

PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 14 February 2007

No.: R/R 3 of 2007

AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) PERTAINING TO MOBILITY OF DEALER’S REPRESENTATIVES

- (1) Please be informed that pursuant to Section 9(3) of the Securities Industry Act 1983, the following provisions in the Rules of Bursa Securities have been amended in the following manner –
- (a) Rule 310.4(1)(c) has been amended to remove the requirement for a Dealer’s Representative to be based in the designated office of the Participating Organisation by or with whom he is employed or engaged. This amendment is made to remove the ambiguity that a Dealer’s Representative is not permitted to be mobile. However this amendment shall not be read so as to derogate any obligation on the part of the Dealer’s Representative to comply with any conditions stipulated in the Dealer’s Representative’s license issued by the Securities Commission;
 - (b) Rule 310.4(1)(f) has been amended to clarify the types of business activities that can be carried out by a Dealer’s Representative;
 - (c) a new sub-paragraph (v) has been added to Rule 310.4(1)(f) to prohibit a Dealer’s Representative from operating as a Dealer’s Representative on a continuous basis in a particular premises or at a particular location other than the principal office, branch office or EAF of the Participating Organisation by or with whom he is employed or engaged; and
 - (d) Rule 404.3(6) has been amended to require a Dealer’s Representative to carry out client’s instructions in a timely manner, in addition to the other requirements already contained in Rule 404.3(6).

The aforesaid amendments (hereinafter to be collectively referred to as “the said Amendments”) are as set out in **ANNEXURE 1** appended herewith.

- (2) With the said Amendments, Participating Organisations may, at their discretion, now allow their Dealer’s Representatives to be mobile. Without prejudice to the generality of and in amplification to the amended Rule 310.4(1)(c), Participating Organisations are hereby directed to ensure that the following are satisfied in allowing a Dealer’s Representative to be mobile –
- (a) Participating Organisations shall develop appropriate written internal policies, procedures and controls for Dealer’s Representatives who are mobile to ensure that these Dealer’s Representatives do not abuse their mobility privileges and are at all times in compliance with the securities

laws and other applicable laws, the Rules of Bursa Securities together with all directives and rulings as may be issued by the Exchange from time to time, which include but are not limited to the following areas –

- (i) account opening;
 - (ii) receipt of payments and collection of funds from clients with a view to ensuring that clients' assets are safeguarded;
 - (iii) upholding the high standards of conduct of Dealer's Representatives when dealing with clients as set out in the Rules of Bursa Securities, in particular, the requirement of carrying out client's instructions in a timely manner;
 - (iv) the prohibition on conduct of business activities in a particular premises or at a particular location on a continuous basis so as to comply with Rule 310.4(1)(f)(v); and
 - (v) such other areas as Participating Organisations deem necessary in upholding the principles of sound investor protection.
- (b) The internal policies, procedures and controls referred to in paragraph (2)(a) above shall also incorporate and clearly set out, amongst others, the criteria which a Dealer's Representative has to fulfill before being allowed to be mobile.
- (c) Participating Organisations shall develop appropriate supervisory and compliance programme to ensure compliance with these internal policies, procedures and controls referred to in paragraphs (2)(a) and (2)(b).
- (d) The discretion whether or not to allow a Dealer's Representative to be mobile lies with the Participating Organisations, which discretion shall be exercised based on the criteria set out in the internal policies, procedures and controls referred to in paragraph (2)(b) above. In this respect, Participating Organisations shall assess the suitability of each Dealer's Representative based on the above criteria set prior to allowing their Dealer's Representatives to be mobile and thereafter, assess the criteria on the Dealer's Representative on a continuous basis.
- (e) Participating Organisations shall have the right to revoke at any time the mobility granted to any Dealer's Representative in the event the Participating Organisation deems that the Dealer's Representative no longer satisfies or is no longer capable of satisfying the criteria referred to paragraph (2)(b) above or if the Dealer's Representative has committed breach(es) of any of the Participating Organisation's internal policies, procedures and controls referred to in paragraphs (2)(a) and (2)(b) imposed on the Dealer's Representative.

- (f) Participating Organisations shall assess their internal policies, procedures and controls on a continuous basis to ensure its adequacies and relevance in meeting the purpose for which these internal policies, procedures and controls are developed.
- (3) The Exchange shall be entitled at any time and from time to time to inspect/audit on the carrying out of the supervision and compliance programme by a Participating Organisation as referred to in paragraph (2)(c), and in the event the Exchange is not satisfied with the same, the Exchange may direct the Participating Organisations to revoke the mobility granted to the Dealer's Representatives or take any other actions it deems fit.
- (4) The said Amendments and the directives set out herein shall take effect from **1 March 2007** ("the effective date").
- (5) 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 references or provisions relate to the amended provisions aforesaid.
- (6) Attached herewith as **ANNEXURE 2** is a set of 'Frequently Asked Questions' in relation to the said Amendments.
- (7) This circular is available on Bursa Malaysia's website at this link:
http://www.bursamalaysia.com/website/bm/rules_and_regulations/bursa_rules/bm_securities.html
- (8) For further information or inquiries on the above matter, kindly contact the following persons at their respective telephone numbers:-
- i. Mr. Arulnathan Michael Dass (03-2034 7087);or
 - ii. Mr. Ng G Ming (03-2034 7364).

Legal Advisory & Corporate Legal Affairs

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)
PERTAINING TO MOBILITY OF DEALER’S REPRESENTATIVES**

Existing Rules	Amended Rules
<p>RULE 310.4 CONTINUING OBLIGATIONS OF A DEALER’S REPRESENTATIVE</p> <p>(1) Without prejudice to any provisions of these Rules from time to time in force, the following conditions shall, at all times throughout the term of his registration, apply to a Dealer’s Representative –</p> <p>(a) the Dealer’s Representative shall prior to and after being registered with the Exchange comply with the qualifications prescribed above;</p> <p>(b) no person shall be registered as a Dealer’s Representative to more than one (1) Participating Organisation;</p> <p>(c) a Dealer’s Representative shall be employed or engaged by a Participating Organisation on <i>a full time basis in the designated office of the Participating Organisation</i>;</p> <p>(d) notwithstanding the foregoing Rule, a Dealer’s Representative may act as a futures broker’s representative in accordance with a licence issued to him under the Futures Industry Act provided that the Participating Organisation and the futures broker of which the Dealer’s Representative is a representative have in place an arrangement satisfactory to the Exchange for the proper supervision of the Dealer’s Representative’s activities;</p>	<p>RULE 310.4 CONTINUING OBLIGATIONS OF A DEALER’S REPRESENTATIVE</p> <p>(1) Without prejudice to any provisions of these Rules from time to time in force, the following conditions shall, at all times throughout the term of his registration, apply to a Dealer’s Representative –</p> <p>(a) the Dealer’s Representative shall prior to and after being registered with the Exchange comply with the qualifications prescribed above;</p> <p>(b) no person shall be registered as a Dealer’s Representative to more than one (1) Participating Organisation;</p> <p>(c) a Dealer’s Representative shall be employed or engaged on a full-time basis by a Participating Organisation;</p> <p>(d) notwithstanding the foregoing Rule, a Dealer’s Representative may act as a futures broker’s representative in accordance with a licence issued to him under the Futures Industry Act provided that the Participating Organisation and the futures broker of which the Dealer’s Representative is a representative have in place an arrangement satisfactory to the Exchange for the proper supervision of the Dealer’s Representative’s activities;</p>

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<p>(e) a Dealer’s Representative shall from time to time undertake activities or undergo programmes as shall be prescribed by the Exchange for the purpose of ensuring continuous improvement in the quality and standard of services rendered by Dealer’s Representatives generally;</p> <p>(f) a Dealer’s Representative shall not -</p> <p>(i) <i>be engaged or participate in any other business activity;</i></p> <p>(ii) be a director of or a shareholder or debenture holder in -</p> <p>(aa) any company which is formed for the purpose of dealing in shares or other securities or is otherwise engaged in the business of dealing in securities;</p> <p>(bb) any company which in the conduct of its business makes use of share hawking or other methods discountenanced by the Exchange for the sale, disposal, purchase, exchange or acquisition of securities, or which as a broker or share dealer in the opinion of the Exchange, advertises securities for</p>	<p>(e) a Dealer’s Representative shall from time to time undertake activities or undergo programmes as shall be prescribed by the Exchange for the purpose of ensuring continuous improvement in the quality and standard of services rendered by Dealer’s Representatives generally;</p> <p>(f) a Dealer’s Representative shall not -</p> <p>(i) be engaged or participate in any other business activity save and except for the business activities which:-</p> <p>(aa) are permitted to be carried out by the Participating Organisation by or with whom he is employed or engaged under these Rules;</p> <p>(bb) the Dealer’s Representative has been duly authorised to carry out by such Participating Organisation on its behalf; and</p> <p>(cc) are expressly permitted to be carried out pursuant to his dealer’s representative licence issued by the Commission;</p> <p>(ii) be a director of or a shareholder or debenture holder in -</p> <p>(aa) any company which is formed for the purpose of dealing in shares or other securities or is otherwise engaged in the business of dealing in securities;</p> <p>(bb) any company which in the conduct of its business makes use of share hawking or other methods discountenanced</p>

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<p>sale or purchase;</p> <p>(iii) have any interest in -</p> <p>(aa) any company which is formed for the purpose of transacting shares or other securities or is otherwise engaged in dealing in securities other than the Participating Organisation which he is appointed to, engaged by or employed with;</p> <p>(bb) any company which in the conduct of its business makes use of share hawking or other methods discountenanced by the Exchange for the sale, disposal, purchase, exchange or acquisition of securities, or which as a broker or share dealer, in the opinion of the Exchange, advertises securities for sale or purchase; <i>and</i></p> <p>(iv) transact any business or deal with any person, or company described in sub-paragraphs (ii)(bb) or (iii)(bb) of this Rule.</p>	<p>by the Exchange for the sale, disposal, purchase, exchange or acquisition of securities, or which as a broker or share dealer in the opinion of the Exchange, advertises securities for sale or purchase;</p> <p>(iii) have any interest in -</p> <p>(aa) any company which is formed for the purpose of transacting shares or other securities or is otherwise engaged in dealing in securities other than the Participating Organisation which he is appointed to, engaged by or employed with;</p> <p>(bb) any company which in the conduct of its business makes use of share hawking or other methods discountenanced by the Exchange for the sale, disposal, purchase, exchange or acquisition of securities, or which as a broker or share dealer, in the opinion of the Exchange, advertises securities for sale or purchase;</p> <p>(iv) transact any business or deal with any person, or company described in sub-paragraphs (ii)(bb) or (iii)(bb) of this Rule; and</p> <p>(v) perform his duties as a Dealer’s Representative or carry out the business activities of the Participating Organisation by or with whom he is employed or engaged in a particular premises or at a particular location on a continuous basis so as to be construed as carrying out a business of dealing in securities in that premises or at that location unless that premises or location has been approved by the Exchange to be a principal office, branch office or EAF under these Rules.</p>

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<p>RULE 404.3 DOING BUSINESS WITH CLIENTS</p> <p>(6) Client’s order: Every Participating Organisation shall ensure that its Dealer’s Representatives carry out client’s instructions with proper skill, care and diligence and give priority to execution of orders given by the clients in the sequence in which they are received, regardless of whether it is individual client or institutional client. No Participating Organisation shall, prior to obtaining written authorisation from a client, accept or act on any instruction received from any other person purporting to act on behalf of that client.</p>	<p>RULE 404.3 DOING BUSINESS WITH CLIENTS</p> <p>(6) Client’s order: Every Participating Organisation shall ensure that its Dealer’s Representatives carry out client’s instructions in a timely manner and with proper skill, care and diligence and give priority to execution of orders given by the clients in the sequence in which they are received, regardless of whether it is individual client or institutional client. No Participating Organisation shall, prior to obtaining written authorisation from a client, accept or act on any instruction received from any other person purporting to act on behalf of that client.</p>

Frequently Asked Questions

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1. Which Dealer's Representatives can be allowed to be mobile?	<p>Both commissioned and salaried Dealer's Representatives can be allowed to be mobile provided their Participating Organisation allows it on a case-to-case basis based on the criteria established by the Participating Organisation on mobility of Dealer's Representatives.</p> <p>However, the granting of mobility is at the discretion of the Participating Organisation.</p>
2. What are mobile Dealer's Representatives allowed to do?	<p>Dealer's Representatives who are mobile are allowed to move around outside the premises of their Participating Organisation during trading hours to provide services as Dealer's Representatives to their clients and to market their Participating Organisation's products. However, Dealer's Representatives must wear their identification tag at all times and notify their clients that they are engaged with a licensed dealer which is a Participating Organisation of the Exchange so that complaints, if any, may be directed there.</p>
3. Can Dealer's Representatives key in client orders outside of their Participating Organisation's office?	<p>Yes, Dealer's Representatives can remotely key in their clients' orders, either:-</p> <ul style="list-style-type: none"> ▪ through mobile devices like PDA and laptop; or ▪ by instructing alternate Dealer's Representatives or Trading Clerks at the Participating Organisation's premises to key in clients' orders. <p>In this regard a Participating Organisation must ensure that all orders of its clients are executed by its Dealer's Representatives in a timely manner as stipulated in Rule 404.3(6).</p>
4. Are there any restrictions/conditions for Dealer's Representatives who are mobile?	<p>Yes, Dealer's Representatives who are mobile are not allowed to operate from a particular premises or a particular location outside of their Participating Organisation's premises on a continuous basis.</p>
5. What can constitute "a particular premises or a particular location on a continuous basis"?	<p>"A particular premises or a particular location on a continuous basis" can be construed to be the setting up of permanent structures or putting up banners/buntings/signboards or renting a specific premise, which are akin to "branches" or EAFs for the purposes of dealing in securities.</p>
6. Why is there a prohibition on "a particular premises or a particular location on a continuous basis" for mobile Dealer's Representatives?	<p>There is such a prohibition because the intention of allowing mobility is to enable Dealer's Representatives to visit their clients to provide their services as Dealer's Representatives and to market investment opportunities to their clients, and not to</p>

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	<p>set up an unauthorised base or branch office or EAF which in any event can only be established by a Participating Organisation.</p> <p>This serves as an investor protection mechanism so that clients only deal with authorized Dealer's Representatives in duly approved principal office/branch office of Participating Organisations.</p>
<p>7. Can operate and key in clients' orders from home?</p>	<p>Just like any other locations, Dealer's Representatives can key in orders from home, provided the high standards of conduct of Dealer's Representatives when dealing with clients are maintained at all times.</p> <p>However, bearing in mind the intention of allowing mobility as stated in Question 6 above, Dealer's Representatives must ensure that their operation from home must not result in the setting up of an unauthorised base or branch or EAF.</p>
<p>8. Can Dealer's Representatives advise clients about investing in the stock market?</p>	<p>Yes. Dealer's Representatives are allowed to advise clients by virtue of their holding the Dealer's Representative's license.</p>
<p>9. Are Dealer's Representatives allowed to deal in other products, apart from shares?</p>	<p>Dealer's Representatives can now deal in other products that their Participating Organisation is allowed to deal in, but it must be one of the activities that their license allows them to do, and their Participating Organisation must also authorise them to conduct such activity on their behalf.</p>
<p>10. Can Trading Clerks of Dealer's Representatives be allowed to key in clients' orders and give investment advice to clients?</p>	<p>Trading Clerks can only key in orders upon instruction from their Dealer's Representatives. They are not allowed to receive orders/instructions from and give investment advice to clients. Please refer to Rule 311 of the Rules of Bursa Securities on Trading Clerks.</p>