

CHAPTER 7 DEALINGS IN SECURITIES

PART A DEALINGS IN SECURITIES

7.01 General

- (1) The provisions in this Rule 7.01 are applicable to On-Market Transactions and Direct Business Transactions whether transacted in Board Lots or Odd Lots unless specifically stated otherwise.
- (2) A Participating Organisation's connection to the ATS for the purpose of trading in securities on the stock market of the Exchange must be through an access point approved by the Exchange.
- (3) A Participating Organisation must, at all times, take all reasonable security measures to prevent unauthorised access into the ATS.
- (4) A Participating Organisation must not, without the prior written approval of the Exchange:
 - (a) establish or permit the establishment of any form of electronic system capable of routing orders directly from its Clients into the ATS; or
 - (b) connect to:
 - (i) the ATS or any part of the ATS, directly or indirectly any device, equipment or facilities for any purpose; or
 - (ii) any device, equipment or facilities which have been approved by the Exchange to be connected to the ATS or any part of the ATS, any additional device, equipment or facilities.
- (5) A Participating Organisation must not carry out any transaction in securities on a "Forward Contract" basis.
- (6) All Records maintained by the Exchange in relation to any trade or any matter entered or reflected in the ATS will prevail as evidence of the truth of the matter over all other Records maintained by the Participating Organisation.

7.02 Quotation and trading in securities

- (1) All securities admitted for quotation on the stock market of the Exchange will be traded:
 - (a) based on board(s) and classification as determined by the Exchange;
 - (b) in the currency in which the securities are quoted in;
 - (c) in both Board Lots and Odd Lots;
 - (d) on the basis of the clearing and settlement of the securities being carried in accordance with FDSS as stipulated under Schedules 2 and 3; and
 - (e) on an "ex-entitlement basis" (ex dividend, ex bonus, ex interest, ex rights issue, ex all, ex offer) 1 Market Day before the Books Closing Date or such other period as determined by the Exchange.

- (2) A Participating Organisation who intends to buy or sell securities that are traded on the stock market of the Exchange whether for the Participating Organisation's own account or for a Client, must execute the transaction:
 - (a) as an On-Market Transaction;
 - (b) a Direct Business Transaction; or
 - (c) an ISSBNT.
- (2A) *[Deleted]*
- (3) The delivery and settlement of securities arising from an On-Market Transaction or Direct Business Transaction will be carried out in accordance with the requirements of the Clearing House by way of book entries in the Securities Account.
- (4) A Participating Organisation may only sell securities in Odd Lots if the securities are designated as "free securities" in the seller's Securities Account maintained with the Participating Organisation prior to the entry of the order into the ATS.

7.03 Acting as principal

- (1) A Participating Organisation is deemed to act as a principal for all orders and trades entered and executed in the ATS even if the orders or trades were entered for the accounts of their Clients.
- (2) A Participating Organisation, must not trade in securities as a principal as defined in Section 97(2) of the Capital Markets and Services Act with a Client without so informing the Client.

7.04 Proprietary trading

- (1) A Participating Organisation must not allow a Salaried Dealer's Representative who undertakes proprietary trading for the Participating Organisation to also deal for the Participating Organisation's Clients or a client of a holder of a Capital Markets Services Licence for dealing in derivatives.
- (2) A Participating Organisation may allow a Salaried Dealer's Representative who undertakes proprietary trading for the Participating Organisation to conduct proprietary trading for the Participating Organisation's Related Corporation.
- (3) *[Deleted]*

7.05 Trading accounts

- (1) A Participating Organisation may only open and operate the following types of trading accounts:
 - (a) Proprietary Account in the name of the Participating Organisation;
 - (b) Authorised Nominee account in the name of the Participating Organisation or its wholly owned nominee company; and
 - (c) Client's account in the name of the respective Client.

[Refer to Directives No. 7.05(1)-001 and 7.05(1)-002]

- (2) A Participating Organisation must comply with such requirements as the Exchange may stipulate with regard to the trading accounts it operates.

[Refer to Directives No. 7.05(2)-001 and 7.05(2)-002]

7.06 Breakdown or malfunction

- (1) A Participating Organisation and its Dealer's Representatives must not take advantage of a situation which arises as a result of a breakdown, malfunction or error in the ATS (committed by the Exchange or by other Participating Organisations) or in any other system, service or facility of the Exchange ("Systems Malfunction or Error").
- (2) A Participating Organisation who encounters a Systems Malfunction or Error must immediately notify the Exchange.
- (3) A Participating Organisation must take all necessary and appropriate actions to mitigate any potential losses arising from the Systems Malfunction or Error immediately after the Participating Organisation becomes aware or should have known that there is a Systems Malfunction or Error.

[Refer to Directive No. 7.06-001]

7.07 Lien on securities

- (1) A Participating Organisation may, for monies owing to the Participating Organisation by a Client for any purchase of securities, have a lien on all other securities for the time being standing to the credit of accounts (including trading accounts, Securities Accounts and any other accounts, as the case may be) of the Client maintained with the Participating Organisation, if the Client agrees to the terms in writing.
- (2) The requirement for Client's agreement as stipulated in Rule 7.07(1) is not applicable in the circumstances stipulated in Rule 7.07(3).
- (3) Pursuant to section 35(3) of the Securities Industry (Central Depositories) Act, a Participating Organisation has a lien over the securities purchased by a Client which have not been paid for.

7.08 Reporting of trade dispute

A Participating Organisation must immediately report to the Exchange all trade disputes in respect of any securities transactions or other transactions relating to dealings in securities it enters into, including inter-broker transactions, involving RM1,000,000 or more (whether the amount is a single or an aggregated amount). Such report must contain details of the trade dispute, the amount in question and the parties involved in the dispute.

7.09 Recognised Stock Exchange

A Participating Organisation may trade on a Recognised Stock Exchange whether for the Participating Organisation's proprietary position or the Clients' accounts.

[Refer to Directive No. 7.09-001]

7.10 Dealing with or creation of other market

- (1) A Participating Organisation must not in any manner deal with or create any other market for transactions in securities or interests in securities which are quoted on the Official List of the Exchange, other than on the stock market of the Exchange.
- (2) A Participating Organisation must not permit dealings in securities which are quoted on the Official List of the Exchange, whether for the Participating Organisation's own account or a Client, if the dealings facilitate dealings in such securities or interest in securities outside the stock market of the Exchange, unless expressly permitted by the Exchange.

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PART B OFF-BALANCE SHEET TRANSACTIONS

7.11 *[Deleted]*

7.12 *[Deleted]*

7.13 *[Deleted]*

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PART C DESIGNATED SECURITIES

7.14 Designated Securities

- (1) The Exchange may declare any listed securities to be Designated Securities for such period as the Exchange thinks fit if:
 - (a) there has been manipulation or excessive speculation on such listed securities; or
 - (b) it is so directed by the Commission.
- (2) The Exchange will notify the Commission of its intention to declare listed securities as Designated Securities under Rule 7.14(1)(a).
- (3) The Exchange may impose any one or more of the following conditions on the dealings of Designated Securities:
 - (a) a margin of cover for purchases;
 - (b) the outstanding Contracts of a Participating Organisation for the Designated Securities at any one time do not exceed 5% of the paid-up capital of the Issuer of the Designated Securities or such other percentage as the Exchange may from time to time direct;
 - (c) a prohibition on any sale of the Designated Securities unless, prior to the sale, the seller has the Designated Securities designated as “free securities” in the Securities Account to be used for the sale at the time of entering into the Contract;
 - (d) a prohibition on the use of Margin Financing to purchase the Designated Securities; or
 - (e) any other condition deemed fit by the Exchange.
- (4) Any condition imposed by the Exchange under Rule 7.14(3) applies to all outstanding Contracts entered into before or after the date when such securities were declared as Designated Securities as from the date of such declaration.
- (5) The Exchange will make the declaration made under Rule 7.14(1) known to the public in such manner as the Exchange decides.

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PART D CORNER

7.15 Declaration

- (1) The Exchange may declare a corner situation in any listed security for such period as the Exchange thinks fit (“the Affected Securities”) if:
 - (a) it is of the opinion that a single interest or group has acquired such control of the securities that the same cannot be obtained for delivery except at prices and on terms dictated by such interest or group;
 - (b) it is otherwise desirable in the interest of an orderly and fair market; or
 - (c) it is so directed by the Commission.
- (2) Upon such declaration, the Exchange may impose any one or more of the following conditions on the Affected Securities:
 - (a) postpone the time for delivery of the Affected Securities to such time as fixed by the Exchange or until further action by the Exchange;
 - (b) extend the time for delivery of the Affected Securities;
 - (c) declare that if the Affected Securities are not delivered on any Contract at or before the time which has been fixed by the Exchange for such delivery, such Contract must be settled not by delivery but by payment:
 - (i) in the case of a seller who contracted to sell to the buyer at the price lower than the fair settlement price, by the seller to the buyer, of the difference between the fair settlement price and the Contract price;
 - (ii) in the case of a seller who contracted to sell at a higher price than the fair settlement price, by the buyer to the seller, of the difference between the Contract price and the fair settlement price;
 - (iii) in the case of a buyer who contracted to buy from the seller at a price higher than the fair settlement price, by the buyer to the seller, of the difference between the contract price and the fair settlement price;
 - (iv) in the case of a buyer who contracted to buy from the seller at a price lower than the fair settlement price, by the seller to the buyer, of the difference between the fair settlement price and the contract price.
- (3) The fair settlement price is determined by the Exchange and is binding and conclusive on all parties to any outstanding Contract.
- (4) The Exchange must, before fixing the fair settlement price, hear evidence from such persons as it shall in its absolute discretion deem necessary and proper.

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PART E ISLAMIC STOCKBROKING ACTIVITIES

7.16 Approval of the Exchange

- (1) A Participating Organisation must obtain the Exchange's prior approval before carrying out any trading activities based on Islamic Shariah principles.
- (2) The Exchange may grant approval after consulting the Commission.

[Refer to Best Practice No. 7.16-001]

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PART F SECURITIES BORROWING AND LENDING

7.17 Definitions

For the purposes of this Part F of Chapter 7, the following terms have the following meanings unless the context requires otherwise:

Clearing House Requirements	The Clearing House’s requirements as contained in the Clearing House Rules and any other documents by whatever name called in relation to securities borrowing and lending; and
SBL Negotiated Transaction	Same meaning as assigned to that expression in the Clearing House Rules.

7.18 General

- (1) A Participating Organisation may only carry out the activities of borrowing or lending of securities if:
 - (a) the Participating Organisation is approved to undertake the borrowing and lending activities by the Clearing House;
 - (b) the securities are Eligible Securities; and
 - (c) the borrowing and lending is undertaken in accordance with the Clearing House Requirements and this Part F of Chapter 7.
- (2) A Participating Organisation may only undertake Securities Borrowing and Lending, whether for the Participating Organisation itself or its Client, for purposes allowed by the Clearing House.
- (3) Any sale trade executed by a Participating Organisation which is to be settled with securities from a borrowing made in breach of Rule 7.18(2) is deemed a short sale which is not executed in accordance with these Rules.
- (4) A Participating Organisation must ensure that where the Securities Borrowing and Lending involves a Client:
 - (a) the Participating Organisation must, in relation to a Securities Borrowing and Lending that is other than a SBL Negotiated Transaction:
 - (i) execute a written agreement with its Client in respect of the Securities Borrowing and Lending where the terms of the written agreement comply with the requirements as stipulated by the Exchange; and
 - (ii) ensure that collateral is lodged in accordance with the requirements as stipulated by the Exchange;

[Refer to Directive No. 7-001]

- (b) the lending of Margin Securities of a Margin Account Client complies with the requirements as stipulated by the Exchange;

[Refer to Directive No. 7.18-001]

- (c) the lending of Eligible Securities held in its custody for its Client, complies with the requirements as stipulated by the Exchange; and

[Refer to Directive No. 7.18-001]

- (d) a copy of the risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for borrowing by the Client of Eligible Securities.

7.19 Internal Guidelines and Systems

- (1) A Participating Organisation which intends to engage in Securities Borrowing and Lending activities must formulate a set of internal guidelines for Securities Borrowing and Lending as required by the Exchange.
- (2) The Participating Organisation must establish, implement and maintain:
 - (a) systems and infrastructure including back office systems and infrastructure, which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Securities Borrowing and Lending in accordance with Part F of Chapter 7 and the Clearing House requirements; and
 - (b) all the policies, procedures, controls and all other requirements set out in the internal guidelines for Securities Borrowing and Lending.

[Refer to Directive No. 5-001]

7.20 Commencement of Securities Borrowing and Lending Activities

A Participating Organisation may only commence its Securities Borrowing and Lending activities if it has submitted a written declaration in the form as prescribed by the Exchange of its compliance with Rule 7.19 at least 2 Market Days before commencing its Securities Borrowing and Lending activities.

[Refer to Directive No. 7-001]

7.21 Inspection or Audit by the Exchange

[Deleted]

7.22 Designated Account

- (1) A Participating Organisation must hold all Eligible Securities borrowed or lent pursuant to Securities Borrowing and Lending in the Securities Account(s) prescribed in the Clearing House Requirements and in no other Securities Account(s).
- (2) Where the Eligible Securities borrowed are held in a Securities Account maintained in the name of a Participating Organisation in the Participating Organisation's capacity as an Authorised Nominee or Exempt Authorised Nominee, the Participating Organisation can only hold the Eligible Securities in that Securities Account for a maximum period of 2 Market Days from the date the Eligible Securities are credited into the Securities Account.

7.23 *[Deleted]*

7.24 Actions By the Exchange

- (1) The Exchange may take any of the actions enumerated under Rule 7.24(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all Eligible Securities if:
 - (a) there is a breach or likelihood of breach of any provisions in this Part F; or
 - (b) the Securities Borrowing and Lending activities may lead or is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.

- (2) Pursuant to Rule 7.24(1), the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all Eligible Securities:
 - (a) directing further Securities Borrowing and Lending of Eligible Securities by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients to be suspended or ceased;
 - (b) imposing limits on the total number or the type of Eligible Securities that may be borrowed or lent by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients; or
 - (c) imposing restrictions or conditions on the Securities Borrowing and Lending activities carried out by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients.

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**PART G TRANSACTIONS BY EMPLOYEES, DEALER'S REPRESENTATIVES,
TRADING REPRESENTATIVES AND DIRECTORS**

7.25 *[Deleted]*

7.26 Notification

- (1) Subject to compliance with the provisions on conflicts of interests as set out in Rules 3.16 and 5.02, an employee, Dealer's Representative, Trading Representative or Director of a Participating Organisation who trades in securities for his own account must notify the Participating Organisation of such trades in writing or by electronic means. For purposes of this Rule 7.26, a Director's account will include an account in which such a Director has a direct or indirect interest.

- (2) Upon receipt of the notifications, a Participating Organisation must take the necessary steps to ensure compliance with its obligations to manage conflicts of interests and risks under Rule 5.02.

7.27 *[Deleted]*

7.28 Definition

For the purposes of this Part G of Chapter 7, the words "transaction" or "trade" whenever appearing shall include transactions or trades in securities executed on the stock market of the Exchange or on a Recognised Stock Exchange.

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PART H FINANCING

7.29 Types of Financing Allowed

- (1) A Participating Organisation may only provide financing to:
 - (a) Clients, for subscription or purchase of securities as stated under Rule 7.29(2); and
 - (b) Related Corporations as stated in Rule 7.33.
- (2) A Participating Organisation can provide the following types of financing for subscription or purchase of securities:
 - (a) margin financing, as provided in Rule 7.30;
 - (b) discretionary financing, as provided in Rule 7.31; and
 - (c) any other type of financing subject to the terms and conditions prescribed in Rule 7.32.
- (3) In this Part H of Chapter 7, unless otherwise prescribed by the Exchange, 'securities' means:
 - (a) the new issue of securities to be issued by an Issuer for the purpose of seeking listing on the Official List of the Exchange; and
 - (b) the securities quoted and traded on the Exchange; and
 - (c) for the purposes of Margin Financing under Rule 7.30, in addition to (a) and (b) above, the new issue of securities to be issued by an Issuer for the purpose of seeking listing on a Recognised Stock Exchange, and the securities quoted and traded on a Recognised Stock Exchange.

7.30 Margin financing

- (1) A Participating Organisation may extend Margin Financing to its Clients for:
 - (a) subscription and purchase of securities; or
 - (b) redemption of all or any Outstanding Balance in Margin Accounts of Clients held with other Participating Organisations or persons or entities approved or licensed to provide financing under any written law in Malaysia and the subsequent transfers of the Margin Accounts to the Participating Organisation.
- (2) A Participating Organisation may extend Margin Financing to its Clients for the purpose stipulated under Rule 7.30(1) for a period of 3 months only, with rollover, if necessary.
- (3) *[Deleted]*
- (4) The amount of Margin Financing that a Participating Organisation may extend to any single Client must not be more than 20% of its Effective Shareholders' Funds.
- (5) The following applies for computing the total amount of Margin Financing given to any single Client:
 - (a) Where such single Client is an individual, any Margin Financing given to the individual, spouse of the individual, the partnership of which he is a partner, any partner of the individual, the spouse of the partner and all the companies or

corporations over which the individual exercises control, are deemed to be Margin Financing extended to a single Client. For this paragraph (a), an individual is deemed to exercise “control” over a company or corporation if the individual or the individual’s spouse, severally or jointly –

- (i) holds, directly or indirectly, more than 50% of the shares of the company or corporation;
 - (ii) has the power to appoint, or cause to be appointed, a majority of the directors of the company or corporation; or
 - (iii) has the power to make, or cause to be made, decisions in respect of the business or administration of the company or corporation, and to give effect to such decisions, or cause them to be given effect to.
- (b) Where such single Client is a company or corporation, any Margin Financing extended to the company or corporation, its Related Corporation and its Associated Corporation is deemed to be Margin Financing extended to a single Client.
- (6) *[Deleted]*
- (7) A Participating Organisation must value any collateral that a Client deposits into the Client’s Margin Account and any securities purchased and carried in the Margin Account in the manner determined by the Exchange.

[Refer to Directive No. 7.30-001]

- (8) A Participating Organisation must enter into a written agreement with its Client for any Margin Financing extended to a Client.
- (9) A Participating Organisation may mortgage, pledge, charge, hypothecate or grant security arrangements over the Client’s securities and collateral in the Margin Account with no obligations on the Participating Organisation to retain in its possession or control securities of like character if:
- (i) the aggregate Mark to Market (as defined in Rule 13.02) value of the securities and collateral of that Client which are mortgaged, pledged, charged, hypothecated or security arrangements granted does not at any time exceed the Outstanding Balance of that Client’s Margin Account; and
 - (ii) the Participating Organisation has entered into an agreement with the Client allowing the Participating Organisation to do so.
- (10) A Participating Organisation may, utilise any securities in a Client’s Margin Account for Securities Borrowing and Lending as provided in Part F of Chapter 7.
- (11) A Participating Organisation must not allow the Equity in any Client’s Margin Account to fall below 130% of the Outstanding Balance.

[Refer to Directive No. 7.30-001]

- (12) If the Equity in a Client’s Margin Account falls below 130% of the Outstanding Balance, the Participating Organisation must liquidate the Client’s Margin Account, including the securities purchased and carried in such account, so that the Equity is not less than 130% of the Outstanding Balance unless the Participating Organisation has agreed to the Client’s request or proposal under Rule 7.30(13).
- (13) A Participating Organisation must not liquidate the Client’s Margin Account under Rule 7.30(12) if the Participating Organisation agrees to:

- (a) a request made in writing by the Client not to liquidate his Margin Account; and
 - (b) a proposal made by the Client in writing to settle the Outstanding Balance upon terms and conditions agreed to by the Participating Organisation.
- (14) No further Margin Financing can be extended to the Client following the events stated in Rule 7.30(13).
- (15) A Participating Organisation may impose a higher Equity amount than that prescribed in Rule 7.30(11) if prior written notice is given to the Client.
- (16) A Participating Organisation must not extend credit facilities to a Client beyond the approved limit that is set out in the written agreement between the Participating Organisation and its Client.
- (17) In assessing whether the credit facilities exceed the approved limit, the Participating Organisation must include all charges, rollover fees, interest and other charges incurred by the Client for which no actual payment has been made by the Client where such expenses are debited towards the Outstanding Balance of the Client and financed by the Participating Organisation, until actual payment by the Client.
- (18) To compute the value of Equity in a Margin Account, the securities and other collaterals in such account must be valued based on the valuation determined by the Exchange in Rule 7.30(7). All transactions done on the same day must be combined on a transaction date basis and the total cost of purchase or the net proceeds of sale, including any commission charges, interest expenses and all other related expenses, must be taken into account for computing Margin requirements.
- (19) (a) A Participating Organisation must request for additional Margin and impose Haircuts on any collateral and securities purchased and carried in Margin accounts on the occurrence of:
- (i) unusually rapid or volatile changes in value of the securities;
 - (ii) non-existence of an active market for the securities;
 - (iii) suspension of the securities from trading on a market; or
 - (iv) no possibility of immediate liquidation for the securities.
- (b) If the suspension stated in Rule 7.30(19)(a)(iii) is more than 2 Market Days, the Haircut must be 100%.
- (20) A Client may only withdraw from his Margin Account cash and any collateral for the time being deposited into his Margin Account provided that the value of the Equity in the said Margin Account does not fall below 130% of the Outstanding Balance.
- (21) A Participating Organisation must notify the Exchange of the Margin Financing extended to the Clients on a monthly basis in accordance with the form as prescribed by the Exchange not later than the 10th day of each month.

[Refer to Directive No. 7.30-002]

7.31 Discretionary Financing

- (1) Notwithstanding Part E of Chapter 9, a Participating Organisation may allow a buying Client to effect payment of its outstanding purchase position for an On-Market Transaction between T+3 and T+7 (“Discretionary Financing”) if:
 - (a) a Participating Organisation has allowed the Client to open and operate a DF Account after evaluating the suitability of the Client to be provided the Discretionary Financing facility;
 - (b) the Client is a Retail Client (with or without a Margin Account);
 - (c) the terms and conditions for the opening and operation of a DF Account are in writing and consented to by the Client; and
 - (d) the Client has notified the Participating Organisation not later than T+2 that Discretionary Financing is required in relation to the particular On-Market Transaction and the Participating Organisation accepts the utilisation of the Discretionary Financing for that transaction.
- (2) If a Participating Organisation does not receive any notification in accordance with Rule 7.31(1)(d) the Participating Organisation can deem that the timing for payment of the outstanding purchase position in relation to an On-Market Transaction done on a Contract Date by a DF Account Holder is in accordance with Part E of Chapter 9.
- (3) A DF Account Holder who utilises the Discretionary Financing must effect settlement of the outstanding purchase position of an On-Market Transaction not later than 12.30 p.m. on T+7.
- (4) If a DF Account Holder fails to effect settlement as required under Rule 7.31(3), the Participating Organisation must institute a selling-out at any time after 12.30 p.m. on T+7 but not later than T+8 without giving notice to the Client. However a Participating Organisation may still accept payment from the Client at any time prior to a selling-out being carried out.
- (5) A Participating Organisation may permit a DF Account Holder to sell any securities bought on T, at any time after the time of purchase but prior to 12.30 p.m. on T+7. Such sale is deemed to be a sale to close-off the purchase position and such close-off is referred to as “contra”. Accordingly all provisions in Rule 9.10 on contra (except provisions relating to the timing for contra) are applicable to the Participating Organisation.
- (6) A Participating Organisation may charge a DF Account Holder a fee for providing Discretionary Financing (“DF Fees”). The rate of DF Fees is on a fully negotiable basis between the Participating Organisation and the DF Account Holder. The Participating Organisation can share DF Fees with the Dealer’s Representative.
- (7) A Participating Organisation must ensure that the back office system of the Participating Organisation is capable of identifying all DF Accounts opened and all Discretionary Financing granted to Clients.
- (8) The Exchange may prescribe such other conditions for Discretionary Financing as the Exchange sees fit.

[Refer to Directive No. 7.31-001]

7.32 Other types of financing

A Participating Organisation may extend to its Clients other types of financing as stated in Rule 7.29(2)(c) if:

- (a) the terms of financing are not similar to the terms of Margin Financing or Discretionary Financing;
- (b) the financing complies with other relevant laws, guidelines or directives regulating such financing, where applicable; and
- (c) the Participating Organisation submits information on such financing when requested by the Exchange.

7.33 Financing to Related Corporation

- (1) Subject to any restriction or prohibition under any law, a Participating Organisation may extend financing to any Related Corporation of the Participating Organisation if:
 - (a) the Participating Organisation has an effective implementation of policies and procedures to control and manage the risk exposure when carrying out such financing activities;
 - (b) the Participating Organisation manages any potential conflict of interest that may arise between the Participating Organisation and its Related Corporation, where the interest of the Participating Organisation must always prevail; and
 - (c) the Participating Organisation has ensured that the policies and procedures in Rule 7.33(1)(a):
 - (i) are duly endorsed by the Participating Organisation's Board of Directors;
 - (ii) include the authority and limits for the granting of financing to Related Corporations; and
 - (iii) prohibit any individual persons from being able to exercise an overriding authority over the provision of financing to Related Corporations.
- (2) This Rule 7.33 is not applicable to an Investment Bank.

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PART I ISLAMIC SECURITIES SELLING AND BUYING – NEGOTIATED TRANSACTION

7.34 Definitions

For the purposes of this Part I of Chapter 7, the following term has the following meaning unless the context requires otherwise:

Clearing House's Requirements	ISSBNT	The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name called, in relation to ISSBNT.
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7.35 General

- (1) A Participating Organisation may only undertake an ISSBNT if:
 - (a) the Participating Organisation is approved by the Clearing House to undertake an ISSBNT;
 - (b) the securities are ISSBNT Eligible Securities; and
 - (c) the ISSBNT is undertaken in accordance with the Clearing House Requirements and this Part I of Chapter 7.
- (2) A Participating Organisation may only undertake ISSBNT, whether for the Participating Organisation itself or its Client, for purposes allowed by the Clearing House.
- (3) Any sale trade executed by a Participating Organisation which is to be settled with securities from a purchase made in breach of Rule 7.35(2) is deemed a short sale which is not executed in accordance with these Rules.
- (4) A Participating Organisation must ensure that where the ISSBNT involves a Client:
 - (a) the sale of ISSBNT Eligible Securities held in its custody for its Clients, pursuant to a ISSBNT, complies with the requirements as stipulated by the Exchange; and
 - (b) a copy of a risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for a purchase under ISSBNT.

[Refer to Directive No. 7-001]

7.36 Internal Guidelines and Systems

- (1) A Participating Organisation which intends to engage in ISSBNT activities must formulate a set of internal guidelines for ISSBNT as required by the Exchange.
- (2) The Participating Organisation must establish, implement and maintain:
 - (a) systems and infrastructure including back office systems and infrastructure, which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of ISSBNT in accordance with Part I of Chapter 7 and the Clearing House requirements; and

- (b) all the policies, procedures, controls and all other requirements set out in the internal guidelines for the ISSBNT.

[Refer to Directive No. 5-001]

7.37 Commencement of ISSBNT Activities

A Participating Organisation may only commence its ISSBNT activities if it has submitted a written declaration in the form as prescribed by the Exchange of its compliance with Rule 7.36 at least 2 Market Days before commencing its ISSBNT activities.

[Refer to Directive No. 7-001]

7.38 Designated Account

- (1) A Participating Organisation must hold all ISSBNT Eligible Securities sold or purchased pursuant to ISSBNT in the Securities Account(s) prescribed in the Clearing House Requirements and in no other Securities Account(s).
- (2) Where the ISSBNT Eligible Securities purchased pursuant to ISSBNT are held in a Securities Account maintained in the name of a Participating Organisation in its capacity as an Authorised Nominee or Exempt Authorised Nominee, the Participating Organisation can only hold the ISSBNT Eligible Securities in that Securities Account for a maximum period of 2 Market Days from the date the ISSBNT Eligible Securities are credited into the Securities Account.

7.39 Actions by the Exchange

- (1) The Exchange may take any of the actions enumerated under Rule 7.39(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all ISSBNT Eligible Securities if:
 - (a) there is a breach or likelihood of breach of any provisions in this Part I; or
 - (b) the ISSBNT activities may lead or is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 7.39(1), the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all ISSBNT Eligible Securities:
 - (a) directing further sale or purchase of ISSBNT Eligible Securities pursuant to ISSBNT by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients to be suspended or ceased;
 - (b) imposing limits on the total number or the type of ISSBNT Eligible Securities that may be purchased or sold by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients; or
 - (c) imposing restrictions or conditions on the ISSBNT activities carried out by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients.

PART J LEVERAGED AND INVERSE EXCHANGE TRADED FUNDS

7.40 Trading in leveraged and inverse Exchange Traded Funds

- (1) Leveraged ETFs or Inverse ETFs (referred to collectively in this Rule as “L&I ETFs”) are only intended for trading by investors who satisfy such qualifying criteria as may be prescribed by the Exchange.
- (2) A Participating Organisation must not allow a Client to undertake trading in L&I ETFs units unless the Client fulfils all such conditions as prescribed by the Exchange for trading in L&I ETFs units.

[Refer to Directive No. 7.40-001]

[End of Chapter]