

## PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 15/7/2005

No.: R/R 12 of 2005

### AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD PURSUANT TO THE ISSUANCE OF THE "GUIDELINES ON EXCHANGE TRADED FUNDS" ISSUED BY THE SECURITIES COMMISSION

In respect of the above matter, please be informed that pursuant to Section 9(3) of the Securities Industry Act 1983 and in line with the Securities Commission's "Guidelines On Exchange Traded Funds" ("the Guidelines") issued on 21 June 2005, the following shall apply, with effect from 18 July 2005:

- (a) Rule 101.1 has been amended to insert the relevant definitions of terms used in the amendments introduced in (b) and (c) below.
- (b) Rules 503.1 and 503.2 of the Rules of Bursa Malaysia Securities Berhad ("Rules of Bursa Securities") has been amended to:
  - (i) allow Universal Brokers and Non-Universal Brokers who are Participating Dealers under the Guidelines to, respectively, carry out all activities of a Participating Dealer as stipulated under the Guidelines provided always that the Universal Broker/Non Universal Broker complies with the relevant rules, regulations, directives, guidelines or other instruments in respect of and relating to Exchange Traded Funds.
  - (ii) allow Universal Brokers and Non-Universal Brokers to do all activities permitted by the Securities Commission under any of its guidelines, regulations or directives or other instruments issued provided always that the Universal Broker/Non-Universal Broker complies with the relevant rules, regulations, directives, guidelines or other instruments issued in respect thereof by the Securities Commission and/or Bursa Malaysia Securities.
- (c) Rules 1105.6 and 1105.7 as well as Schedule 8C, Schedule 8D and Schedule 8K pertaining to assessment of risk in relation to Capital Adequacy Requirement provisions have been amended to take into account any relevant additional risk undertaken by the Participating Organisation in relation to the activities it may carry out as a Participating Dealer.
- (d) Subject to Rule 1001.1(4)(a), Rule 1001.1(6)(b) pertaining to the minimum brokerage payable by both buyer and seller in respect of retail trades has been amended by inserting a clause to allow Participating Organisations to charge a minimum of 0.3 % of the contract value relating to transactions of ABF Malaysia Bond Index Fund (ABFMY1) **only**.

All above amendments are attached herein as **Annexure 1**.

All rules, directives or circulars in force which make references to or contain provisions relating to the above matters shall have effect from 18 July 2005 as if such reference or provisions relate to the amended provision/s aforesaid.

Please be informed that the said Amendments are available on Bursa Malaysia's website at: <http://www.bursamalaysia.com>, specifically under the headings "About Us" / "The Organisation" / "Business Rules".

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**Date: 15 July 2005**

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD PURSUANT TO THE SECURITIES COMMISSION'S  
GUIDELINES ON EXCHANGE TRADED FUNDS**

<b>Existing Rule</b>		<b>Amended Rule</b>	
	New Provision	<b>Rule 101.1</b>	<b>ABFMY1</b> means the ABF Malaysia Bond Index Fund which is an Exchange Traded Fund listed and quoted on the Exchange and bears the stock short name ABFMY1.
	New Provision	<b>Rule 101.1</b>	<b>Exchange Traded Fund</b> shall have the same meaning as assigned to it in the Commission's Guidelines on Exchange Traded Funds.
	New Provision	<b>Rule 101.1</b>	<b>Guidelines on Exchange Traded Funds</b> means the Guidelines on Exchange Traded Funds issued by the Commission including all modifications, re-issuance or consolidations thereof and directives thereto.
	New Provision	<b>Rule 101.1</b>	<b>Participating Dealer</b> for the purposes of these rules, has the same meaning as is assigned to that expression in the Guidelines on Exchange Traded Funds.

Existing Rule		Amended Rule	
<p><b>Rule 503.1 (e) &amp; (f)</b></p>	<p><b>Rule 503.1 UNIVERSAL BROKER</b></p> <p>(1) Subject always to such terms, conditions, restrictions and/or limitations as may be imposed by the Exchange and/or the Commission from time to time and without derogation to any provisions of these Rules (including without limitation all directives, guidelines and circulars issued by the Exchange from time to time) and the Securities Laws, a Participating Organisation upon achieving the status of Universal Broker –</p> <p>(a) shall be permitted to carry out the businesses for which a licence under Part IV of the Securities Industry Act is required, including:</p> <p>(i) dealings in securities for its own account and/or as agent on account of its clients pursuant to Rule 601.3 and margin financing;</p> <p>(ii) corporate finance activities, including activities as an Adviser pursuant to Rule</p>	<p><b>Rule 503.1 (e) &amp; (f)</b></p>	<p><b>Rule 503.1 UNIVERSAL BROKER</b></p> <p>(1) Subject always to such terms, conditions, restrictions and/or limitations as may be imposed by the Exchange and/or the Commission from time to time and without derogation to any provisions of these Rules (including without limitation all directives, guidelines and circulars issued by the Exchange from time to time) and the Securities Laws, a Participating Organisation upon achieving the status of Universal Broker –</p> <p>(a) shall be permitted to carry out the businesses for which a licence under Part IV of the Securities Industry Act is required, including:</p> <p>(i) dealings in securities for its own account and/or as agent on account of its clients pursuant to Rule 601.3 and margin financing;</p> <p>(ii) corporate finance activities, including activities as an Adviser pursuant to Rule 508; and</p> <p>(iii) provision of custodial services and fund management services,</p> <p><b><i>Provided Always</i></b> the Universal Broker shall at all times fully comply with these Rules; and</p> <p>(b) shall be permitted to carry out the businesses for which a</p>

Existing Rule		Amended Rule	
	<p>508; and</p> <p>(iii) provision of custodial services and fund management services,</p> <p><i>Provided Always</i> the Universal Broker shall at all times fully comply with these Rules; and</p> <p>(b) shall be permitted to carry out the businesses for which a licence under Part III of the Futures Industry Act is required <i>Provided Always</i> the Universal Broker shall at all times fully comply with the rules (including without limitation regulations, directives, circulars and guidelines) of the relevant exchange company;</p> <p>(c) shall be permitted to carry out the business of dealings in debt securities, such as government and corporate debentures, at such time as may be appropriate <i>Provided Always</i> that the relevant framework, rules and regulations in respect thereof</p>		<p>licence under Part III of the Futures Industry Act is required <i>Provided Always</i> the Universal Broker shall at all times fully comply with the rules (including without limitation regulations, directives, circulars and guidelines) of the relevant exchange company;</p> <p>(c) shall be permitted to carry out the business of dealings in debt securities, such as government and corporate debentures, at such time as may be appropriate <i>Provided Always</i> that the relevant framework, rules and regulations in respect thereof have been developed and implemented by the Exchange, in consultation with the Commission;</p> <p>(d) in the event of any other capital market products being introduced at any time in the future by the Commission, the Exchange or the exchange company, as the case may be, would be permitted to trade in such products <i>Provided Always</i> that the relevant framework, rules and regulations in respect thereof have been developed and implemented by the Exchange, the exchange company or such other relevant authority, as the case may be;</p> <p><b>(e) in the event that the Universal Broker is a Participating Dealer, shall be permitted to carry out the activities of a Participating Dealer as stipulated in the Guidelines on Exchange Traded Funds <i>Provided Always</i> that the Universal Broker complies with the relevant rules, regulations, directives, guidelines or other instruments in</b></p>

Existing Rule		Amended Rule	
	<p>have been developed and implemented by the Exchange, in consultation with the Commission; and</p> <p>(d) in the event of any other capital market products being introduced at any time in the future by the Commission, the Exchange or the exchange company, as the case may be, would be permitted to trade in such products <i>Provided Always</i> that the relevant framework, rules and regulations in respect thereof have been developed and implemented by the Exchange, the exchange company or such other relevant authority, as the case may be.</p>		<p><b>respect of and relating to Exchange Traded Funds; and</b></p> <p><b>(f) shall be permitted to carry out all activities allowed to be undertaken by a Universal Broker or a Participating Organisation, in general, as the case may be, under the relevant guidelines, regulations or directives or other instruments issued by the Commission <i>Provided Always</i> that the Universal Broker complies with the relevant rules, regulations, directives, guidelines or other instruments issued in respect thereof by the Commission and/or the Exchange.</b></p>
<b>Rule 503.2(1)(c) &amp; (d)</b>	<p><b>RULE 503.2 NON-UNIVERSAL BROKER</b></p> <p>(1) Subject always to such terms, conditions, restrictions and/or limitations as may be imposed by the Exchange and/or the Commission from time to time and without derogation to any provisions of these Rules and the Securities Laws, a Non-Universal Broker shall be permitted to carry out <b>only</b></p>	<b>Rule 503.2(1)(c) &amp; (d)</b>	<p><b>NON-UNIVERSAL BROKER</b></p> <p>(1) Subject always to such terms, conditions, restrictions and/or limitations as may be imposed by the Exchange and/or the Commission from time to time and without derogation to any provisions of these Rules and the Securities Laws, a Non-Universal Broker shall be permitted to carry out <b>only</b> the following types of business <b>and/or activities <i>Provided Always</i></b> these Rules are at all times complied with –</p>

Existing Rule		Amended Rule	
	<p>the following types of business <b><i>Provided Always</i></b> these Rules are at all times complied with –</p> <p>(a) dealings in securities for its own account and/or as agent on account of its clients; and</p> <p>(b) margin financing.</p>		<p>(a) dealings in securities for its own account and/or as agent on account of its clients; and</p> <p>(b) margin financing.</p> <p>(c) <b>in the event that the Non-Universal Broker is a Participating Dealer; carrying out the activities of a Participating Dealer as stipulated in the Guidelines on Exchange Traded Funds <i>Provided Always</i> that the Non-Universal Broker complies with the relevant rules, regulations, directives, guidelines or other instruments in respect of and relating to Exchange Traded Funds.</b></p> <p>(d) <b>all activities allowed to be undertaken by a Non-Universal Broker or a Participating Organisation, in general, as the case may be, under the relevant guidelines, regulations or directives or other instruments issued by the Commission <i>Provided Always</i> that the Non-Universal Broker complies with the relevant rules, regulations, directives, guidelines or other instruments issued in respect thereof by the Commission and/or Exchange.</b></p>

Existing Rule		Amended Rule	
<b>Rule 1001.1 (6)</b>	<p><b>RULE 1001.1 RATES</b></p> <p><b>(6) Minimum brokerage:</b></p> <p>(a) Subject to Rule 1001.1(4)(a) and unless otherwise provided, Participating Organisations are entitled to, and shall at all times ensure that, a minimum fixed brokerage is payable by both the buyer and the seller as follows –</p> <p>(i) on transactions of loan instruments RM2.00</p> <p>(ii) on any other transaction RM12.00</p> <p>(b) Notwithstanding the foregoing rule, Participating Organisations are entitled to, and shall at all times ensure that, a minimum brokerage calculated as follows is payable by both the buyer and seller –</p> <p>(i) for retail trades:</p> <p>(aa) where the contract value is RM100,000 or below, the minimum brokerage payable shall be calculated at 0.6% of the contract value or the fixed</p>	<b>Rule 1001.1 (6)</b>	<p><b>RULE 1001.1 RATES</b></p> <p><b>(6) Minimum brokerage:</b></p> <p>(a) Subject to Rule 1001.1(4)(a) and unless otherwise provided, Participating Organisations are entitled to, and shall at all times ensure that, a minimum fixed brokerage is payable by both the buyer and the seller as follows –</p> <p>(i) on transactions of loan instruments RM2.00</p> <p>(ii) on any other transaction RM12.00</p> <p>(b) Notwithstanding the foregoing rule, Participating Organisations are entitled to, and shall at all times ensure that, a minimum brokerage calculated as follows is payable by both the buyer and seller –</p> <p>(i) for retail trades:</p> <p>(aa) where the contract value is RM100,000 or below, the minimum brokerage payable shall be calculated at 0.6% of the contract value or the fixed brokerage above, whichever is the higher;</p> <p>(bb) where the contract value exceeds RM100,000, the minimum brokerage payable shall be calculated at 0.3% of the contract value or the fixed brokerage above, whichever is the higher;</p>



Existing Rule		Amended Rule	
	<p>brokerage above, whichever is the higher;</p> <p>(bb) where the contract value exceeds RM100,000, the minimum brokerage payable shall be calculated at 0.3% of the contract value or the fixed brokerage above, whichever is the higher; and/or</p> <p>(ii) for trades of a particular securities where the outstanding purchase positions are settled against sale positions of the same securities when the purchase and sale transactions are transacted on the same contract date, the minimum brokerage payable shall be calculated at 0.15% of the contract value or the fixed brokerage above, whichever is the higher.</p> <p>(c) Participating Organisations shall be permitted to give discounts on retail trades of an amount up to the equivalent of thirty per cent (30%) of the minimum brokerage prescribed in the foregoing rule where such retail trades are online routed trades, except where the fixed brokerage is payable, subject to payment upfront <b>Provided Always</b> Participating Organisations shall formulate and implement adequate internal policies</p>		<p>(cc) <b>where trades are in relation to ABFMY1; the minimum brokerage payable shall be calculated at 0.3% of the contract value or the fixed brokerage above, whichever is higher.</b></p> <p>(ii) for trades of a particular securities where the outstanding purchase positions are settled against sale positions of the same securities when the purchase and sale transactions are transacted on the same contract date, the minimum brokerage payable shall be calculated at 0.15% of the contract value or the fixed brokerage above, whichever is the higher.</p> <p>(c) Participating Organisations shall be permitted to give discounts on retail trades of an amount up to the equivalent of thirty per cent (30%) of the minimum brokerage prescribed in the foregoing rule where such retail trades are online routed trades, except where the fixed brokerage is payable, subject to payment upfront <b>Provided Always</b> Participating Organisations shall formulate and implement adequate internal policies with regard to the manner in which the discount can be accorded to their clients as long as risk exposures in relation to online routed trades are addressed.</p>

Existing Rule		Amended Rule	
	with regard to the manner in which the discount can be accorded to their clients as long as risk exposures in relation to online routed trades are addressed.		
	New Provision	<b>Rule 1105.6 (17)</b>	<b>RULE 1105.6 POSITION RISK</b> <b>(17) Exchange Traded Funds:</b>  (a) Proprietary positions in equities and debt securities held solely for the purpose of creation of an ETF shall have its exposure reduced in proportion to the amount of Exchange Traded Funds actually sold.  (b) Proprietary positions in equities and debt securities arising from reverse repo transactions shall have its exposure based on the positive difference of the mark- to- market value of the underlying instrument and the pre-determined re-sale value of the underlying instrument as agreed between the Participating Organisation and the repo seller.”
		<b>Rule 1105.7 (5)(g) and (i)</b>	<b>RULE 1105.7 (5)</b> <b>(g) Reverse Repo Transactions:</b>  (i) <b>Where a Participating Organisation purchases instruments through a reverse repo transaction, its counterparty exposure shall be the full pre-determined re-sale value of the instruments as agreed between the Participating</b>

Existing Rule		Amended Rule	
			<b>Organisation and the repo seller and its Counterparty Risk Requirement shall be calculated in accordance with Rule 1105.7(4).</b>
<b>Rule 1105.8(5)(b)(iv)</b>	<p><b>RULE 1105.8 LARGE EXPOSURE RISK</b></p> <p>(a) <b>Large Exposure Risk:</b> A Participating Organisation has a large exposure to a single equity if -</p> <p>(i) it has a net position or exposure (either long or short) that exceeds ten percent (10%) of the total issue of the equity; or</p> <p>(ii) it has a net position or exposure that exceeds fifteen percent (15%) of its Effective Shareholders' Funds.</p> <p>(b) <b>Net position or exposure:</b> In calculating its net position or exposure in relation to a single equity, a Participating Organisation -</p> <p>(i) need not include its underwriting or sub-underwriting commitment, unless that commitment has become a principal position;</p>	<b>Rule 1105.8(5)(b)(iv)</b>	<p><b>RULE 1105.8 LARGE EXPOSURE RISK</b></p> <p>(a) <b>Large Exposure Risk:</b> A Participating Organisation has a large exposure to a single equity if -</p> <p>(i) it has a net position or exposure (either long or short) that exceeds ten percent (10%) of the total issue of the equity; or</p> <p>(ii) it has a net position or exposure that exceeds fifteen percent (15%) of its Effective Shareholders' Funds.</p> <p>(b) <b>Net position or exposure:</b> In calculating its net position or exposure in relation to a single equity, a Participating Organisation -</p> <p>(i) need not include its underwriting or sub-underwriting commitment, unless that commitment has become a principal position;</p> <p>(ii) shall include an equity OTC options or an equity warrant that is in the money at its full underlying value; and</p> <p>(iii) shall not treat an out of the money equity OTC options or an equity warrant as an exposure.</p>

Existing Rule		Amended Rule	
	<p>(ii) shall include an equity OTC options or an equity warrant that is in the money at its full underlying value; and</p> <p>(iii) shall not treat an out of the money equity OTC options or an equity warrant as an exposure.</p>		<p>(iv) shall not treat an Exchange Traded Fund, where the underlying instruments are government and/or government related agency bonds, as an exposure.</p>
<b>Schedule 8C</b>	Please refer to <b>Attachment 1</b> for a copy of the existing Schedule 8C with attendant amendments underlined.		Amendments have been underlined in Schedule 8C which is attached herein as <b>Attachment 1</b> .
<b>Schedule 8D</b>	Please refer to <b>Attachment 2</b> for a copy of the existing Schedule 8D with attendant amendments underlined.		Amendments have been underlined in Schedule 8D which is attached herein as <b>Attachment 2</b> .
<b>Schedule 8K</b>	Please refer to <b>Attachment 3</b> for a copy of the existing Schedule 8K with attendant amendments underlined.		Amendments have been underlined in Schedule 8K which is attached herein as <b>Attachment 3</b> .

## SCHEDULE 8C [CHAPTER 11]

SCHEDULE 8C (Chapter 11) POSITION RISK FACTOR FOR STANDARD APPROACH  
[Rule 1105.6(9)]

INSTRUMENT	POSITION RISK FACTOR
<b>Bursa Malaysia Equities</b> <ul style="list-style-type: none"> <li>▪ KLCI stocks 15%</li> <li>▪ Other stocks, including MESDAQ 21%</li> <li>▪ KLCI futures 5%</li> </ul> <b>Suspended Securities (more than 3 market days) 100%</b>	
<b>Unit trust/Exchange Traded Fund</b> <ul style="list-style-type: none"> <li>• Equity fund 15%</li> <li>• Debt securities fund 5%</li> </ul>	
<b>International Equities</b> <ul style="list-style-type: none"> <li>▪ Single stocks in Recognised Market Indices 12%</li> <li>▪ Other single international stocks of recognised stock exchanges 16%</li> <li>▪ Recognised Market Indices 8%</li> </ul>	
<b>Other Securities</b> Not being those categorised above	100%

**Recognised Market Indices**

Country	Index	Country	Index
Australia	All Ordinaries	Netherlands	EOE 25
Austria	ATX	Spain	IBEX 35
Belgium	BEL 20	Sweden	OMX
Canada	TSE 35	Switzerland	SMI
France	CAC40	UK	FTSE 100
Germany	DAX	UK	FTSE mid-250
Japan	Nikkei 225	USA	S&P 500

## SCHEDULE 8D [CHAPTER 11]

SCHEDULE 8D (Chapter 11)  
[Rule 1105.6(10)]POSITION RISK FACTOR FOR BUILDING  
BLOCK APPROACH

INSTRUMENT	POSITION RISK FACTOR
<b>Bursa Malaysia Equities</b>  <b>Specific Risk</b> <ul style="list-style-type: none"> <li>▪ KLCI stocks 10%</li> <li>▪ Other stocks, including MESDAQ 16%</li> <li>▪ KLCI futures 0%</li> </ul> <b>General Risk</b> <ul style="list-style-type: none"> <li>▪ All single stocks and market indices 5%</li> </ul>	
<u><b>Unit trust/Exchange Traded Fund</b></u>  <b>Specific Risk</b> <ul style="list-style-type: none"> <li>• Equity fund 0%</li> <li>• Debt securities fund 0%</li> </ul> <b>General Risk</b> <ul style="list-style-type: none"> <li>• Equity fund 15%</li> <li>• Debt securities fund 5%</li> </ul>	
<b>International Equities</b>  <b>Specific Risk</b> <ul style="list-style-type: none"> <li>▪ Single stocks in Recognised Market Indices 4%</li> <li>▪ Other single international stocks of recognised stock exchanges 8%</li> <li>▪ Recognised Market Indices 0%</li> </ul> <b>General Risk</b>  All single stocks and market indices 8%	
<b>Other Securities</b> Not being those categorised above	100%

## SCHEDULE 8K [CHAPTER 11]

SCHEDULE 8K (Chapter 11)  
[Rule 1105.8(5)(d) and (e)]LARGE EXPOSURE RISK REQUIREMENT  
FOR SINGLE EQUITY

<b>LERR for exposure to Equity Relative to Instrument on Issue</b>	
<b>Types of Equity</b>	<b>LERR</b>
KLCI Stocks	15% of the amount in excess of the net exposure or position
Other Stocks, including MESDAQ	21% of the amount in excess of the net exposure or position
Unit trust/ <u>Exchange Traded Fund</u> –	
• Equity fund	15% of the amount in excess of the net exposure or position
• Debt securities fund	5% of the amount in excess of the net exposure or position
Single Stocks in Recognised Market Indices	12% of the amount in excess of the net exposure or position
Other single stocks of recognised stock exchanges	16% of the amount in excess of the net exposure or position
<b>LERR for exposure to Equity Relative to Effective Shareholders' Funds</b>	
<b>Types of Equity</b>	<b>LERR</b>
KLCI Stocks	15% of the amount in excess
Other Stocks, including MESDAQ	21% of the amount in excess
Unit trust/ <u>Exchange Traded Fund</u> –	
• Equity fund	15% of the amount in excess of the net exposure or position
• Debt securities fund	5% of the amount in excess of the net exposure or position
Single Stocks in Recognised Market Indices	12% of the amount in excess
Other single stocks of recognised stock exchanges	16% of the amount in excess