> <ul style="list-style-type: none"> <li>• <u>Ensure compliance with the Rules and Directives.</u></li> </ul>

PARA GRAPH	EXISTING PROVISIONS	PARA GRAPH	AMENDED PROVISIONS
	<ul style="list-style-type: none"> <li>• Review on a daily basis all trades done in a discretionary account.</li> <li>• Review to ensure that in executing discretionary accounts, the client's interest must always be observed. In this regard, there must be a mechanism in place to prevent the churning of such accounts purely to generate commission.</li> <li>• Review to ensure that all discretionary trades are executed within the proper discretionary authority granted to the Participating Organisation and that such trades are properly recorded.</li> <li>• Review to ensure that the maintenance of full and complete documentation of every transaction undertaken under any discretionary account.</li> </ul>		<ul style="list-style-type: none"> <li>• <del>Review the acceptance of discretionary accounts and to ensure that prior written authorisation from the eClient and written approval from the authorised person in charge has been duly obtained.</del></li> <li>• <u>Review to ensure that the Participating Organisation has entered into a written agreement with the Client which sets out the terms and conditions for the operation of the Client's Discretionary Account, including adequate and accurate disclosure of the risks involved.</u></li> <li>• <u>Ensure each discretionary order must be identified as a discretionary order at the time of the entry.</u></li> <li>• Review <del>on a daily basis all the</del> trades done in a <del>d</del>Discretionary <del>a</del>Account <u>regularly</u>.</li> <li>• Review to ensure that in <del>executing operating a</del> <del>d</del>Discretionary <del>a</del>Accounts, the <del>client's interest must always be observed</del> <u>Participating Organisation must at all times act in the best interest of the Client</u>. In this regard, <u>the review must include the assurance that</u> there <del>must be</del> <u>is</u> a mechanism in place to prevent the churning of such accounts purely to generate commission.</li> <li>• Review to ensure that all discretionary trades are executed within the proper discretionary authority granted to the Participating Organisation and that such trades are properly recorded.</li> <li>• Review to ensure that the maintenance of <del>full and complete</del> <u>and accurate</u> documentation of every</li> </ul>

PARA GRAPH	EXISTING PROVISIONS	PARA GRAPH	AMENDED PROVISIONS
			<p>transaction undertaken under any <del>eD</del>iscretionary <del>a</del>Account.</p> <ul style="list-style-type: none"> <li>• <u>Review of Discretionary Account transactions to ensure there is no conflict of interest in the execution of Client trades and proprietary trades.</u></li> </ul>
<b>(3) Directive on Conduct of Business (No. 5-001)</b>			
<b>11.1</b>	<p><b>Arrangement with Clients</b></p> <p>A Participating Organisation, Head of Dealing and Dealer's Representative must not:</p> <p>(a) accept a share in the profits of a Client's accounts or have any arrangement with a Client to share in the profits of the Client's account;</p> <p>(b) have any arrangement with a third party to allocate profits or losses in a Client's account; or</p> <p>(c) lead a Client to believe that the Client will not suffer loss as a result of opening an account or dealing in securities.</p>	<b>11.1</b>	<p><b>Arrangement with Clients</b></p> <p>A Participating Organisation, Head of Dealing and Dealer's Representative must not:</p> <p>(a) accept a share in the profits of a Client's accounts or have any arrangement with a Client to share in the profits of the Client's account <u>unless it is in accordance with the provisions on operating a Discretionary Account under Rule 5.16A;</u></p> <p>(b) have any arrangement with a third party to allocate profits or losses in a Client's account; or</p> <p>(c) lead a Client to believe that the Client will not suffer loss as a result of opening an account or dealing in securities.</p>

PARA GRAPH	EXISTING PROVISIONS	PARA GRAPH	AMENDED PROVISIONS
14A	New provision	14A	<p><b><u>Rule 5.16A</u></b></p> <p>(1) <u>Rule 5.16A provides that in operating a Discretionary Account, a Participating Organisation or a Dealer's Representative must comply with the Guidelines on Market Conduct and Business Practices for Stockbroking Companies and Licensed Representatives and the requirements the Exchange prescribes in respect of Discretionary Accounts.</u></p> <p>(2) <u>In discharging the obligations under the said Rule, a Participating Organisation or a Dealer's Representative must, amongst others, comply with the requirements set out below.</u></p>
14A.1	New provision	14A.1	<p><b><u>Eligibility criteria for Dealer's Representative</u></b></p> <p><u>A Participating Organisation must ensure that a Dealer's Representative is able to fulfil the following criteria before the Dealer's Representative begins operating a Discretionary Account:</u></p> <p>(a) <u>a minimum of 5 years' experience in dealing in securities; or</u></p> <p>(b) <u>a minimum of 5 years' direct experience in fund management; and</u></p> <p>(c) <u>no adverse findings or enforcement proceedings or actions commenced or taken against the Dealer's Representative under the Rules and Directives or the Securities Laws.</u></p>

PARA GRAPH	EXISTING PROVISIONS	PARA GRAPH	AMENDED PROVISIONS
14A.2	New provision	14A.2	<p><b><u>Obligations of a Participating Organisation with respect to Discretionary Accounts</u></b></p> <p><u>In order for a Participating Organisation to exercise discretionary authority in a Client's Discretionary Account, the Participating Organisation must ensure compliance with the following requirements:</u></p> <p>(a) <u>before any discretionary authority can be exercised, prior written authorisation from the Client must be obtained. Comprehensive records of such authorisation must be maintained;</u></p> <p>(b) <u>the Participating Organisation must enter into a written agreement with the Client which sets out the terms and conditions for the operation of the Client's Discretionary Account, including adequate and accurate disclosure of the risks involved;</u></p> <p>(c) <u>complete and accurate records of every transaction undertaken under any Discretionary Account must be documented and maintained, including the details of the transaction, the date and time the transaction is effected and the name of the Dealer's Representative who executed the transaction;</u></p> <p>(d) <u>in operating a Discretionary Account, the Participating Organisation must at all times act in the best interest of the Client. In this regard, there must be a mechanism in place to prevent the churning of Discretionary Accounts purely to generate commission; and</u></p>

PARA GRAPH	EXISTING PROVISIONS	PARA GRAPH	AMENDED PROVISIONS
			<u>(e) there must be no conflict of interest arising from such transactions.</u>
14A.3	New provision	14A.3	<p><b><u>Requirements pertaining to trading in a Discretionary Account</u></b></p> <p><u>(1) A Participating Organisation and a Dealer's Representative must ensure the following:</u></p> <p style="margin-left: 40px;"><u>(a) operate a Discretionary Account by opening for each of its Client, a new trading account, and ensuring that a new Securities Account is opened for the client in accordance with the requirements in the Depository Rules; and</u></p> <p style="margin-left: 40px;"><u>(b) ensure that the trading account and Securities Account are designated as a Discretionary Account, which is subject to an account qualifier beginning with the word "DISC", followed by the Dealer's Representative code in brackets and the full name of the Client. An example is set out below:</u></p> <p style="margin-left: 80px;"><u>Illustration:</u> <u>ABC Securities Sdn. Bhd.</u> <u>A/C Qualifier: DISC (123-456) Tan Chong Wei</u></p> <p><u>(2) A Participating Organisation and a Dealer's Representative must comply with the following requirements in operating a Discretionary Account:</u></p>



PARA GRAPH	EXISTING PROVISIONS	PARA GRAPH	AMENDED PROVISIONS
			<p><u>(a) trading must be carried out in the designated Discretionary Account;</u></p> <p><u>(b) trading in a Discretionary Account must be confined to securities quoted on the Official List;</u></p> <p><u>(c) trading in a Discretionary Account must commence with a cash transfer from a Client instead of a transfer of securities or other types of collateral in lieu of cash, and -must be carried out on a cash upfront basis; and</u></p> <p><u>(d) funds in a Client's Discretionary Account must be identifiable from the funds in the Client's non-Discretionary Account, if the funds are maintained in the same trust account.</u></p>
<b>14A.4</b>	<b>New provision</b>	<b>14A.4</b>	<p><b><u>Profit-sharing or fee arrangement</u></b></p> <p><u>(1) A Participating Organisation or a Dealer's Representative may charge a Client in the following manner for the service of operating a Discretionary Account:</u></p> <p><u>(a) have an arrangement with a Client to accept a share in the profits from the Client's Discretionary Account; or</u></p> <p><u>(b) charge a fee calculated based on a percentage of the total value of assets or portfolio managed under a Client's Discretionary Account.</u></p>

**ANNEXURE 2  
AMENDMENTS TO THE BMS DIRECTIVES IN RELATION TO  
DISCRETIONARY TRADING AND OTHER AMENDMENTS**

PARA GRAPH	EXISTING PROVISIONS	PARA GRAPH	AMENDED PROVISIONS
			<u>(2) A Participating Organisation or a Dealer's Representative must not share in the profits under paragraph 14A.4(1)(a) and concurrently charge a fee under paragraph 14A.4(1)(b).</u>

*[End of Amendments to the BMS Directives]*