

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 18 June 2009

No.: R/R 5 of 2009

DIRECTIVES ON COMPLIANCE REPORTING

In respect of the above matter, Participating Organisations are hereby informed of the following directives issued pursuant to Rule 201.1(2)(d) of the Rules of Bursa Malaysia Securities Berhad ("Rules of Bursa Securities"), which takes immediate effect.

1. **MONTHLY WRITTEN REPORTS ON COMPLIANCE MATTERS**

- 1.1 Pursuant to Rules 309.8(2), 309.8(2A) and 309.8(4) of the Rules of Bursa Securities, the Head of Compliance or the Compliance Officer as the case may be of a Participating Organisation is required to submit monthly written reports to Bursa Malaysia Securities Berhad ("Bursa Securities") and the board of directors of the Participating Organisation on all matters pertaining to compliance by the Participating Organisation to the securities laws, the Rules of Bursa Securities, directives, rulings and guidelines issued by Bursa Securities.
- 1.2 Bursa Securities hereby directs that the format for the monthly written reports submitted pursuant to the above Rules of Bursa Securities must be in the format appended here as "**ANNEXURE1**" (the "Standard Compliance Report") and this format is effective for compliance reports for the month of July onwards.
- 1.3 All Heads of Compliance and Compliance Officers of Participating Organisations are hereby directed to use the Standard Compliance Report when submitting compliance reports pursuant to Rules stipulated in paragraph 1.1.
- 1.4 The Standard Compliance Report is not intended and must not be construed to limit the scope of reporting or the scope of duties and responsibilities of a Head of Compliance and a Compliance Officer as stipulated in the Rules of Bursa Securities. The Standard Compliance Report serves to streamline and standardise the form and manner in which breaches of the securities laws, the Rules of Bursa Securities, directives, rulings and guidelines issued by Bursa Securities and any other matters pertaining to compliance or otherwise are to be reported to Bursa Securities.
- 1.5 All items stated in the respective sections of the Standard Compliance Report shall be completed in accordance with the directives prescribed in the table below:

Section No.	Item	Directives
1.0	Summary of Non Compliance	This section provides for a brief description of the non compliances noted in the month reported and the remedial action(s) taken, if any.
2.0	Status Of Non Compliances Reported Earlier	This section provides for the status of the remedial action(s) on the non compliances reported in the previous Standard Compliance Report.
3.0	Status of Compliance with the conditions imposed by Bursa Securities and Securities Commission	This section provides for the status of compliance with the terms and conditions imposed by Bursa Securities and/or the Securities Commission on the Participating Organisations arising from its operations as a Participating Organisation whether the same were imposed arising from applications made by the Participating Organisations to Bursa Securities and/or Securities Commission or otherwise and where the compliance thereof is required on a continuing basis. For example the status of compliance with the terms and conditions imposed pursuant to the readiness audit conducted for establishment of its office(s) and applications made under the Rules of Bursa Securities for approvals or waivers.
4.0	Matters to be highlighted to Bursa Securities	This section is optional. Participating Organisation may wish to highlight to Bursa Securities general matters in relation to compliance other than breaches of the Rules or otherwise with a view of improving the standard of compliance and regulations. For example areas in the Rules of Bursa Securities that lack clarity or require enhancements.
5.0	Report on general compliance level of PO	This section is for the Head of Compliance/ Compliance Officer to provide his opinion or make an assessment of the general compliance level of the Participating Organisation for the month.
6.0 to	Detailed Report	This section prescribes the 'mandatory areas'

Section No.	Item	Directives
15.0		<p>where Participating Organisation has to expressly state whether the requirements stated in the mentioned areas have been complied with or not.</p> <p>This is to ensure that the Participating Organisation's level of compliance with the securities laws, Rules of Bursa Securities, directives, rulings and guidelines issued by the Exchange in relation to the areas set out in these sections are fully disclosed to its board of directors and Bursa Securities.</p>
16.0		<p>Reporting in relation to compliance by the Participating Organisation with the areas in the securities laws, Rules of Bursa Securities, directives, rulings and guidelines issued by the Bursa Securities other than the areas itemised in sections 5.0 to 15.0 is only required if there is a non compliance with the same.</p> <p>Participating Organisation must add section 16.0 to the Standard Compliance Report for the purpose of reporting the above non compliances. Where the areas involved in the above reporting are varied and many, Participating Organisation may for ease of reporting add more section numbers after section 16.0.</p>

Please be informed that these directives are available on Bursa Malaysia's website at: http://www.klse.com.my/website/bm/regulation/rules/bursa_rules/

For further information or inquires on these directives, kindly contact the following persons:-

No	Name	Contact Details
1.	Ng G-Ming	03-20347364 or ng_gm@bursamalaysia.com
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3.	Lum Chee Wah	03-20347734 or Cheewah L@bursamalaysia.com

(NAME OF PARTICIPATING ORGANISATION)

**COMPLIANCE REPORT
FOR THE MONTH OF
xx 20xx**

DATE:

EXECUTIVE SUMMARY

1. SUMMARY OF NON-COMPLIANCE

No	Ref	Relevant Rule / Guidelines / Acts	Description of non-compliance	Action(s) taken

2. STATUS OF NON-COMPLIANCES REPORTED EARLIER

(to the extent that the issue has not been rectified and reported)

No	Reported in Compliance Report for the month of	Description of non-compliance	Status of rectification

3. STATUS OF COMPLIANCE WITH THE CONDITIONS IMPOSED BY BURSA AND THE SECURITIES COMMISSION

No	Readiness or applications (include the date of approval)	Condition	Status of compliance

Note: The PO is to report all conditions that the PO has yet to comply. Those conditions that have been complied with and reported need not be included in the reports of subsequent months.

4. MATTERS TO BE HIGHLIGHTED TO BURSA

- Comments on existing Bursa Malaysia Rules
- Regulatory burden encountered

5. REPORT ON GENERAL COMPLIANCE LEVEL OF PO

- The Head of Compliance/Compliance Officer to express opinion/ assessment on the general compliance level of the PO for the month

DETAILED REPORT

6. On trading accounts and trust accounts, the CO shall report whether:-

- The internal policies and procedures on “Know Your Client” and opening of accounts have been complied with
- The Rules and Regulations on clients’ trust account have been complied with

7. On complaints, the CO shall report whether:-

- All complaints received have been resolved. To indicate the number and nature of complaints received and resolved in the following table:-

No	Nature of complaint	Date of complaint	Date complaint is resolved/ Action taken

8. On transaction by employees and directors, the CO shall report whether:-

- The transactions carried out on account of the employees were with the prior and separate written consent of a director, or the Head of Branch or any other employee(s) so authorised by the Board of Directors to grant consent for and behalf of the designated director
- The transactions carried out on account of a director were with the prior and separate written consent of the Board of Directors, or any other director(s) or employee(s) so authorised by the Board of Directors to grant consent for and on its behalf

Total number of employees involved	Total number of shares	Total value of shares	Total number of securities involved

Total number of directors involved	Total number of shares	Total value of shares	Total number of securities involved

9. On Capital Adequacy Requirement, the CO shall report whether:-

[This Section 9.0 not applicable to Investment Banks]

- There is any exception noted in respect of PO’s Capital Adequacy reports and daily reports generated and kept for record purposes, paying particular attention to the accuracy and timeliness of the reports and also the integrity of the data
- There is any item/transaction not recorded/reported that may affect PO’s liquid capital and total risk requirement

- 10. On Dealer's Representatives (covers Salaried and Commissioned Dealer's Representatives), the CO shall report:-**
- Exceptions on dealer's representatives who are involved in back office operations
 - Exceptions noted in respect of sharing of brokerage and standard remisier's agreement
 - Exceptions on registration, renewal and cessation of dealer's representatives' licences
 - Exceptions on unlicensed trading
 - Exceptions on instances of sharing of user-ids and passwords and leaving broker front end terminals unattended without temporarily logging off
- 11. On segregation of duties and policies and procedures, the CO shall report:-**
- Irregularities noted on the segregation of duties especially between the back and front office
 - Exceptions noted on the inadequacies of policies and procedures of the PO (e.g. margin, Discretionary Financing Account, PDT, etc)
- 12. On defaulters, the CO shall report:-**
- Exceptions in respect of business transacted for clients who have been notified as a defaulter
- 13. On brokerage, the CO shall report:-**
- The exceptions noted on the brokerage charged and reflected in the contract notes
- 14. On advertising, the CO shall report:-**
- Exceptions noted on the compliance with the requirements on advertising
- 15. On training, the CO shall report:-**
- Exceptions noted on the sufficiency and comprehensiveness of the training system and program
 - Exceptions noted on the maintenance of training records
- 16. On non-compliances other than in the areas itemised in sections 6.0 to 15.0 above:-**