

BURSA MALAYSIA SECURITIES BERHAD (635998 W)

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 7 October 2005

No.: R/R 18 of 2005

DIRECTIVES FOR PARTICIPATING ORGANISATION ON THE USE OF CLEARING ACCOUNT, ERROR OR MISTAKE ACCOUNT AND INVESTMENT ACCOUNT

Participating Organisations are hereby advised of the following directives issued pursuant to Rule 601.1(10) of the Rules of Bursa Malaysia Securities Bhd ("Bursa Securities") which shall take effect on **21 October 2005**.

1. Application and Effect

- 1.1 These directives shall supercede Members' Circular R/R 18 of 1998, R/R 21 of 1998, R/R 8 of 2001, R/R 13 of 2003, R/R 4 of 2004 and such other directives issued prior to the date hereof in relation to the use of the Clearing Account, Error or Mistake Account, Intra-Day Activities Account and Investment Account.
- 1.2 These directives shall be read together with the 'Amendments to the Rules of Bursa Securities in relation to the liberalisation of Central Depository System ("CDS") account structure requirements introduced in 1998' and the 'Frequently Asked Questions' provided in the Participating Organisations' Circular R/R 17 of 2005.
- 1.3 Participating Organisation shall not be permitted to open and/or maintain any trading accounts and/or CDS accounts in its name except as permitted and in the manner set out in these directives.
- 1.4 Words and expressions used in this directive shall save as otherwise defined herein or unless the context otherwise requires bear the same meaning as defined in the Rules of Bursa Securities.
- 1.5 Unless otherwise expressly provided herein, these directives shall take effect from the date hereof unless and until amended, varied, supplemented, substituted thereof or revoked by Bursa Securities.
- 1.6 All rules, directives, circulars in force which make reference or contain provisions relating to the above matters shall have effect from the date hereof as if such reference or provisions relate to these amendments.

2. Interpretation

“Clearing Account” means a trading account opened in the name of the Participating Organisation and used by the Participating Organisation to facilitate the accumulation of an order given by a client to buy or sell a specific quantity of securities and the averaging of the cost of the securities on T day.

“Error or Mistake Account” means a trading account opened in the name of the Participating Organisation and used by the Participating Organisation for recording errors or mistakes committed by the dealer’s representatives or as the case may be central buyers or such other authorised persons when executing orders in the event such errors or mistakes are not rectified in the manner envisaged by the Rules of Bursa Securities, the directives, rulings and/or guidelines issued pursuant thereto.

“Investment Account” means a trading account opened in the name of the Participating Organisation and used by the Participating Organisation for taking positions in securities with respect to its own investment for a period determined by the Participating Organisation.

“T” in relation to a Clearing Account means the trading day on which the order to buy or sell given by a client is to be executed.

3. Clearing Account

3.1 Participating Organisation may provide such client as they may deem fit with a Clearing Account.

3.2 Participating Organisation shall ensure that –

- (a) there is no sharing of Clearing accounts among the clients and no co-mingling of clients’ accounts
- (b) the Clearing account provided shall be abbreviated as CLR
- (c) the Clearing account shall bear full particulars of the name of the client

Illustrations

ABC Securities Sdn Bhd

A/C Qualifier: CLR for AA Bank Berhad

3.3 Participating Organisation may allow for more than one clearing account to be maintained for the same client subject to –

- (a) the Rules of Bursa Securities and this directive being duly observed at all material times; and
- (b) adequate records being maintained in respect of each of the clearing accounts.

- 3.4 Where the number of securities in respect of an order given by a client is fulfilled on T day itself, the cost of the securities shall be averaged and a contract note(s) issued in accordance with paragraph 3.5. Where the Participating Organisation is not able to fulfil the order given by a client on T day itself, the order may be carried forward for not more than T+2. Such carrying forward must be properly reflected in the Clearing account.
- 3.5 Participating Organisation shall book out an order that has been fulfilled by the Participating Organisation, at the end of T day itself or in relation to an order that has been carried forward, at the end of the day on which the order was carried forward. The contract note(s) arising from the booking out process shall be issued in the name of the client in accordance with Rule 404.3(9).
- 3.6 There shall be no profit element attributed to the Clearing Account.
- 3.7 Proper records must be maintained by the Participating Organisations in respect of clients to whom contracts are booked out in accordance with the preceding paragraph 3.5.
- 3.8 A Participating Organisation may open a CDS account for its Clearing account. Where the Participating Organisation decides to open CDS account(s), the Participating Organisation shall ensure a separate CDS Account is opened for each Clearing account.
- 3.9 Where a Participating Organisation opens the above CDS account, the CDS Account shall contain the particulars as specified under paragraph 3.2, the Depository Rules and any directives issued by the Depository.
- 3.10 Participating Organisation shall not be permitted to share the above CDS Account among its clients and no co-mingling of CDS Accounts is allowed.
- 3.11 In relation to an order to buy, the Participating Organisation may for the purposes of settlement, allows the client to credit the securities into any one of the following CDS Accounts,
- (a) The CDS Account maintained in the name of the Participating Organisation as provided in paragraph 3.8; or
 - (b) The CDS Account maintained with the Participating Organisation in the name of a beneficial owner, authorised nominee or exempt authorised nominee.
- 3.12 Where pursuant to the requirement of paragraph 3.11 (a), the securities are credited into the CDS Account of the Participating Organisation, all such securities shall by the end of the settlement date be transferred into a CDS Account of a beneficial owner, authorised nominee or exempt authorised nominee as instructed by the client except where the client has defaulted in its payment obligations as provided in the Rules of Bursa Securities to the Participating Organisation and/or where the client has not given the Participating Organisation the particulars of CDS Account into which the transfer envisaged

herein is to be effected. In the case where an order has been carried forward in accordance with paragraph 3.4, the settlement date mentioned herein shall be the settlement date of the last trade executed in relation to the order placed by the client.

- 3.13 Where pursuant to paragraph 3.11(b), the securities are credited into the CDS account of the beneficial owner, authorised nominee or exempt authorised nominee, the Participating Organisation shall ensure that the provisions in Rule 404.4(1A) are complied with.
- 3.14 Paragraphs 3.11, 3.12 and 3.13 shall apply in respect of an order to sell but with the following modification to the words used therein:
- (a) the words 'credited into' or 'credited' shall be read as 'debited from' or 'debited' respectively.
 - (b) the words 'end of the settlement date' shall be read as 'prior to the settlement date'.
 - (c) the words 'settlement date of the last trade' shall be read as 'settlement date of the first trade executed'.
 - (d) the words 'transferred into' shall be read as 'transferred from'.

4. Error or Mistake Account

- 4.1 Every Participating Organisation shall maintain only one Error or Mistake account at the principal office and at each branch office of the Participating Organisation respectively and each account shall be abbreviated as ERROR.
- 4.2 Participating Organisations must use all reasonable endeavours to have the error or mistake rectified as soon as possible.
- 4.3 A Participating Organisation shall open a separate CDS account for each Error or Mistake account and designate that account as "Error".

5. Investment Account

- 5.1 Participating Organisations may provide each of their directors, paid dealer's representatives or teams of paid dealer's representatives as the case may be with an Investment account. In respect of Investment accounts of paid dealer's representatives or teams of paid dealer's representative, the Participating Organisations shall ensure that the Investment accounts are carefully monitored by the directors.
- 5.2 The Investment account shall be abbreviated as IVT.
- 5.3 Participating Organisation shall ensure that the names of the directors, paid dealer's representatives or teams of paid dealer's representatives assigned with

the Investment account(s) and all transactions executed by the above persons in relation to the Investment account(s) are properly recorded.

- 5.4 Investment accounts shall not be used for and on behalf of clients of the Participating Organisation.
- 5.5 A Participating Organisation shall open a separate CDS account for each Investment account and designate that account as "IVT".

6. Opening and maintenance of Accounts

- 6.1 All the trading accounts referred to herein shall be opened and maintained by the Participating Organisation and in the name of the Participating Organisation itself.

7. Regular review of compliance of directives

- 7.1 The Compliance Officer of the Participating Organisations shall undertake regular review of the accounts and records mentioned herein so as to monitor compliance with the directives prescribed herein. The compliance officer shall report any non compliance of these directives in accordance with Rule 309.8. Without derogation to Rule 309.8, the Compliance Officer shall also be required to report any non compliances with these directives in relation to the Investment account(s) provided to the directors pursuant to paragraph 5.1, to the Audit Committee of the Participating Organisation.

Date: 7 October 2005