

PARTICIPATING ORGANISATIONS' CIRCULAR

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

1.0 INTRODUCTION

1.1 Bursa Malaysia Securities Berhad (the “**Exchange**”) has amended the BMS Rules and Directives to enhance the discretionary trading framework.

1.2 The amendments among others, seek to achieve the following:

- (a) allowing a Participating Organisation (“**PO**”) to apply different fee models for the service of operating a discretionary trading account on behalf of a client based on the following models:
 - i. profit sharing; or
 - ii. fee which is charged on the value of assets or portfolio under management; and
- (b) introducing eligibility criteria for a Dealer’s Representative (“**DR**”) carrying out discretionary trading and the requirements pertaining to trading in a discretionary account.

1.3 The amendments have been approved by the Securities Commission Malaysia (“**SC**”) and are further detailed in paragraphs 2 and 3 below.

2.0 AMENDMENTS TO THE BMS RULES

2.1 The salient amendments made to the BMS Rules in relation to discretionary trading are as follows:

- (a) introducing a new definition for “Discretionary Account” and “Guidelines on Market Conduct and Business Practices for Stockbroking Companies and Licensed Representatives” (“**SC’s Guidelines**”); and
- (b) introducing Rule 5.16A to require compliance by a PO or DR with the SC’s Guidelines and the requirements prescribed by the Exchange, in operating a discretionary account.

2.2 Other amendments made were the deletion of definitions for “Fund Management” and “Fund Manager’s Representative” on the basis that the definitions were no longer referred to in the BMS Rules and hence redundant.

2.3 The detailed amendments to the BMS Rules are as set out in **Annexure 1**.

3.0 AMENDMENTS TO THE BMS DIRECTIVES

3.1 The salient amendments made to the BMS Directives in relation to discretionary trading are as follows:

- (a) amending the Directive on Readiness Audit – Self Assessment Approach, Declaratory Approach and Green Lane (No. 2.01(2)-006) to require a readiness audit to be conducted prior to the commencement of discretionary trading;
- (b) amending the Directive for Head of Compliance (No. 3.36-001) to enhance the compliance obligations in relation to discretionary trading; and
- (c) amending the Directive on Conduct of Business (No. 5-001) in the following manner:
 - (i) providing an exception to the existing prohibition on sharing clients' profits, to allow for profit-sharing in relation to discretionary trading;
 - (ii) introducing the eligibility criteria that a DR must fulfil before the DR begins operating a discretionary account;
 - (iii) introducing the obligations a PO must fulfil in operating a discretionary account, including entering into a written agreement with a client and ensuring there is no conflict of interest arising from discretionary trading;
 - (iv) introducing requirements for trading in a discretionary account, including a requirement to designate the discretionary account and for trades to be conducted on a cash upfront basis; and
 - (v) amendments to allow and clarify that a PO or DR may share a client's profits in operating a discretionary account for the client, or charge a fee based on the total value of assets or portfolio under a discretionary account, but not charge both profits and fees concurrently.

3.2 The detailed amendments to the BMS Directives are as set out in **Annexure 2**.

4.0 EFFECTIVE DATE

4.1 The amendments to the BMS Rules and Directives will take effect from **30 June 2021**.

5.0 CONTACT PERSONS

5.1 In the event of any queries in relation to the above matter, kindly contact the Exchange as follows:

Name	Contact
Product & Market Development	pmd@bursamalaysia.com
Intermediaries Supervision (Compliance)	isd2@bursamalaysia.com
Regulatory Policy & Advisory (Rules and Directives)	rpa@bursamalaysia.com

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