

PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 9 October 2012

No : R/R 11 of 2012

CONSEQUENTIAL AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD ("RULES OF BURSA SECURITIES") PURSUANT TO THE SECURITIES COMMISSION'S GUIDELINES FOR REGISTERED PERSON (REGISTERED REPRESENTATIVE)

1. INTRODUCTION

- 1.1 The Guidelines for Registered Person (Registered Representative) ("Guidelines") were issued by the Securities Commission ("SC") on 8 October 2012.
- 1.2 The Guidelines introduce 2 new classes of registered persons, namely Trading Representatives and Introducing Representatives, collectively known as Registered Representatives.
- 1.3 A copy of the Guidelines and Frequently Asked Questions issued by SC are available at the SC's website at:
<http://www.sc.com.my/main.asp?pageid=621&menuid=217&newsid=&linkid=&type=>

2. CONSEQUENTIAL AMENDMENTS TO THE RULES OF BURSA SECURITIES

- 2.1 Pursuant to the Guidelines, the Rules of Bursa Securities have been amended. The salient changes are as follows:
- (a) to include definitions for "Introducing Representative", "Trading Representative" and "Registered Representative"; and
- (b) to subject the Registered Representatives to the same trading requirements as other employees of the Participating Organisation under Rule 702.2.
- 2.2 The amendments to the Rules of Bursa Securities ("Amendments") are set out in **Annexure 1**.

3. EFFECTIVE DATE

The Amendments take effect from **8 October 2012** ("Effective Date").

All rules, directives or circulars in force which make references to or contain provisions relating to the above matters shall have effect from the Effective Date as if such reference or provisions relate to the amended provisions aforesaid.

4. CONTACT PERSONS

Please direct any queries you may have in relation to the above to the following persons:

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This Circular is available at

http://www.bursamalaysia.com/website/bm/regulation/rules/bursa_rules/

Regulation

ANNEXURE 1
CONSEQUENTIAL RULE AMENDMENTS
Pursuant to the SC's Guidelines on Registered Persons
(Registered Representative)



RULES OF BURSA MALAYSIA SECURITIES BHD
CONSEQUENTIAL RULE AMENDMENTS PURSUANT TO THE SC'S GUIDELINES ON REGISTERED PERSON (REGISTERED REPRESENTATIVE)

EXISTING PROVISIONS		AMENDED PROVISIONS
Rule 101.1(1)	New Defintion	DEFINITION <u>Introducing Representative</u> <u>Same meaning as in the Commission's Guidelines for Registered Person (Registered Representative).</u>
	New Definition	DEFINITION <u>Registered Representative</u> <u>Same meaning as in the Commission's Guidelines for Registered Person (Registered Representative).</u>
	New Definition	DEFINITION <u>Trading Representative</u> <u>Same meaning as in the Commission's Guidelines for Registered Person (Registered Representative).</u>
Rule 404.3(3)	Knowledge about client: Every Participating Organisation shall implement and maintain appropriate guidelines for its Dealer's Representatives to assist them in learning essential facts about their clients' backgrounds, including the clients' investment objectives, knowledge and experience in dealing in securities, financial background and any other information	Knowledge about client: Every Participating Organisation shall implement and maintain appropriate guidelines for its Dealer's Representatives <u>and its Introducing Representatives</u> to assist them in learning essential facts about their clients' backgrounds, including the clients' investment objectives, knowledge and experience in dealing in securities,

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	as may be required by the Exchange from time to time.	financial background and any other information as may be required by the Exchange from time to time.
Rule 404.4(2)(g)	<p>Maintenance of Records:</p> <p>Participating Organisation shall in respect of each client's account maintain records including the following –</p> <ul style="list-style-type: none"> (a) date of opening of the account; (b) client's financial position; (c) name of the officer which approved the opening of the account and the date of approval; (d) the types of transactions for which the account is approved; (e) in respect of the transactions effected under the account, the following information – <ul style="list-style-type: none"> (i) particulars of all transactions including amount of commissions charged in respect of each transaction and type of transactions; (ii) current position of the account including compliance with any margin set by the Participating Organisation; (f) the Dealer's Representative handling the account; and (g) where credit facilities have been granted to the client, the information as to whether the client is a spouse, parent or 	<p>Maintenance of Records:</p> <p>Participating Organisation shall in respect of each client's account maintain records including the following –</p> <ul style="list-style-type: none"> (a) date of opening of the account; (b) client's financial position; (c) name of the officer which approved the opening of the account and the date of approval; (d) the types of transactions for which the account is approved; (e) in respect of the transactions effected under the account, the following information – <ul style="list-style-type: none"> (i) particulars of all transactions including amount of commissions charged in respect of each transaction and type of transactions; (ii) current position of the account including compliance with any margin set by the Participating Organisation; (f) the Dealer's Representative handling the account; and (g) where credit facilities have been granted to the client, the information as to whether the client is a spouse, parent or

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	child of any of the Commissioned Dealer's Representatives of the Participating Organisation.	child of any of the Commissioned Dealer's Representatives <u>or the Registered Representatives</u> of the Participating Organisation.
Rule 701.1(1)	Definition ATS Operators in relation to a Participating Organisation, means Dealer's Representatives and trading clerks who are duly authorised by the Participating Organisation <i>inter alia</i> to enter orders into the ATS, to modify and cancel orders.	Definition ATS Operators in relation to a Participating Organisation, means Dealer's Representatives, and trading clerks <u>and Trading Representatives</u> who are duly authorised by the Participating Organisation <i>inter alia</i> to enter orders into the ATS, to modify and cancel orders.
Rule 702 (Title)	TRANSACTION BY EMPLOYEES, COMMISSIONED DEALER'S REPRESENTATIVES AND DIRECTORS	TRANSACTION BY EMPLOYEES, COMMISSIONED DEALER'S REPRESENTATIVES, <u>REGISTERED REPRESENTATIVES</u> AND DIRECTORS
Rule 702.2 (Title)	TRANSACTIONS BY EMPLOYEES AND COMMISSIONED DEALER'S REPRESENTATIVES	TRANSACTIONS BY EMPLOYEES AND COMMISSIONED DEALER'S REPRESENTATIVES <u>AND REGISTERED REPRESENTATIVES</u>
Rule 702.2(1)	(1) Restrictions: No employee or Commissioned Dealer's Representative may open a trading account other than with the Participating Organisation by whom he is employed or engaged.	(1) Restrictions: No employee or Commissioned Dealer's Representative <u>or Registered Representative</u> may open a trading account other than with the Participating Organisation by whom he is employed or engaged.
Rule 702.2(2)	(2) Authorisation: A Dealer's Representative shall not place an order on behalf of an employee or Commissioned Dealer's Representative of the Participating Organisation to whom the Dealer's Representative is attached, unless for each transaction the order is first authorised in writing by a director of the Participating Organisation.	(2) Authorisation: A Dealer's Representative shall not place an order on behalf of an employee or Commissioned Dealer's Representative <u>or Registered Representative</u> of the Participating Organisation to whom the Dealer's Representative is attached, unless for each transaction the order is first authorised in writing by a director of the Participating Organisation.

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Rule 702.2(3)(a)	<p>(3) Director's Consent:</p> <p>(a) No business shall be transacted by a Participating Organisation on account of its employees or Commissioned Dealer's Representatives except with the prior and separate written consent for each transaction from a director of the Participating Organisation, provided always that no such consent shall be given unless the director is satisfied that the said transaction does not in any way conflict with the interests of the clients of his Participating Organisation. All transactions executed on account of its employees and Commissioned Dealer's Representatives shall be subject to strict supervision and control by the Participating Organisation.</p>	<p>(3) Director's Consent:</p> <p>(a) No business shall be transacted by a Participating Organisation on account of its employees or Commissioned Dealer's Representatives <u>or Registered Representatives</u> except with the prior and separate written consent for each transaction from a director of the Participating Organisation, provided always that no such consent shall be given unless the director is satisfied that the said transaction does not in any way conflict with the interests of the clients of his Participating Organisation. All transactions executed on account of its employees and Commissioned Dealer's Representatives <u>and Registered Representatives</u> shall be subject to strict supervision and control by the Participating Organisation.</p>
Rule 702.2(3)(b)	<p>(b) Notwithstanding the foregoing Rule, the board of directors of the Participating Organisation may resolve to authorise the Head of Branch Office or any other employee(s) to grant consent for and on behalf of the designated director abovestated in respect of the business transacted on account of the employees and Commissioned Dealer's Representatives of the branch office concerned or the principal office, as the case may be, on the same grounds therein Provided Always:</p> <p>(i) the board of directors has developed and maintains internal controls and mechanisms to monitor the business transacted for and on behalf of the Participating Organisation's employees and Commissioned Dealer's Representatives, including without limitation:</p> <p style="padding-left: 40px;">(aa) ratification by the board of directors or designated director</p>	<p>(b) Notwithstanding the foregoing Rule, the board of directors of the Participating Organisation may resolve to authorise the Head of Branch Office or any other employee(s) to grant consent for and on behalf of the designated director abovestated in respect of the business transacted on account of the employees and Commissioned Dealer's Representatives <u>and Registered Representatives</u> of the branch office concerned or the principal office, as the case may be, on the same grounds therein Provided Always:</p> <p>(i) the board of directors has developed and maintains internal controls and mechanisms to monitor the business transacted for and on behalf of the Participating Organisation's employees and Commissioned Dealer's Representatives <u>and Registered Representatives</u>, including without limitation:</p>

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	<p>aforesaid, as the case may be, of the employees' and Commissioned Dealer's Representatives' trades approved by the Head of Branch Office and any other employee(s); and</p> <p>(bb) the restrictions and prohibitions envisaged in Rule 508; and</p> <p>(ii) internal policies and controls for avoidance of insider dealing, which ensure that there are no situations of conflict of interest, actual or potential.</p>		<p>(aa) ratification by the board of directors or designated director aforesaid, as the case may be, of the employees' and Commissioned Dealer's Representatives' <u>and Registered Representatives'</u> trades approved by the Head of Branch Office and any other employee(s); and</p> <p>(bb) the restrictions and prohibitions envisaged in Rule 508; and</p> <p>(ii) internal policies and controls for avoidance of insider dealing, which ensure that there are no situations of conflict of interest, actual or potential.</p>
Rule 702.2(3)(c)	<p>(c) In the circumstance of the foregoing Rule where the board of directors of the Participating Organisation has resolved to authorise the Head of Branch or any other employee(s) as provided above to consent to employees' and Commissioned Dealer's Representatives' transactions, the transactions of the Head of Branch Office or the said employee(s), as the case may be, shall nevertheless be subject to the prior and separate written consent of the director designated pursuant to Rule 702.2(3)(a) as envisaged therein.</p>		<p>(c) In the circumstance of the foregoing Rule where the board of directors of the Participating Organisation has resolved to authorise the Head of Branch or any other employee(s) as provided above to consent to employees' and Commissioned Dealer's Representatives' <u>and Registered Representatives'</u> transactions, the transactions of the Head of Branch Office or the said employee(s), as the case may be, shall nevertheless be subject to the prior and separate written consent of the director designated pursuant to Rule 702.2(3)(a) as envisaged therein.</p>
Rule 702.2(4)	<p>(4) Designated Dealer's Representative: Every Participating Organisation shall identify and designate a Dealer's Representative to undertake transactions by all its employees and its Commissioned Dealer's Representatives.</p>		<p>(4) Designated Dealer's Representative: Every Participating Organisation shall identify and designate a Dealer's Representative to undertake transactions by all its employees and its Commissioned Dealer's Representatives <u>and its Registered Representatives.</u></p>
Rule 702.2(5)	<p>(5) Brokerage: Brokerage payable by employees and Commissioned Dealer's Representatives shall be as provided in Rule</p>		<p>(5) Brokerage: Brokerage payable by employees and Commissioned Dealer's Representatives <u>and Registered</u></p>

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	1001.1(8)(b).	<u>Representatives</u> shall be as provided in Rule 1001.1(8)(b).
Rule 702.4	(1) All transactions undertaken by an employee, a Commissioned Dealer's Representative and a director shall be disclosed to the Participating Organisation and the onus of such disclosure is on the employee, Commissioned Dealer's Representative or the director concerned.	(1) All transactions undertaken by an employee, a Commissioned Dealer's Representative, <u>a Registered Representative</u> and a director shall be disclosed to the Participating Organisation and the onus of such disclosure is on the employee, Commissioned Dealer's Representative, <u>Registered Representative</u> or the director concerned.
Rule 703.6(1)	<p>(1) No Participating Organisation shall extend margin financing to the following persons –</p> <p>(a) any of its directors, employees or Commissioned Dealer's Representatives;</p> <p>(b) any firm in which any of its directors, employees or Commissioned Dealer's Representative is interested as a partner, manager, guarantor or agent other than as a stockbroking agent;</p> <p>(c) any corporation in which any of its directors, employees or Commissioned Dealer's Representatives is interested as a director, manager, guarantor or agent other than as a stockbroking agent;</p> <p>(d) any corporation in which any of its directors, employees or Commissioned Dealer's Representatives holds shares save and except –</p> <p>(i) where none of its executive directors, employees or Commissioned Dealer's Representatives holds five per cent (5%) or more of the issued share capital of that corporation;</p>	<p>(1) No Participating Organisation shall extend margin financing to the following persons –</p> <p>(a) any of its directors, employees, or Commissioned Dealer's Representatives <u>or Registered Representatives</u>;</p> <p>(b) any firm in which any of its directors, employees or Commissioned Dealer's Representative <u>or Registered Representative</u> is interested as a partner, manager, guarantor or agent other than as a stockbroking agent;</p> <p>(c) any corporation in which any of its directors, employees or Commissioned Dealer's Representatives <u>or Registered Representatives</u> is interested as a director, manager, guarantor or agent other than as a stockbroking agent;</p> <p>(d) any corporation in which any of its directors, employees or Commissioned Dealer's Representatives <u>or Registered Representatives</u> holds shares save and except –</p> <p>(i) where none of its executive directors, employees or Commissioned Dealer's Representatives <u>or Registered</u></p>

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<p>(ii) in respect of any corporation, whether listed or not listed on the Exchange where no non-executive director of the Participating Organisation holds, directly or indirectly five per cent (5%) or more of the issued share capital of that corporation;</p> <p>(iii) in respect of a corporation not listed on the Exchange, where no non-executive director of a Participating Organisations holds shares in his personal capacity;</p> <p>(e) any individual to whom any of its directors, employees or Commissioned Dealer's Representatives has provided a guarantee;</p> <p>(f) any person who is prohibited under Section 94(2) of the Capital Markets and Services Act; and</p> <p>(g) any other person as may be determined by the Minister with prior written notice given to all the Participating Organisations.</p> <p>For the purposes of this Rule 703.6, the term "director" and "employee" shall include the spouse, parent and child thereof.</p>	<p><u>Representatives</u> holds five per cent (5%) or more of the issued share capital of that corporation;</p> <p>(ii) in respect of any corporation, whether listed or not listed on the Exchange where no non-executive director of the Participating Organisation holds, directly or indirectly five per cent (5%) or more of the issued share capital of that corporation;</p> <p>(iii) in respect of a corporation not listed on the Exchange, where no non-executive director of a Participating Organisations holds shares in his personal capacity;</p> <p>(e) any individual to whom any of its directors, employees or Commissioned Dealer's Representatives <u>or Registered Representatives</u> has provided a guarantee;</p> <p>(f) any person who is prohibited under Section 94(2) of the Capital Markets and Services Act; and</p> <p>(g) any other person as may be determined by the Minister with prior written notice given to all the Participating Organisations.</p> <p>For the purposes of this Rule 703.6, the term "director" and "employee" shall include the spouse, parent and child thereof.</p>
<p>Rule 703.8(2)</p> <p>Without derogation to the generality of the foregoing provision, when granting credit facilities to a client, a Participating Organisation shall require its client to disclose as to whether the client is a spouse, parent or child of any of its Commissioned Dealer's Representatives in order for the Participating Organisation to, and which shall,</p>	<p>Without derogation to the generality of the foregoing provision, when granting credit facilities to a client, a Participating Organisation shall require its client to disclose as to whether the client is a spouse, parent or child of any of its Commissioned Dealer's Representatives <u>or its Registered Representatives</u> in order for the Participating</p>

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	maintain proper records of all margin accounts opened in the name of the Commissioned Dealer's Representatives' spouse, parent and child.	Organisation to, and which shall, maintain proper records of all margin accounts opened in the name of the Commissioned Dealer's Representatives' <u>or the Registered Representatives'</u> spouse, parent and child.

[End of Rule Amendments]