



## PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 8 May 2009

No.: R/R 3 of 2009

1. **AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD ("RULES OF BURSA SECURITIES") PERTAINING TO MARKET MAKING**
2. **DIRECTIVES IN RELATION TO MARKET MAKING**

### A. INTRODUCTION OF MARKET MAKING

Bursa Malaysia Securities Berhad ("Bursa Securities") is pleased to announce the introduction of its market making framework, effective from 8 May 2009.

The market making framework allows for the registration of applicants as market makers with Bursa Securities, subject to fulfillment of the entry requirements as stipulated in the Rules of Bursa Securities. Upon registration as a market maker, the applicant will be bound by the Rules of Bursa Securities and directives detailed in Paragraph B and D below, respectively.

Market making is applicable for securities specified by Bursa Securities as available for market making ("Specified Securities").

Upon the introduction of a market making framework, effective from 8 May 2009 the ability to carry out permitted short selling as defined in Rule 704A.1 ("Permitted Short Selling") is now no longer available to Participating Organisations who are Participating Dealers for Exchange Traded Funds (ETFs) and has instead been transferred under the market making framework and is made available to market makers for ETFs only.

### B. AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO MARKET MAKING

Amendments have been made to the Rules of Bursa Securities as follows:

- (i) A new Chapter 3A has been introduced to provide for market making as detailed in **Annexure 1**;
- (ii) Provisions pertaining to Permitted Short Selling have been transferred from Chapter 7 to Chapter 3A under the market making framework and Appendix 11 amended accordingly as detailed in **Annexure 1**. Further Permitted Short Selling will no longer be operating under section 98(4)(c) of the Capital Markets and Services Act 2007 but under the Capital Markets Services (Non-Application of Subsection 98(1))(Exchange Traded Funds) Order 2009, which is an order issued by the Minister under section 98(4)(e). This means that the

requirements stipulated under sections 98(4)(c),98(6) and 98(7) will no longer be applicable to Permitted Short Selling. A copy of the order is attached here as **Annexure 5** ; and

- (iii) Consequential amendments have been introduced pursuant to the introduction of the market making framework as detailed in **Annexure 2**.

The above amendments to the Rules of Bursa Securities must be read together with the following:

- (i) amendments to the Rules of Bursa Malaysia Securities Clearing Sdn Bhd and Bursa SBL (Terms and Conditions) for Borrower issued via Bursa Malaysia Clearing Sdn Bhd Circular G 17/2009; and
- (ii) directives issued via CDS Circular ADA/DOD/020/2009.

#### **C. REVOCATION OF PARTICIPATING ORGANISATION'S R/R 4 OF 2008**

Pursuant to the transfer of the Permitted Short Selling facility under the market making framework, R/R 4 of 2008 on Permitted Short Selling is revoked and is replaced by the provisions relating to Permitted Short Selling in this circular.

#### **D. DIRECTIVES**

The following directives are issued in relation to the requirements pertaining to market making:

##### **(i) Specified Securities**

Pursuant to Rule 302A.1(1) of the Rules of Bursa Securities, the list of securities specified by Bursa Securities as Specified Securities and are therefore available for market making are as detailed in **Annexure 3**.

##### **(ii) Market Making Obligations**

The market making obligations imposed on Market Makers pursuant to Rule 303A.1 (1) and circumstances in which a Market Maker is exempted from fulfilling the same pursuant to Rule 303A.1 (2) are as detailed in **Annexure 4**.

##### **(iii) Designated Accounts for Market Making and Permitted Short Selling**

Pursuant to Rule 303A.2, designated accounts for market making must be maintained and operated as follows:

- (a) In relation to market making for each ETF:
  1. Only one (1) CDS account can be opened for each ETF that the market maker is market making for.

2. A market maker can maintain one or more trading accounts for the purposes of market making for a particular ETF, all of which must be tagged to the CDS account for each ETF. A market maker cannot co-mingle more than one ETF in a particular trading account.
3. The CDS account referred to above must be designated in the manner prescribed in CDS Circular ADA/DOD/020/2009.

(b) In relation to market making for each structured warrant:

1. A market maker can maintain one or more trading accounts for the purposes of market making for a structured warrant.
2. A market maker can maintain more than one (1) CDS account for the market making of a structured warrant. A market maker may also carry out market making for more than one (1) structured warrant in a particular CDS account or a trading account.
3. All CDS accounts opened for the market making of a structured warrant must be designated in the manner prescribed in CDS Circular ADA/DOD/020/2009.

Pursuant to Rule 305A.3(5), purchases of the ETF units, constituent securities and futures contracts must be executed in the following accounts:

- (a) In relation to purchases of ETF units and constituent securities, in the CDS account and trading account as stipulated under (a) above for market making of ETFs.
- (b) In relation to purchases of futures contracts, in a designated trading account opened specifically for purposes stipulated under Rule 305A.3(5).

**(iv) Notification for Market Making and/or Permitted Short Selling and Declaration for Permitted Short Selling**

Pursuant to Rule 303A.2(1), market makers for ETFs and structured warrants are required to submit to Bursa Securities Part A of Appendix 11 which sets out the particulars of the trading and CDS accounts opened for the purposes of market making for a particular ETF or structured warrant, two (2) days before the commencement of market making.

Pursuant to Rule 305A.2(1)(c), market makers of ETFs which intend to commence Permitted Short Selling are required to also submit to Bursa Securities Part B of Appendix 11 which is the declaration of compliance with the requirements set out therein. Pursuant to Rule 305A.3(5), market makers of ETFs are required to provide the particulars of the futures account used in carrying out transactions related to a permitted short selling, if any. Part B of Appendix 11 must be submitted to Bursa Securities two (2) days before commencement permitted short selling, and

Any updates or changes to the particulars provided in Appendix 11 must be communicated to Bursa Securities via a submission of an Appendix 11 containing the updated information.

The submission of Part A and Part B of Appendix 11 as stated above, is by way of e-mail to the following address:

**MSD\_reporting@bursamalaysia.com.**

The market maker is required to specify the subject matter of the e-mail as "Notification of Market Making".

**(v) POs to Pass Incentives on to Market Maker Clients**

Where incentives are attributable to non PO market makers under the Bursa Malaysia Clearing Sdn Bhd Circular G 17/2009 or CDS Circular ADA/DOD/020/2009, POs are required to pass those incentives on to their clients who are market makers.

**(vi) Application Form and Undertaking**

Pursuant to Rule 302A.2(2) an applicant for market maker must submit the application form together with the undertaking to comply with the Rules of Bursa Malaysia Securities Bhd and directives, as contained in **Annexure 6**.

**E. EFFECTIVE DATE**

In respect of the above, please be informed that the above amendments to the Rules of Bursa Securities and the directives herein are effective from **8 May 2009**.

**F. CONTACT DETAILS**

Please direct any queries you may have in relation to the above Rules of Bursa Securities and directives to the following persons:

<b>Name</b>	<b>Subject Matter</b>	<b>Contact Number</b>
Benothini Bascaran	Rules	03-2034 7317 or Benothini@bursamalaysia.com
Ng G-Ming	Directives	03-2034 7364 or Ng Gm@bursamalaysia.com

Please direct any general queries you may have in relation to Market Making other than queries pertaining to the Rules of Bursa Securities and directives to the following persons:

<b>Name</b>	<b>Subject Matter</b>	<b>Contact Number</b>
Hor Su Fern	General Queries	03-20347296 or SfHor@bursamalaysia.com
Lee Siew Pin	General Queries	03-20347344 or Lee Sp@bursamalaysia.com

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

Please be informed that this circular is available on Bursa Malaysia's website at: [http://www.bursamalaysia.com/website/aboutus/biz\\_rules.htm](http://www.bursamalaysia.com/website/aboutus/biz_rules.htm)

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**Regulatory Policy and Advisory**

**CHAPTER 3A MARKET MAKERS**

**RULE 301A GENERAL**

**RULE 301A.1 DEFINITION**

Authorised SBL Participant shall have the same meaning as is assigned to that expression in 704.1(1).

constituent securities means any of the securities admitted on the Official List which forms the basket or part of the basket of securities required for the creation of an ETF unit and/or underlying an ETF unit.

Internal guidelines for permitted short selling means written guidelines formulated by Participating OrganisationsMarket Maker setting out the Participating OrganisationsMarket Maker's internal policies, procedures, controls and requirements in relation to permitted short selling activities to ensure strict compliance with laws and these Rules including any regulations, directives, guidelines and rulings issued thereunder in relation to permitted short selling.

Market Maker means a person who performs market making.

market making Unless the context otherwise requires, refers to the act of entering bid and offer prices in the ATS for a Specified Security based on the requirements stipulated by the Exchange in Rule 303A.1(1).

permitted short selling means the short selling of units of an ETF and/or constituent securities pursuant to the Capital Markets Services (Non-Application of Subsection 98(1))(Exchange Traded Funds) Order 2009.

Specified Security The security specified by the Exchange as available for market making.

**RULE 302A REGISTRATION OF MARKET MAKERS****RULE 302A.1 QUALIFICATION CRITERIA**

- (1) An applicant who intends to apply to be a Market Maker for a Specified Security must fulfil any one of the following requirements:
- (a) A Participating Organisation;
  - (b) A licensed bank or licensed merchant bank as defined in the Banking and Financial Institutions Act 1989;
  - (c) A related company of (a) or (b) above, incorporated under Companies Act 1965 and it fulfils the following:
    - (i) has a minimum paid up capital of RM 2 million; and
    - (ii) has at least 2 personnel with at least 5 years experience in the following:
      - (aa) trading in securities as a Dealer's Representative or trading in futures contracts as a futures broker's representative;
      - (bb) trading in treasury related instruments of a financial institution;
      - (cc) trading in securities as a dealer on a recognised stock exchange; or
      - (dd) trading in futures contracts as a dealer on a Specified Exchange as defined in the business rules of the exchange company;
  - (d) A foreign securities broker or foreign derivatives broker in a jurisdiction where the broker is regulated by a regulator who is a signatory to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding ("IOSCO MMOU") or the Declaration on Cooperation and Supervision of International Futures Markets and Clearing Organisations ("BOCA Declaration") respectively ("Foreign Broker") and it fulfils the following:
    - (i) has a minimum paid up capital of equivalent RM 2 million; and
    - (ii) has the following:
      - (aa) it has at least 3 years market making experience; or
      - (bb) it has at least 2 personnel with at least 3 years experience in market making experience and it is related to a company who is also a Foreign Broker which has at least 3 years market making experience;  
or
  - (e) A related company of (d) above, incorporated under the Companies Act 1965 and it fulfils the following:
    - (i) has a minimum paid up capital of RM 2 million;
    - (ii) has at least 2 personnel with at least 3 years' experience in market making; and
    - (iii) the Foreign Broker which is its related company has at least 3 years experience in market making.
- (2) In addition to the requirements in Rule 302A.1(1) an applicant as a Market Maker must also fulfil the following requirements:
- (a) have in place facilities and personnel adequate for the expeditious and orderly carrying out of its business of market making; and

(b) have in place proper supervisory programme and a system of internal controls to ensure the following:

- (i) proper conduct of the business of market making;
- (ii) proper undertaking of risk management; and
- (iii) proper management of conflict of interest; and
- (iv) compliance with these Rules.

#### **RULE 302A.2 APPLICATION PROCEDURE**

- (1) An applicant is required to apply as a Market Maker in respect of each Specified Security that the applicant intends to do market making for.
- (2) The applicant must comply with application procedure and submit the relevant information and documents as determined by the Exchange.
- (3) The Exchange has the discretion to reject an application to register as a Market Maker in circumstances the Exchange deems fit even if the applicant has satisfied all of the qualification criteria set out in Rule 302A.1. The decision of the Exchange in rejecting is final.
- (4) An applicant will be notified in writing of the Exchange's decision of its application.

#### **RULE 302A.3 CONTINUING OBLIGATIONS**

- (1) The following conditions shall apply to a Market Maker at all times throughout the term of its registration—
  - (a) the Market Maker must comply with the qualification criteria stated under Rule 302A.1;
  - (b) the Market Maker must notify the Exchange of the following, in writing:
    - (i) any change that will disqualify them as a Market Maker based on Rule 302A.1;
    - (ii) any change in the place of business of the Market Maker; and
    - (iii) change in name of the Market Maker.
  - (c) the Market Maker is bound by and must comply with these Rules and directives that are applicable to Market Maker.



**RULE 303A OBLIGATIONS OF A MARKET MAKER**

**RULE 303A.1 BID AND OFFER PRICES**

- (1) A Market Maker for a Specified Security must enter bid and offer prices into the ATS for the purpose of buying and selling of the Specified Security as follows:
- (a) with a minimum presence as stipulated by the Exchange;
  - (b) within the maximum spread allowed by the Exchange; and
  - (c) must not be less than the minimum quantity allowed by the Exchange.
- (2) A Market Maker is exempted from entering bid and offer prices as required under Rule 303A.1(1) in circumstances deemed fit or allowed by the Exchange.

**RULE 303A.2 DESIGNATED TRADING ACCOUNT AND DESIGNATED CDS ACCOUNT**

- (1) A Market Maker must undertake all market making activities through trading accounts and CDS accounts designated specifically for market making activities, based on the terms stipulated by the Exchange.

**RULE 303A.3 CONDUCT BY A MARKET MAKER**

- (1) A Market Maker can only carry out its market making activity for its proprietary position and not for clients or its related companies.
- (2) A Market Maker is allowed to carry out permitted shortselling as stipulated under Rule 305A in the course of fulfilling its obligations under Rule 303A.1(1).
- (3) If a Market Maker is not a Participating Organisation, it must enter the bid and offer prices into the ATS through a Participating Organisation.
- (4) A Market Maker is required to notify the Exchange immediately if it is unable to fulfil its market making obligations for any reason whatsoever and thereafter when its able to resume its obligations under Rule 303A.1(1).
- (5) A Market Maker must avoid any act or practice which might:
- (a) lead to a false or misleading appearance of active trading in any securities on the stock market of the Exchange or a false or misleading appearance with respect to the market for, or the price of, any such securities; or
  - (b) directly or indirectly be tantamount to stock market manipulations,
- and shall not participate in any operation by others which might have the same result.

**RULE 304A RESIGNATION**

**RULE 304A.1 RESIGNATION**

- (1) If a Market Maker wishes to resign as a Market Maker of a Specified Security, it must give not less than 30 days prior to the proposed date of resignation a written notice to the Exchange of its intention to resign.
- (2) The Exchange may accept the Market Maker's resignation subject to any conditions imposed by the Exchange on the Market Maker.

**RULE 304A.2 TERMINATION, SUSPENSION OR RESTRICTION OF MARKET MAKING ACTIVITY**

- (1) The Exchange may automatically suspend or terminate a Market Maker or restrict its market making activities, upon the happening of all or any of the following events:
  - (a) If the Market Maker has been wound up whether on a voluntary basis or otherwise;
  - (b) if a receiver and manager, provisional liquidator or liquidator has been appointed for the Market Maker;
  - (c) if the Market Maker fails to fulfill any of the requirements in Rule 302A.1;
  - (d) if the Market Maker is convicted of any offence in or outside of Malaysia or had disciplinary action taken against it for breaches involving dishonesty or fraud; or
  - (e) if the Market Maker continuously breaches its obligations under Rule 303A.1(1) for a period determined by the Exchange.
- (2) Chapter 13 will not be applicable to any action taken under Rule 304A.2(1).
- (3) The Exchange will inform the Market Maker in writing of any suspension or termination or restriction of market making activity under Rule 304A.2.

**RULE 304A.3 CONTINUING LIABILITY**

- (1) A Market Maker who has resigned or is terminated by the Exchange, will be bound by these Rules and directives insofar as they relate to any antecedent breach committed by the Market Maker.

**RULE 305A PERMITTED SHORTSELLING****~~RULE 704A.2 PERMITTED SHORT SELLING~~ RULE 305A.1 GENERAL**

- (1) Unless determined otherwise, a ~~Participating Organisation~~Market Maker shall ~~be~~is allowed to execute permitted short selling for an ETF for which it is registered as a Market Maker~~its proprietary positions only~~, in the manner set out in ~~Rule 704A-305A and section 98(4)(e) of the Capital Markets and Services Act~~ the Capital Markets Services (Non-Application of Subsection 98(1))(Exchange Traded Funds) Order 2009.
- (2) Unless it is otherwise provided in this Rule ~~704A305A~~, all other provisions in these Rules shall apply to permitted short sales, as if they were normal sales of securities.
- (3) In this Rule 305A, ETFs refer to equity based ETFs which are Specified Securities only.

**~~RULE 704A.3305A.2~~ COMMENCEMENT OF PERMITTED SHORT SELLING**

~~(1)A Participating Dealer~~Market Maker shall ~~is~~only be permitted to commence permitted short selling when the following requirements are complied with:

~~(a) if the Market Market is an Authorised SBL Participant or executes through an Authorised SBL Participant~~

~~(2)(1)~~

~~(a) the Participating Organisation is a Participating Dealer and an Authorised SBL Participant;~~

~~(ab) the Participating Organisation~~Market Maker has established internal guidelines for permitted short selling;

~~(be) the Participating Organisation~~Market Maker has in place systems and infrastructure including but not limited to front office and/or back office systems which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of permitted short selling in accordance with Rule ~~704A305A~~; and

~~(ecd) the Participating Organisation~~Market Maker notifies the Exchange that it intends to carry out permitted short selling and provides the form prescribed in Appendix 11, two (2) market days prior to the commencement of permitted short selling.

**~~RULE 704A.4 DESIGNATED TRADING ACCOUNT AND CDS ACCOUNT~~**

~~(1) A Participating Organisation shall maintain the following accounts for the purpose of executing permitted shortselling for each type of ETF:~~

~~(a) one or more trading account(s), designated in the manner prescribed by the Exchange ("Designated Trading Account(s)"); and~~

~~(b) one CDS Account only, for all Designated Trading Account(s) opened under Rule 704A.4(1)(a), designated in the manner prescribed by the Depository ("Designated CDS Account").~~

~~(2) A Participating Organisation shall execute all permitted shortselling through the Designated Trading Account/s.~~

~~(3) The Designated Trading Account(s) shall be utilised for the following purposes only:~~

~~(a) permitted shortselling;~~

~~(b) purchases of ETF units and/or its constituent securities; and~~

~~(c) the sale of ETF units and/or its constituent securities.~~

~~(4) A Participating Dealer shall utilise the Designated CDS Account opened herein for the following purposes only:~~

~~(a) activities in Rule 704A.5(3);~~

~~(b) to hold ETF units or constituent securities for purposes of subsequent redelivery of the securities arising from the borrowing of ETF units or constituent securities under an SBL Agreement; and~~

~~for the transfer of ETF units or constituent securities to the Trustee.~~

**RULE ~~704A.5~~ 305A.3 EXECUTION**

(1) A ~~Participating Organisation~~Market Maker shall ~~must~~ ensure that the following conditions are complied with prior to executing an order for a permitted short selling:

(a) where the ~~Participating Organisation~~Market Maker intends to shortsell ETF units; that it has borrowed the ETF units or the constituent securities needed for the creation of the ETF units, to settle the sale or has obtained a confirmation from the Authorised SBL Participant that the above ETF units or constituent securities, as the case may be, are available for borrowing to settle the sale; ~~or~~ and

(b) where the ~~Participating Organisation~~Market Maker intends to shortsell the constituent securities; that it has borrowed the constituent securities or the ETF units needed to redeem the units of constituent securities to settle the sale or has obtained a confirmation from the Authorised SBL Participant that the above constituent securities or ETF units, as the case may be, are available for borrowing to settle the sale; ~~and~~

~~(c) The Participating Organisation is not associated with the body corporate that issued or made available the ETF units or the constituent securities in relation to which the order for permitted short selling is to be executed. "Associated" shall have the same meaning as is assigned to it under Rule 704.2(2)(b).~~

~~(2) If the Market Maker is not an Authorised SBL Participant, it must execute all its borrowings through an Authorised SBL Participant.~~

~~(3) All permitted short selling must be executed in the designated trading accounts and CDS accounts under Rule 303A.2 above.~~

~~(42) No Participating Organisation~~Market Maker shall execute permitted short selling by way of Direct Business in any situation whatsoever.

~~(53) A Participating Organisation~~Market Maker shall execute the following purchases through the ~~Designated Trading Account~~designated trading account/s and CDS Accounts as stipulated by the Exchange after a shortsale for ETF units or constituent securities is executed:

(a) a purchase of any of the constituent securities ~~or other instruments required for the creation of the ETF unit(s) and/or underlying the ETF unit(s) or futures contracts for the purposes of hedging of the short sale of ETF units~~ within the same market day, where the short sale is in relation to ETF units; or

(b) a purchase of ETF units or futures contracts for the purposes of hedging of the short sale of the constituent securities within the same market day, where the short sale is in relation to constituent securities.

~~(64) A Participating Organisation~~Market Maker shall ~~must~~ ensure that proper documents are procured and retained by it for at least 7 years for the purpose of satisfying the Exchange when

requested, that the requirements of Rule ~~704A.5(1)~~305A.3(1) and Rule ~~704A.5(3)~~305A.3(3) are complied with. The documents shall be either in writing, tape recording or electronic form.

- (75) No permitted short selling shall be executed by a ~~Participating Organisation~~Market Maker in any of the following circumstances:
- (a) in relation to the constituent securities, during the period of twenty-one (21) days immediately following a takeover announcement involving the Issuer of the constituent securities; or
  - (b) when expressly directed by the Exchange, during the period where the ETF or its constituent securities has been declared, and remains, as Designated Securities under Rule 604.

**RULE ~~305A.4~~704A.6 LIMITS FOR PERMITTED SHORTSELLING**

- (1) A ~~Participating Organisation~~Market Maker shall comply with the following limits in relation to permitted short selling:
- (a) that the total value of short positions of ETF units shall not exceed the total value of the purchase positions for the constituent securities ~~and the futures contracts purchased on in the constituent securities for purposes of hedging the shortsale of ETF units,~~ by 10 percentum (10%), when calculated at the end of the market day;
  - (b) that the total value of short positions of constituent securities shall not exceed the total value of the purchase positions for ETF units ~~and the futures contracts on in ETF units purchased for purposes of hedging the shortsale of constituent securities~~ by 10 percentum (10%), when calculated at the end of the market day; and
  - (c) the total quantity of short positions for each constituent securities shall not exceed the quantity of each constituent securities required for the creation of the ETF units by 15 percentum (15%), when calculated at the end of the market day.

**RULE ~~704A.7~~305A.5 DELIVERY AND SETTLEMENT**

- (1) The Rules relating to delivery and settlement under Chapter 8 shall apply to permitted short selling in the same manner as they apply to normal sales.
- ~~(2) Failure by the seller in a permitted short sale to deliver the securities in accordance with Chapter 8 shall be deemed as a failure by the respective Participating Organisation to make available in its CDS Account the securities as "tradeable balance" and in such event, the Exchange shall upon instructions of the Clearing House automatically institute a buying in against the Participating Organisation concerned without giving a buying in notice.~~

**RULE ~~704A.8~~305A.6 ACTION BY THE EXCHANGE**

- (1) ~~Without prejudice~~In addition to any other powers of the Exchange contained in the Capital Markets and Services Act, this Rule ~~704A.8~~305A.6, these Rules and/or any other directives, ruling or guidelines issued by the Exchange from time to time, the Exchange may in the following circumstances take any of the actions enumerated under Rule ~~704A.8(2)~~ 305A.6(2) in the manner stipulated therein against a ~~Market Maker Participating Organisation~~ or its registered persons in relation to permitted short selling:
- (a) where there is a breach or likelihood of breach of any provisions in Rule ~~704A.8~~305A.6; or
  - (b) where the execution of permitted short selling 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 ~~704A.8(1)~~305A.6(1) the following actions may be taken by the Exchange in relation to any or all ETFs or constituent securities and/or against any or all Participating

~~Organisations and registered persons~~ Market Makers in the manner and for the period determined by the Exchange:

- (a) suspension and/or cessation of further permitted short selling whether in relation to all, some or a particular ETF or constituent securities by the ~~Participating Organisation~~ Market Maker;
- (b) imposition of restrictions or conditions on permitted short selling carried out by the ~~Participating Organisation~~ Market Maker; or/and
- (c) any other action deemed fit by the Exchange.

**~~RULE 704A.930~~ 5A.7 EFFECT OF ACTIONS TAKEN**

- (1) In the event that the Exchange undertakes any of the actions under Rule ~~704A.830~~ 5A.6 against a ~~Participating Organisation or registered persons~~ Market Maker such actions shall also be applicable to any person who is the proxy, agent, nominee or acting in concert with that ~~Participating Dealer~~ Market Maker, as the case may be.
- (2) Where an action has been taken under Rule ~~704A.830~~ 5A.6, a ~~Participating Organisation~~ Market Maker may make representations to the Exchange for the discontinuance of the action taken. The Exchange may after the representations were made, discontinue with the action taken. However such discontinuance shall not be construed as an omission or error of any kind on the part of the Exchange in undertaking the action under Rule ~~704A.830~~ 5A.6 in the first place.
- (3) The provisions in Rule 1303 shall not apply to any action taken under Rule ~~704A.830~~ 5A.6.

**APPENDIX 11 – NOTIFICATION REQUIRED IN ORDER TO CARRY OUT MARKET MAKING AND PERMITTED SHORT SELLING AND DECLARATION REQUIRED FOR PERMITTED SHORT SELLING**

**[RULE 303A.2(1), RULE 305A.2(1)(c) AND RULE 305A.3(5)]**

**To: Bursa Malaysia Securities Berhad**

**PART A**

**NOTIFICATION REQUIRED FOR MARKET MAKING**

**Pursuant to the requirements of Rule 303A.2(1) we [name of Market Maker] hereby provide notification as follows:**

<b><u>Name of Market Maker</u></b>	
<b><u>Designated Trading account/s</u></b>	
<b><u>Designated CDS account numbers:</u></b>	
<b><u>The date of opening of accounts:</u></b>	

**Dated this [ ] day of [ ] [year].**

**Signed : [Authorised Signatory]**

**Date :**

**PART B**

**Pursuant to the requirements of Rule 305A.3(5) we [name of Market Maker] hereby provide notification as follows:**

<b><u>Futures accounts numbers:</u></b>	
<b><u>The date of opening of accounts:</u></b>	

**DECLARATION ON COMPLIANCE**

**Pursuant to the requirements of Rule 305A.2(1)(c) we [name of Market Maker] hereby provide notification as follows:**

- 1. that we have formulated the internal guidelines for permitted short selling which have been approved by the board of directors;**
- 2. that the internal guidelines for permitted short selling comply with the requirements set out in Rule 305A.2(1)(a) respectively; and**
- 3. that all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out permitted short selling activities in accordance with these Rules.**

Dated this [ ] day of [ ] [year]

Signed : [Authorised Signatory]

Date :





**RULES OF BURSA MALAYSIA SECURITIES BERHAD**  
**RULE AMENDMENT IN RELATION TO MARKET MAKING OTHER THAN IN ANNEXURE 1**

The following sets out the consequential rule amendments in relation to market making, pursuant to the introduction of the market making framework as reflected in the new Chapter 3A in **Annexure 1**. The purpose of the amendments is provided.

**1.0 RULE 201.1 EXERCISE OF POWERS**

1.1 Rule 201.1(a) and (h) be amended as follows.

**RULE 201.1 EXERCISE OF POWERS**

- (1) **Description of powers:** Subject to the provisions of the Securities Laws, the Exchange may exercise its powers in such manner and on such terms as it shall deem necessary or expedient and which powers shall include, without limitation, the following –
- (a) to make new rules for the order and good governance of the Participating Organisations or registered person(s) and their affairs;
  - (b) to add to, vary, repeal, enforce or waive any of these Rules;
  - (c) to administer, manage, formulate policies and give directions to the Participating Organisations and such persons to whom these Rules are directed;
  - (d) to issue directives, rulings or guidelines for the purposes of or in connection with any of these Rules, including any modifications thereto;
  - (e) to admit or refuse to admit any person or corporation as a Participating Organisation or registered person(s);
  - (f) to interpret conclusively any provision in these Rules and any rulings, directives or guidelines and the validity of any act or thing done pursuant thereto in the event of any dispute or difference over such Rules and any rulings, directives or guidelines;
  - (g) to release at its absolute discretion information concerning any Participating Organisation or registered person(s) to the Commission, Depository, Clearing House or any other relevant body or authority when so requested;
  - (h) to disclose information on the volume and/or value of securities traded on the Exchange and Direct Business transacted by all or any or each of the Participating Organisations or Market Maker(s) as defined in Chapter 3A, in such manner and frequency as the Exchange deems fit to Participating Organisations, the public or any other persons deemed fit by the Exchange *Provided Always* that such information shall be framed in such a way so as not to enable the identity of any client of the Participating Organisation to whom the information relates to be ascertained;
  - (i) to grant, suspend or revoke the rights of any Participating Organisation or registered person(s);
  - (j) to enforce the directions given by the Commission;
  - (k) to inspect the books and records of all Participating Organisations and registered person(s) from time to time and to require any Participating Organisation and/or registered person(s) to appear before it or any Committee at any time and produce the Participating Organisation's or registered person(s)'s books and records and furnish such information as may be required by the Exchange including information relating to any client of such Participating Organisation or registered person(s) and to



answer any question regarding any violation of any Rules and any rulings, directives or guidelines;

- (l) to order an investigation into the affairs of a Participating Organisation or registered person(s), without giving any reason therefor, who it may suspect or having violated any of the provisions of these Rules, Depository Rules, Clearing House Rules and any rulings, directives or guidelines issued thereunder and for this purpose, to demand the production of all books, accounts, records or any other documents which he may deem necessary for inspection and to engage any accountant, advocate and solicitor or any other qualified person or persons to assist in the investigation;
- (m) to require the Participating Organisations [or the registered persons](#) to submit reports, information and/or documents to the Exchange;
- (n) to exercise all such other powers as may be necessary for purposes of monitoring compliance with and enforcement of these Rules; and
- (o) to exercise any powers and take any action for the purpose of maintaining an orderly and fair stock market.

**Purpose:** The amendments to the rules above are made to clarify the extent of Bursa Securities' powers in relation to registered persons which include Market Makers.

## 2.0 RULE 201.3

2.1 Rule 201.3(2) be amended as follows.

### RULE 201.3 APPEALS AGAINST DECISIONS OF THE EXCHANGE

- (1) The Exchange shall establish a Committee to determine appeals from a party against whom a decision has been made by the Exchange on applications relating to registration by the Exchange.
- (2) ~~Unless otherwise provided, a~~ person against whom a decision has been made by the Exchange may appeal against such decision by notifying the Exchange of its/his intention to appeal within fourteen (14) days from receipt of the notification of the decision.
- (3) The Committee referred to herein shall comprise such persons as may be appointed by the Exchange, all of whom must not have been involved in any other Committee of the Exchange that made the decision appealed against.
- (4) The Committee referred to herein may affirm, vary or set aside the decision appealed against or any penalty imposed.
- (5) The decision of the Exchange on appeal shall be final and binding on the appellant.

**Purpose:** The amendments to the rules above are made to clarify that if stated otherwise, a person against whom a decision has been made in relation to an application relating to registration will not be able to appeal against the aforementioned decision, as is the case with an application to register as a Market Maker.



### 3.0 RULE 608.2

3.1 Rule 608.2(2) and (3) be amended as follows.

#### RULE 608.2 GENERAL

- (2) Subject always to the Clearing House Requirements, the borrowing of any Eligible Securities whether for itself or its client is only permitted in the following circumstances:
- (a) for the execution of a regulated short sale and permitted short selling in accordance with Rule 704 and Rule ~~704A~~305A respectively;
  - (b) where there are no or insufficient securities as will enable a seller pursuant to a sale trade executed by the seller on the Exchange, to meet its delivery obligations to the purchaser in accordance with the Rules relating to delivery and settlement in chapter 8, as a result of a mistake howsoever made when executing the sale trade provided always that the mistake was made in good faith and discovered only after the sale trade has been executed; or
  - (c) for such other purposes as may be determined by the Clearing House.
- (3) Any settlement of sale trade executed by a Participating Organisation arising from a borrowing made in breach of Rule 608.2(2), such sale shall be deemed to be a sale in breach of Rule 704, Rule ~~704A~~305A and section 98(1) of the Capital Markets and Services Act and the matter shall be referred to the Commission. The referral of the matter to the Commission shall not preclude the right of the Exchange to exercise any of its powers in relation to a breach of Rule 608.2, Rule 704 and Rule ~~704A~~305A.

**Purpose:** The current Rule 608.2(2)(a) states that borrowings of Eligible Securities (which includes ETF and its constituent securities) under the Securities Borrowing and Lending framework can be made for the execution of regulated short selling and permitted short selling among other reasons as stated above. In doing so, Rule 608.2(2) also makes reference to Rule 704A that allows permitted short selling. This rule that allows permitted short selling is now deleted from Chapter 7 as is replicated with some modifications in the new Chapter 3A which introduces Market Making. The Rule as a consequence is renumbered Rule 305A under that Chapter and the numbering above is amended to reflect the aforementioned.

### 4.0 RULE 608.12

4.1 Rule 608.12(1)(a) be amended as follows.

#### RULE 608.12(1) ACTION BY THE EXCHANGE

- (1) Without prejudice to any other powers of the Exchange contained in the Capital Markets and Services Act, this Rule 608, these Rules and/or any other directives, ruling or guidelines issued by the Exchange from time to time, the Exchange may in the following circumstances take any of the actions enumerated under Rule 608.12(2) in the manner stipulated therein against any or all Participating Organisations, registered persons and clients and/or in relation to any or all Eligible Securities:
- (a) where there is a breach or likelihood of breach of any provisions in Rule 608 and/or Rule 704 and/or Rule ~~704A~~305A-or
  - (b) where the securities borrowing and/or lending activities may lead or likely to lead to the commission of any of the offences under the Capital Markets and Services Act.



**Purpose of amendment:** Again, as per the amendment to Rule 608.2 above, the amendment in this Rule 608.12 is to change the reference to the rule on permitted short selling to refer to Rule 305A where the rules on permitted short selling is now reflected.

## 5.0 RULE 704A

5.1 Rule 704A be deleted as follows.

### ~~RULE 704A — PERMITTED SHORT SELLING~~

#### ~~RULE 704A.1 — DEFINITION~~

<del>Authorised SBL Participant</del>	<del>shall have the same meaning as is assigned to that expression in 704.1(1).</del>
<del>Constituent securities</del>	<del>means any of the securities admitted on the Official List which forms the basket or part of the basket of securities required for the creation of an ETF unit and/or underlying an ETF unit.</del>
<del>ETF</del>	<del>equity based Exchange Traded Fund.</del>
<del>Internal guidelines for permitted short selling</del>	<del>means written guidelines formulated by Participating Organisations setting out the Participating Organisations' internal policies, procedures, controls and requirements in relation to permitted short selling activities to ensure strict compliance with laws and these Rules including any regulations, directives, guidelines and rulings issued thereunder in relation to permitted short selling.</del>
<del>permitted short selling</del>	<del>means the short selling of units of an ETF and/or constituent securities which is a class of securities to which Section 98(4)(c) of the Capital Markets and Services Act applies.</del>
<del>SBL Agreement</del>	<del>shall have the same meaning as is assigned to that expression in Rule 704.1(1).</del>
<del>Trustee</del>	<del>shall have the same meaning as is assigned to that expression in the Guidelines on Exchange Traded Funds.</del>

#### ~~RULE 704A.2 — PERMITTED SHORT SELLING~~

~~(1) Unless determined otherwise, a Participating Organisation shall be allowed to execute permitted short selling for its proprietary positions only, in the manner set out in Rule 704A and section 98(4)(c) of the Capital Markets and Services Act.~~

~~Unless it is otherwise provided in this Rule 704A, all other provisions in these Rules shall apply to permitted short sales, as if they were normal sales of securities.~~

#### ~~RULE 704A.5 — EXECUTION~~

~~(1) A Participating Organisation shall ensure that the following conditions are complied with prior to executing an order for a permitted short selling:~~

- ~~(a) where the Participating Organisation intends to shortsell ETF units; that it has borrowed the ETF units or the constituent securities needed for the creation of the ETF units, to settle the sale or has obtained a confirmation from the Authorised SBL~~



- ~~Participant that the above ETF units or constituent securities, as the case may be, are available for borrowing to settle the sale; or~~
- ~~(b) where the Participating Organisation intends to shortsell the constituent securities; that it has borrowed the constituent securities or the ETF units needed to redeem the units of constituent securities to settle the sale or has obtained a confirmation from the Authorised SBL Participant that the above constituent securities or ETF units, as the case may be, are available for borrowing to settle the sale; and~~
- ~~(c) The Participating Organisation is not associated with the body corporate that issued or made available the ETF units or the constituent securities in relation to which the order for permitted short selling is to be executed. "Associated" shall have the same meaning as is assigned to it under Rule 704.2(2)(b).~~
- ~~(2) No Participating Organisation shall execute permitted short selling by way of Direct Business in any situation whatsoever.~~
- ~~(3) A Participating Organisation shall execute the following purchases through the Designated Trading Account/s after a shortsale for ETF units or constituent securities is executed:~~
- ~~(a) a purchase of any of the constituent securities or other instruments required for the creation of the ETF unit(s) and/or underlying the ETF unit(s) within the same market day, where the short sale is in relation to ETF units; or~~
- ~~(b) a purchase of ETF units within the same market day, where the short sale is in relation to constituent securities.~~
- ~~(4) A Participating Organisation shall ensure that proper documents are procured and retained by it for at least seven (7) years for the purpose of satisfying the Exchange when requested, that the requirements of Rule 704A.5(1) and Rule 704A.5(3) are complied with. The documents shall be either in writing, tape recording or electronic form.~~
- ~~(5) No permitted short selling shall be executed by a Participating Organisation in any of the following circumstances:~~
- ~~(a) in relation to the constituent securities, during the period of twenty-one (21) days immediately following a takeover announcement involving the Issuer of the constituent securities; or~~
- ~~(b) when expressly directed by the Exchange, during the period where the ETF or its constituent securities has been declared, and remains, as Designated Securities under Rule 604.~~

#### **~~RULE 704A.6 LIMITS FOR PERMITTED SHORTSELLING~~**

- ~~(1) A Participating Organisation shall comply with the following limits in relation to permitted short selling:~~
- ~~(a) that the total value of short positions of ETF units shall not exceed the total value of the purchase positions for the constituent securities by 10 percentum (10%), when calculated at the end of the market day;~~
- ~~(b) that the total value of short positions of constituent securities shall not exceed the total value of the purchase positions for ETF units by 10 percentum (10%), when calculated at the end of the market day; and~~
- ~~(c) the total quantity of short positions for each constituent securities shall not exceed the quantity of each constituent securities required for the creation of the ETF units by 15 percentum (15%), when calculated at the end of the market day.~~



### ~~RULE 704A.7 – DELIVERY AND SETTLEMENT~~

- ~~(1) The Rules relating to delivery and settlement under Chapter 8 shall apply to permitted short selling in the same manner as they apply to normal sales.~~
- ~~(2) Failure by the seller in a permitted short sale to deliver the securities in accordance with Chapter 8 shall be deemed as a failure by the respective Participating Organisation to make available in its CDS Account the securities as "tradeable balance" and in such event, the Exchange shall upon instructions of the Clearing House automatically institute a buying-in against the Participating Organisation concerned without giving a buying-in notice.~~

### ~~RULE 704A.8 – ACTION BY THE EXCHANGE~~

- ~~(1) Without prejudice to any other powers of the Exchange contained in the Capital Markets and Services Act, this Rule 704A, these Rules and/or any other directives, ruling or guidelines issued by the Exchange from time to time, the Exchange may in the following circumstances take any of the actions enumerated under Rule 704A.8(2) in the manner stipulated therein against a Participating Organisation or its registered persons in relation to permitted short selling:~~
- ~~(a) where there is a breach or likelihood of breach of any provisions in Rule 704A; or~~
- ~~(b) where the execution of permitted short selling 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 704A.8(1) the following actions may be taken by the Exchange in relation to any or all ETFs or constituent securities and/or against any or all Participating Organisations and registered persons in the manner and for the period determined by the Exchange:~~
- ~~(a) suspension and/or cessation of further permitted short selling whether in relation to all, some or a particular ETF or constituent securities by the Participating Organisation;~~
- ~~(b) imposition of restrictions or conditions on permitted short selling carried out by the Participating Organisation; or/and~~
- ~~(c) any other action deemed fit by the Exchange.~~

### ~~RULE 704A.9 – EFFECT OF ACTIONS TAKEN~~

- ~~(1) In the event that the Exchange undertakes any of the actions under Rule 704A.8 against a Participating Organisation or registered persons such actions shall also be applicable to any person who is the proxy, agent, nominee or acting in concert with that Participating Dealer, as the case may be.~~
- ~~(2) Where an action has been taken under Rule 704A.8, a Participating Organisation may make representations to the Exchange for the discontinuance of the action taken. The Exchange may after the representations were made, discontinue with the action taken. However such discontinuance shall not be construed as an omission or error of any kind on the part of the Exchange in undertaking the action under Rule 704A.8 in the first place.~~
- ~~(3) The provisions in Rule 1303 shall not apply to any action taken under Rule 704A.8.~~

**Purpose of amendment:** This rule on permitted short selling is proposed to be deleted as permitted short selling is now no longer available to Participating Organisations who Participating Dealers but is now made available to Market Makers only. Permitted short selling was originally intended as a tool to assist a Participating Organisation which is a Participating Dealer to carry out its function of creating



and redeeming ETF units which in turn was expected to enhance liquidity in ETFs. The purpose of allowing permitted short selling remains to assist in the enhancing liquidity; therefore we have provided that permitted short selling be available to Market Makers for ETFs whose role is to provide bid and offer prices to the market to provide liquidity, with the view that Participating Organisations who are Participating Dealers can register as Market Makers and use permitted shortselling within the market making framework in a formal market making arrangement.

## 6.0 RULE 1105.7

6.1 Rule 1105.7(2) be amended as follows.

### RULE 1105.7 COUNTERPARTY RISK

(2) **Principles applicable in calculating CRR:** In calculating Counterparty Risk Requirement, a Participating Organisation shall observe the following -

- (a) It is only required to calculate a Counterparty Risk Requirement if it has a positive exposure to a counterparty;
- (b) It shall not include any Counterparty Risk Requirement if it is a negative amount;
- (c) Counterparty Risk Requirement shall be calculated at least once each market day;
- (d) It shall mark to market all counterparty exposures;
- (e) It may reduce its Counterparty Risk Requirement to the extent that it holds collateral in accordance with the conditions set out in Rule 1105.7(6);
- (f) It may ~~offset net~~ positive and negative counterparty exposures prior to the calculation of Counterparty Risk Requirement provided that the exposures are with the same counterparty and they are similar in nature in that they fall within the same class as set out in it complies with Rule 1105.7(17);
- (g) It may reduce the counterparty exposure on which its Counterparty Risk Requirement is calculated to the extent of any provisions made;
- (h) It shall calculate a Counterparty Risk Requirement for all counterparty exposures irrespective of any connection with the counterparty;
- (i) It is not required to calculate a Counterparty Risk Requirement for an option over shares of a company if it is the writer of the option.

**Purpose of amendment:** The rule above is introduced pursuant to amendments made in Rule 305A.4 in **Annexure 1** to recognise cross market hedging in the above rule.

6.2 Rule 1105.7(7) be amended as follows.

### RULE 1105.7(7) COUNTERPARTY RISK HEDGING

~~(7) **Counterparty Netting Agreements:** A Participating Organisation may net positive and negative counterparty exposures provided that -~~

- ~~(a) they are with the same counterparty;~~
- ~~(b) they are similar in nature in that they fall within the same class as set out in Rule 1105.7(1); and~~



~~(c) the Participating Organisation has a valid and binding netting agreement with the counterparty.~~

(1) A Participating Organisation may hedge the Counterparty Risk Requirement of an equity position against a derivative position as envisaged in 1105.7(2)(f).

(2) The hedging may only be used to the extent that value of the equity underlying the derivative position matches the value of the equity position.

(3) The Counterparty Risk Requirement for hedging positions shall where applicable, be determined in accordance with Schedule 8E.

**Purpose of amendment:** The rule above is introduced pursuant to amendments made in Rule 305A.4 in **Annexure 1** to recognise cross market hedging in the above rule.

## 7.0 RULE 1204.1

7.1 Rule 1204.1(2) be amended as follows.

### RULE 1204.1 POWER OF INVESTIGATION

- (1) The Exchange may, at any time and from time to time as it thinks expedient or if requested by the Commission or other relevant authorities, conduct investigations on the accounts and affairs of any Participating Organisation, and on any matter regarding Participating Organisations, their registered person(s) and employees which may involve a breach of the Depository Rules, the Clearing House Rules and/or these Rules.
- (2) Without prejudice to generality of the foregoing, the Exchange shall be particularly empowered-
  - (a) to require Participating Organisations, ~~their~~ registered person(s) and/or ~~their~~ employees to attend at the premises of the Exchange at any time and to give such information as may be in their possession relevant to any matter brought before or under investigation by the Exchange;
  - (b) to require a registered person or a Participating Organisation to procure the attendance of any agent, consultant, its registered person(s) and/or employees before any authorized officer of the Exchange and to give such information as may be in the possession of such person relevant to any matter brought before or under investigation by the Exchange;
  - (c) to require any Participating Organisation, ~~its~~ registered person(s) and/or ~~their~~ employees to furnish any particulars required and to produce to any authorized officer of the Exchange, all books, letters, telexes or copies thereof, and any other document in its possession relevant to any matter brought before or under investigation by the Exchange. The production of document, books, letters, and telexes may also include requiring the Participating Organisation or the registered person to make copies and/or taking extracts of the same;
  - (d) through its Investigation Officers (as hereinafter defined), to seize, detain or take possession of any property, books or other document or article found, upon the premise or in direct or indirect possession of the Participating Organisation or registered person, ~~in direct or indirect possession of registered person(s)~~ and/or ~~their~~ employees for the purpose of the investigation being carried out;
  - (e) to investigate the accounts and affairs of any Participating Organisation, its Dealers' Representatives, registered person(s) and/or employees whenever in its opinion there is sufficient reason to do so; and/or





- (f) in addition to any action taken by the Exchange, to require a registered person or Participating Organisation to discipline its registered person(s) and/or employees in an appropriate manner if such person shall have caused the registered person or the Participating Organisation to violate the Securities Laws, the Depository Rules, the Clearing House Rules and/or these Rules.
- (3) The powers conferred by this Rule is in addition to and not in derogation of any powers conferred upon the Exchange under any written law.

**Purpose of amendment:** The amendments to the rules above are made to clarify the extent of Bursa Securities' powers of investigation in relation to registered persons which include Market Makers.

## 8.0 RULE 1205.1

8.1 Rule 1205.1(1) be amended as follows.

### RULE 1205.1 SUPPLY OF INFORMATION

- (1) The Exchange may, for purpose of obtaining information about any matter which it considers may relate to these Rules or the integrity of the Exchange's market –
- (a) require the provision forthwith by a Participating Organisation, ~~its~~ registered person(s) and/or employees of accurate information about its business and transactions in a format, electronic or otherwise, specified by the Exchange;
- (b) require the production forthwith by a Participating Organisation, ~~its~~ registered person(s) and/or employees of documents (which, for the purpose of this Chapter, shall include anything in which information of any description if recorded) in his possession, custody, power or control and if, any such documents cannot be produced, require the Participating Organisation, ~~its~~ registered person(s) and/or employees to state to the best of his knowledge and belief where and in whose possession, custody, power or control they are and require the Participating Organisation, ~~its~~ registered person(s) and/or employees to use his best endeavours to secure the documents;
- (c) interview any registered person(s) or employee or agent (or any employee of such registered person(s) or agent of a Participating Organisation and require him to answer questions and provide explanations and/or require answers and explanations from the registered person or Participating Organisation and record such answers and explanations electronically or otherwise;
- (d) require the attendance, upon reasonable notice, of any registered person(s) or employee or agent (or any employee of such registered person(s) or agent) of a Participating Organisation at a specified date, time and place, to answer questions, provide explanations and/or give evidence and require the registered person or Participating Organisation to procure such attendance;
- (e) require the provision of information relating to any person who is to be, is or has been a registered person(s) or employee of the Participating Organisation or engaged in its business) or any person who is to be, is or has been employee of registered person or engaged in its business;
- (f) send any officer of the Exchange or Exchange holding company, as the case may be, to a Participating Organisation's or registered person's premises at any time, for the purpose of investigations and to ensure compliance with these Rules; and



- (g) make copies or require copies to be made of documents or information for retention by it or otherwise to take extracts from such documents or information and/or require any person who was a party to the compilation or preparation of such documents or information to provide an explanation for any of them.
- | (2) A Participating Organisation and registered person shall comply or as the case may be shall procure compliance with any requirement of the Exchange made pursuant to this Rule.
- (3) A Participating Organisation is responsible to the Exchange for the conduct of its registered person(s), employees and agents. Such conduct shall be treated for the purpose of these Rules as conduct of the Participating Organisation.
- | (4) A Participating Organisation or registered person shall not provide the Exchange any information which is false, misleading or inaccurate in a material particular and shall comply or as the case may be procure compliance with a request by the Exchange for explanation or verification of information provided to the Exchange.
- (5) For the purpose herein, "information" includes without limitation information in writing or in any other means of electronic, magnetic, mechanical or other recording whatsoever or on any medium, substance, material, thing or article.

**Purpose:** The amendments to the rules above are made to clarify the extent of Bursa Securities' powers to require information from registered persons which include Market Makers.

**LIST OF SPECIFIED SECURITIES**

- 1. All Structured Warrants**
- 2. All Exchange Traded Funds**

**1. MARKET MAKING OBLIGATIONS IN RELATION TO STRUCTURED WARRANTS (SW) AND EXCHANGE TRADED FUNDS (ETF) PURSUANT TO RULE 303A.1(1)**

No.	Market Making Obligations	Market Maker for SW	Market Maker for ETF
1.	The minimum presence of a Market Maker in providing 2-way quotes during the 'main trading phase' as referred to in Rule 701.5A(4) of the Rules of Bursa Securities on each day that Bursa Securities is open for trading in a SW/ETF issue	70%	70%*
2.	The maximum spread of two-sided market making quotes entered by a Market Maker into the ATS	25 bids	25 bids*
3.	The minimum quantity on each of the two-sided market making quotes that a Market Maker enters into the ATS	10 board lots (1,000 units of SW)	10 board lots (1,000 units of ETF)*

\* The market making obligations which are to be fulfilled by a Market Maker for ETF may vary from one Market Maker to another as allowed by Bursa Securities.

**2. CIRCUMSTANCES IN WHICH MARKET MAKERS ARE EXEMPTED FROM PERFORMING THEIR OBLIGATIONS IN RELATION TO STRUCTURED WARRANTS (SW) AND EXCHANGE TRADED FUNDS (ETF) PURSUANT TO RULE 303A.1(2)**

<b>Market Makers for SW and ETF</b>	<ul style="list-style-type: none"> <li>(i) if trading in the Specified Security is suspended;</li> <li>(ii) if the market is suspended or closed;</li> <li>(iii) if there is a malfunction of the system of the Participating Organisation through which the Market Maker undertakes its market making; or</li> <li>(iv) if market making is not feasible based on the market condition as determined by the Exchange.</li> </ul>
<b>Market Makers</b>	Circumstances stated in the prospectus of the issuer for whom the Market

<b>for SW (in addition to the above circumstances)</b>	Maker provides liquidity for the issuance of SWs, as being circumstances in which the Market Maker is exempted from performing its market making obligations under the Rules of Bursa Securities unless decided otherwise by the Exchange.
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P.U. (A) 66/2009

**CAPITAL MARKETS AND SERVICES ACT 2007**

**CAPITAL MARKETS AND SERVICES (NON-APPLICATION OF SUBSECTION 98 (1))  
(EXCHANGE TRADED FUNDS) ORDER 2009**

IN exercise of the powers conferred by paragraph 98(4)(e) of the Capital Markets and Services Act 2007 [Act 671], the Minister makes the following order:

**Citation and commencement**

1. (1) This order may be cited as the **Capital Markets and Services (Non-application of subsection 98 (1)) (Exchange Traded Funds) Order 2009**.

(2) This Order comes into operation on 20 February 2009.

**Non-application of subsection 98 (1)**

2. (1) Subsection 98(1) of the Act shall not be applicable in respect of any sale of Exchange Traded Funds unit and all constituent securities of the Exchange Traded Funds transacted by any person in any manner and circumstances as prescribed in the rules of the stock exchange.

(2) Any sale of Exchange Traded Funds units and all constituent securities of the Exchange Traded Funds shall comply with the rules of the stock exchange.

(3) For the purpose of this Order, "Exchange Traded Funds" means a listed index-tracking fund structured as a unit trust scheme or any other structure approved by the Securities Commission whose primary objective is to achieve the same return that corresponds to the performance of a particular index.

Made 12 February 2009  
[KK/BPKA/K1(S)/483/128/1/1;PN(PU<sup>2</sup>) 662/III]

TAN SRI NOR MD BIN YAKOP  
*Second Minister of Finance*



## APPLICATION FOR REGISTRATION AS MARKET MAKERS PURSUANT TO RULE 302A OF THE RULES OF BURSA MALAYSIA SECURITIES BERHAD

Please complete all sections of the form in full.  
Please type or use black ink as the form will be photocopied.  
Read the *Guidance Notes* carefully before completing the form.

### 1. Applicants' Category (Please tick relevant category) (see note 2 for Qualification Criteria)

1.	Participating Organisation ("PO") of Bursa Malaysia Securities Berhad	
2.	A licensed bank or licensed merchant bank as defined in the Banking and Financial Institutions Act 1989	
3.	Related Company of the PO, licensed bank or merchant bank, incorporated under Companies Act 1965	
4.	Foreign Securities Broker ("FSB") / Foreign Derivatives Broker ("FDB")	
5.	Related Company of FSB / FDB, incorporated under the Companies Act 1965	
6.	Others (please specify)	

### 2. Specified Security:

### 3. Particulars of the Applicant

Corporation's name in full

Date of incorporation

Place of incorporation

Company No.

Principal Business

### 4. Address and contact details

**Registered address** (Please notify of any change of address immediately)    **Business address** (Please notify of any change of address immediately)



Telephone no.

Telephone no.



Facsimile no.

Facsimile no.

Website / E-Mail Address

Website / E-Mail Address

**5. State the names of shareholders of the Applicant and their respective shareholdings: -**

Name	No. of Shares	% of shareholding

**6. Authorised Capital**

**7. Paid-Up Capital**

**8. Name and Identity Card No. (IC No.) / Passport No. (for non-Malaysian citizen only) of Directors:**

Director's Name	I.C. No. / Passport No.	Status (Executive Director / Non-Executive Director) or Designation

**9. Contact Person(s)**

Name	Designation	Tel. No.	E-mail address






**10. Declaration**

(Answer "Yes" or "No". If "Yes", please give details.)

Has the applicant been: -

- (a) a member or partner in a member firm or director of a member company or participant of any stock exchange or futures exchange? Yes  No
- (b) refused membership of or the right to participate in or admission to any stock exchange or futures exchange? Yes  No
- (c) expelled from or suspended from trading on any stock exchange or futures exchange? Yes  No
- (d) subjected to any form of disciplinary action by any stock exchange or futures exchange? Yes  No
- (e) convicted of any offence in or outside Malaysia or had disciplinary actions taken for breaches involving dishonesty or fraud? Yes  No

**11. Undertaking from Director and Company Secretary of the Applicant**

We:-

- (a) acknowledge that we the applicant declare that all information given herein and the attached document(s) (if any) are true and correct.
- (b) agree and undertake to at all times abide by the Rules of Bursa Malaysia Securities Berhad and all directives issued by the Exchange upon being duly registered as a Market Maker by the Exchange.

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Director of applicant authorised to sign on its behalf

Company Secretary

Dated

**Guidance Note**

**Please read before completing application forms**

These guidance notes are to be used as a generic guide to the registration of the applicant as Market Makers of Bursa Malaysia Securities Berhad ("Bursa Securities").

**Filling in the application form**

You should ensure that you complete all required information on the application form in full.



If the space provided is insufficient, applicant may attach a separate sheet for the required information provided each piece of paper attached is initialed by the applicant.

**Note 1: Definition**

In this document: -

“applicant” means a corporation applying for registration as Market Maker of Bursa Securities;

“Bursa Securities” or “Exchange” means Bursa Malaysia Securities Berhad, a company established under the Companies act 1965 which operates ETP;

“CMSA” means Capital Market & Services Act 2007.

“corporation” has the same meaning as is assigned to that expression in the Companies Act, 1965;

“market maker” means a person who performs market making;

“market making” means unless the context otherwise requires, refers to the act of entering bid and offer prices in the ATS for a Specified Security based on the requirements stipulated by the Exchange in Rule 303A.1(1).

“Specified Security” means the security specified by the Exchange as available for market making.

**Note 2: Qualification Criteria**

(1) An applicant who intends to apply to be a Market Maker for a Specified Security must fulfill any one of the following requirements:

- (a) A Participating Organisation;
- (b) A licensed bank or licensed merchant bank as defined in the Banking and Financial Institutions Act 1989;
- (c) A related company of (a) or (b) above, incorporated under Companies Act 1965 and it fulfills the following:
  - (i) has a minimum paid up capital of RM 2 million; and
  - (ii) has at least 2 personnel with at least 5 years experience in the following:
    - (aa) trading in securities as a Dealer’s Representative or trading in futures contracts as a futures broker’s representative;
    - (bb) trading in treasury related instruments of a financial institution;
    - (cc) trading in securities as a dealer on a recognised stock exchange; or
    - (dd) trading in futures contracts as a dealer on a Specified Exchange as defined in the business rules of the exchange company;
- (d) A foreign securities broker or foreign derivatives broker in a jurisdiction where the broker is regulated by a regulator who is a signatory to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding (“IOSCO MMOU”) or the Declaration on Cooperation and Supervision of International Futures Markets and Clearing Organisations (“BOCA Declaration”) respectively (“Foreign Broker”) and it fulfills the following:
  - (i) has a minimum paid up capital of equivalent RM 2 million; and
  - (ii) has the following:
    - (aa) it has at least 3 years market making experience; or
    - (bb) it has at least 2 personnel with at least 3 years experience in market making experience and it is related to a company who is also a Foreign Broker which has at least 3 years market making experience; or
- (e) A related company of (d) above, incorporated under the Companies Act 1965 and it fulfills the following:
  - (i) has a minimum paid up capital of RM 2 million;
  - (ii) has at least 2 personnel with at least 3 years’ experience in market making; and
  - (iii) the Foreign Broker which is its related company has at least 3 years experience in market making.

**Note 3: Other Requirements**

An applicant as a Market Maker must also fulfill the following requirements:



- (a) have in place facilities and personnel adequate for the expeditious and orderly carrying out of its business of market making; and
- (b) have in place proper supervisory programme and a system of internal controls to ensure the following:
  - (i) proper conduct of the business of market making;
  - (ii) proper undertaking of risk management; and
  - (iii) proper management of conflict of interest; and
  - (iv) compliance with these Rules.

**Note 4: Application to the Exchange**

For an applicant applying for the first time, it shall submit to Bursa Securities the following:

- i) Cover letter detailing the approval sought addressed to Bursa Securities. The applicant shall specify each Specified Security that the applicant intends to do market making for.
- ii) Duly completed Form of Application (Form of Application for registration as Market Maker).
- iii) For applicant which is **not** a Participating Organisation or a financial institution licensed under BAFIA, the application shall be accompanied with:
  - a) certified true copies of the memorandum and articles of association or any other constituent documents, of the applicant company and if any, its corporate shareholders;
  - b) such documents and information as may be appropriate in respect of its financial standing such as:
    - Auditor's Certification;
    - Balance Sheet;
  - c) Form 9, 49, 13, 24 and 44 or similar documents of its nature; and
- iv) Documentary evidence on the status of the applicant as a foreign securities broker or foreign derivatives broker or its related company as the case may be.
- v) Documentary evidence on the requisite experience of the personnel of the applicant as required under the Rule.
- vi) Any other documents that may be required or relevant to the application.
- vii) For an existing Market Maker applying to be a Market Maker for a subsequent Specified Security, it is required to only submit a cover letter detailing the approval sought addressed to Bursa Securities and specifying each Specified Security that the applicant intends to market make.