

PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 2 April 2018

No : R/R 5 of 2018

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD
("RULES OF BURSA SECURITIES") IN RELATION TO INTRADAY SHORT
SELLING ("IDSS")**

1.0 INTRODUCTION

- 1.1 Bursa Malaysia Securities Berhad ("**the Exchange**") is pleased to announce the implementation of IDSS following the announcement made by YAB Prime Minister of Malaysia on 6 February 2018 at the World Capital Markets Symposium 2018.
- 1.2 In line with the announcement, the Exchange has amended the Rules of Bursa Securities, Directives and the Participating Organisations' Trading Manual ("**Trading Manual**") to allow all investors to carry out IDSS.
- 1.3 The amendments are detailed in paragraphs 2, 3 and 4 below.
- 1.4 The amendments to the Rules of Bursa Securities and Directives have been approved by the Securities Commission Malaysia.

2.0 AMENDMENTS TO THE RULES OF BURSA SECURITIES

- 2.1 The Exchange has introduced a new Part D of Chapter 8 to the Rules of Bursa Securities, which sets out the salient IDSS provisions as follows:
- (a) IDSS is to be carried out for Approved Securities by way of On-Market Transaction only, which will exclude Direct Business Transaction ("**DBT**");
 - (b) each short selling of Approved Securities carried out for IDSS must be closed off with a buy position on the same day as the selling by way of On-Market Transaction only;
 - (c) a Participating Organisation ("**PO**") carrying out IDSS activities must:
 - (i) not allow a Client to execute IDSS, unless the Client complies with all the prescribed conditions for executing IDSS;
 - (ii) establish adequate and effective written policies and internal guidelines for IDSS as required by the Exchange;
 - (iii) put in place systems and infrastructure which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of IDSS;

- (iv) have submitted a written declaration in the form prescribed by the Exchange at least 2 Market Days before commencing its IDSS activities;
 - (v) not execute IDSS if the Approved Securities have been declared as Designated Securities and during the period of 21 days immediately following a takeover announcement involving the Issuer of an Approved Securities;
 - (vi) not execute IDSS through a Client's Margin Account;
 - (vii) not execute IDSS if the Client or the person on whose behalf the Client is executing IDSS, is an associated person with the body corporate that issued or made available the Approved Securities; and
 - (viii) report to the Exchange on the net sell positions which have not been closed off on the trading day and any positions carried for securities which are not Approved Securities;
- (d) the Exchange has the power to suspend IDSS, in a manner which is similar to the way in which the Exchange exercises its power to suspend Regulated Short Selling ("**RSS**");
- (e) the provisions on delivery and settlement in Chapter 9 of the Rules of Bursa Securities apply to IDSS too, hence the delivery and settlement of IDSS must be done in the same manner as normal sales; and
- (f) the Exchange has the power to take summary action against a PO or a Registered Person in relation to IDSS.
- 2.2 In addition, it is clarified in the Rules of Bursa Securities that an On-Market Married Transaction ("**OMMT**") is neither allowed for IDSS, nor for the buy position to close off IDSS on the same day.
- 2.3 The detailed amendments to the Rules of Bursa Securities are as set out in **Annexure 1**.

3.0 AMENDMENTS TO THE DIRECTIVES

3.1 The key amendments to the Directives are as follows:

(a) Directive No. 2.01(2)-006 (Directives on Readiness Audit-Self Assessment Approach, Declaratory Approach and Green Lane)

Amendments to clarify that this directive does not apply to IDSS.

(b) Directive No. 5-001 (Directives on Conduct of Business)

Amendments to set out the PO's obligations to put in place adequate internal controls, systems, procedures and risk management systems to supervise and monitor its IDSS, including procedures to conduct Know Your Client ("**KYC**") on Clients. The minimum requirements for written

policies and procedures and internal controls for carrying out IDSS are set out in this directive.

(c) Directive No. 7.05(1)-001 (Directives on the Use of Day Trading Activities Account)

Amendments to replace references to “Eligible Securities” in this Directive with “Day Trading Eligible Securities” for greater clarity and to clarify that if a specific securities is suspended for IDSS, the PO and its Proprietary Day Traders (“**PDTs**”) are prohibited from executing any short sale of the said securities.,

(d) Directive No. 8-002 (Directives on Regulated Short Selling)

Amendments to move the thresholds for suspension of RSS from Rule 8.31 of the Rules of Bursa Securities to this directive, and to include IDSS and short selling under Day Trading in the calculation of the total gross short position as one of the thresholds for suspension of RSS.

(e) New Directive No. 8-003 (Directives on Intraday Short Selling)

New directive to set out the conditions to be fulfilled by a Client prior to executing IDSS. The Client must have:

- (i) entered into an agreement to borrow Eligible Securities or purchase ISSBNT Eligible Securities to settle all potential failed trades;
- (ii) executed the IDSS risk disclosure statement; and
- (iii) submitted a written declaration that the Client fully understood the IDSS requirements and that the Client is not associated with the body corporate that issued or made available the Approved Securities to which the IDSS is to be entered.

Certain institutional clients prescribed by the Exchange are exempted from executing the risk disclosure statement and written declaration required under this directive.

This directive also sets out the prescribed templates for the risk disclosure statement, the PO’s declaration on compliance and the report for net short position or any positions carried for securities which are not Approved Securities.

3.2 The amendments to the Directives are set out in detail in **Annexure 2**.

4.0 AMENDMENTS TO THE TRADING MANUAL

4.1 The provisions on trading phases, order types and order tagging under Chapter 2, and short selling under Chapter 7 of the Trading Manual have been amended in relation to IDSS.

4.2 The updated version of the Trading Manual is attached as **Annexure 3**.

5.0 EFFECTIVE DATE

5.1 The amendments to the Rules of Bursa Securities, Directives and Trading Manual above will take effect from **16 April 2018**.

6.0 FREQUENTLY-ASKED QUESTIONS (“FAQs”)

6.1 A set of FAQs in relation to Intraday Short Selling may be accessed at the following link:

<http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/faqs/>

7.0 CONTACT PERSON

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

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This Circular is available at:

<http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/securities/rules-of-bursa-malaysia-securities>

Regulation