

BURSA MALAYSIA DERIVATIVES BERHAD

Date: 15 June 2021

Trading Participant Circular: 10/2021

AMENDMENTS TO THE RULES AND DIRECTIVES OF BURSA MALAYSIA DERIVATIVES BHD (“BMD RULES AND DIRECTIVES”) IN RELATION TO DISCRETIONARY TRADING AND OTHER AMENDMENTS

1.0 INTRODUCTION

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

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

- (a) allowing a Trading Participant (“**TP**”) 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 Registered Representative (“**RR**”) 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 and are further detailed in paragraphs 2 and 3 below.

2.0 AMENDMENTS TO THE BMD RULES

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

- (a) introducing a new definition for “Discretionary Account”; and
- (b) amending Rule 4.17 to clarify that a TP or RR must comply with the requirements prescribed by the Exchange in operating a discretionary account.

2.2 The detailed amendments to the BMD Rules are as set out in **Annexure 1**.

3.0 AMENDMENTS TO THE BMD DIRECTIVES

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

- (a) consequential amendments made to the Directive on Readiness Audit – Self Assessment Approach, Declaratory Approach and Green Lane (No. 2.01(2)-002);

- (b) amending the Directive for Compliance Officers (No. 3.36-001) to enhance the compliance obligations in relation to discretionary trading; and
- (c) amending the Directive on Conduct of Business (No. 4-001) 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 RR must fulfil before the RR begins operating a discretionary account;
 - (iii) introducing the obligations a TP 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 TP or RR 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 BMD Directives are as set out in **Annexure 2**.

4.0 EFFECTIVE DATE

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

5.0 CONTACT PERSON

5.1 In the event of any queries in relation to the above matter, kindly contact us at the following:

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This Circular is available at:

https://www.bursamalaysia.com/regulation/derivatives/rules_of_bursa_malaysia_derivatives

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