

PARTICIPATING ORGANISATIONS' CIRCULAR**Date: 8 September 2023****No: R/R 6 of 2023****RULE AMENDMENTS IN RELATION TO HARMONISATION OF THE FRAMEWORK FOR PROPRIETARY DAY TRADERS (“PDT”) & SALARIED DEALER’S REPRESENTATIVES TRADING FOR INVESTMENT ACCOUNT (“IVT”) AND OTHER RULE AMENDMENTS**

1. INTRODUCTION

- 1.1 Bursa Malaysia Securities Berhad (“**BMS**” or “**the Exchange**”) has made rule amendments to harmonise the proprietary trading frameworks for PDT and IVT.
- 1.2 The PDT and IVT are currently regulated under two separate proprietary trading frameworks. The PDT framework was introduced in 2007 to spur liquidity in the capital market and facilitate monitoring of the PDT within a regulated framework¹.
- 1.3 The capital market landscape and investor demography have since evolved, hence the disparity in the frameworks for proprietary trading is no longer warranted. In view of this, the Exchange believes it is timely to harmonise PDT and IVT under a single framework.
- 1.4 The Exchange is also taking the opportunity to clarify the net short position thresholds for the suspension of short selling and to make other consequential amendments for clarity and consistency.
- 1.5 The rule amendments have been approved by the Securities Commission Malaysia (“**SC**”) pursuant to section 9 of the Capital Markets and Services Act 2007 (“**CMSA**”) and are further explained in paragraphs 2 and 3 below.

2. AMENDMENTS TO THE BMS RULES AND DIRECTIVES**HARMONISATION OF PDT AND IVT**

- 2.1 The key amendments made to the BMS Rules and Directives are as follows:
 - (a) deleting definitions or references relating to PDT including “Day Trading”, “Day Trading Activities Account” and “Proprietary Day Trader”;
 - (b) abolishing the PDT category as one of the categories of Dealer's Representatives, and classifying a Dealer's Representative carrying out proprietary trading as a Salaried Dealer's Representative instead;
 - (c) removing the scope of a PDT's activities from Schedule 1 to the BMS Rules;
 - (d) deleting the Directive on the Use of Day Trading Activities Account (Directive No. 7.05(1)-001);
 - (e) deleting the provisions on the suspension of the short sale of the Day Trading Eligible Securities as prescribed in the Directive on Regulated Short Selling (Directive No. 8-002);

- (f) removing the definition of “Day Trading Eligible Securities” and the reference to “short selling under Day Trading” from the definition of “total gross short position” as prescribed in Directive No. 8-002;
- (g) clarifying the account qualifier for an investment account in the Directive on the Use of Clearing Account, Error or Mistake Account and Investment Account (Directive No. 7.05(1)-002); and
- (h) removing any other provisions incidental to PDT.

AMENDMENTS TO CLARIFY THE THRESHOLDS FOR SUSPENSION OF SHORT SELLING

2.2 The key amendments made to Directive No. 8-002 regarding total net short position thresholds for suspension of short selling are as follows:

- (a) clarifying the total net short position thresholds for suspension of Regulated Short Selling (“**RSS**”) and Permitted Short Selling (“**PSS**”); and
- (b) clarifying that the net short position threshold for suspension of PSS of Exchange Traded Funds (“**ETF**”) units by an ETF Market Maker is based on the aggregated quantity of the total net short position of ETF units under PSS and RSS. This calculation reflects the accumulated short selling in the scenario as follows:
 - (i) PSS is executed by an ETF Market Maker on ETF units;
 - (ii) a structured warrant (“**SW**”) Issuer issues a put warrant on an underlying ETF following the recent amendments to the listing framework for SW,² and carries out PSS on the underlying ETF units; and
 - (iii) RSS is carried out on the ETF units once ETF units are included in the Approved Securities list³.

OTHER CONSEQUENTIAL AMENDMENTS

2.3 Other consequential amendments made are as follows:

- (a) replacing the references to “brokerage” with “commission” to be consistent with the term used in Rule 11.02 and Schedule 6 of the BMS Rules; and
- (b) removing references to “dual licence” in view that the term has become redundant as the SC has a single licensing regime for capital market intermediaries under the CMSA.

2.4 The detailed amendments made to the BMS Rules and Directives are as set out in **Annexures 1 and 2**, respectively.

² For further information on the amendments to the Main Market Listing Requirements in relation to the SW framework, please refer to the [circular](#) issued to the Main Market Listed Issuers on 19 January 2023.

³ Pursuant to [Participating Organisations' Circular R/R 3 of 2023](#), all listed ETFs would be included as Approved Securities, with the exception of Inverse ETF, in due course.

3. **AMENDMENTS TO THE PARTICIPATING ORGANISATIONS' TRADING MANUAL ("TRADING MANUAL")**

3.1 Amendments were made to the Trading Manual consequential to the harmonisation of PDT and IVT, as well as other amendments for clarity.

3.2 The updated Trading Manual is attached as **Annexure 3**.

4. **REVOCAION OF ADDITIONAL RSS NET SHORT POSITION THRESHOLD**

4.1 Reference is made to the temporary threshold for suspension of RSS, at net short positions totalling 4% of the quantity of the outstanding securities of an Approved Securities, as prescribed in paragraph 2.3 of the Participating Organisations' Circular R/R 15 of 2020 ("**Additional RSS Threshold**").

4.2 As market conditions have normalised, coupled with adequate control measures put in place by the Exchange to manage any potential excessive volatility, the Additional RSS Threshold would no longer apply from the date stated in paragraph 5 below.

5. **EFFECTIVE DATE**

The amendments as set out in paragraphs 2 and 3 above and the revocation of the Additional RSS Threshold as set out in paragraph 4 above will take effect from **2 October 2023**.

6. **CONTACT PERSONS**

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

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