

PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 22 December 2006

No : R/R 16 OF 2006

- 1) **AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BHD ("THE RULES OF BURSA SECURITIES");**
- 2) **AMENDMENTS TO THE 'DIRECTIVES FOR PARTICIPATING ORGANISATIONS ON THE USE OF CLEARING ACCOUNT, ERROR OR MISTAKE ACCOUNT AND INVESTMENT ACCOUNT' ISSUED VIA PARTICIPATING ORGANISATIONS' CIRCULAR NO. R/R 18 OF 2005;**
- 3) **DIRECTIVES ON THE LIST OF APPROVED SECURITIES; AND**
- 4) **ILLUSTRATION ON THE OPERATION OF RULE 704.5(5) AND RULE 704.10;**

IN RELATION TO THE REINTRODUCTION OF SECURITIES BORROWING AND LENDING AND REGULATED SHORT SELLING.

Participating Organisations are advised of the amendments and directives captioned above which are hereby issued by Bursa Malaysia Securities Berhad ("Bursa Securities") and shall take effect on 3 January 2007. The details of the amendments and directives are as set out below.

- 1) **AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO REINTRODUCTION OF SECURITIES BORROWING AND LENDING AND REGULATED SHORT SELLING**

Amendments have been made to the Rules of Bursa Securities as appended herewith as **Annexure 1 and Annexure 2** pertaining to reintroduction of securities borrowing and lending and regulated short selling respectively.

- 2) **AMENDMENTS TO THE 'DIRECTIVES FOR PARTICIPATING ORGANISATIONS ON THE USE OF CLEARING ACCOUNT, ERROR OR MISTAKE ACCOUNT AND INVESTMENT ACCOUNT' ISSUED VIA PARTICIPATING ORGANISATIONS' CIRCULAR NO. R/R 18 OF 2005**

The above directives are hereby amended by inserting a new paragraph 3.15 after paragraph 3.14 in the above directives which reads as follows:

- 3.15 Where a Participating Organisation intends to execute regulated short selling in a Clearing Account, the Participating Organisation shall be subjected to the provisions in Rule 704 of the Rules of Bursa Securities

For the avoidance of doubt all other provisions in the above directives shall continue to apply.

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3) DIRECTIVES ON THE LIST OF APPROVED SECURITIES

Pursuant to Rule 704.2(4) of the Rules of Bursa Securities as contained in Annexure 2, the Bursa Malaysia Securities hereby declares that the approved securities for the purposes of regulated short selling and to which section 41(4)(c) of the Securities Industry Act 1983 applies are in the list of '**RSS APPROVED SECURITIES**' appended herewith as **Annexure 3**.

Kindly be advised that the list of approved securities attached herewith shall supercede all other list of approved securities issued prior to the date of this circular.

4) ILLUSTRATION ON THE OPERATION OF RULE 704.5(5) AND RULE 704.10

Illustrations on the application and operation of the conditions set out in Rule 704.5(5) in relation to the purchase of securities permitted to be executed in the RSS Account are set out in Example 1 and 2 contained in Annexure 4 attached herewith.

Example 3 in Annexure 4 illustrates the calculation of the net short position required to be reported to the Exchange as set out in Rule 704.10.

The above illustrations serves to facilitate the Participating Organisations' understanding of the requirements of the above Rules and shall not be read as to limit or restrict in any way the application or operation of the provisions contained in above Rules.

With the reintroduction of the securities borrowing and lending and regulated short selling activities ("the said activities") as set out in this circular, the prohibition on the said activities as stated in Members' Circular R/R 16 of 1997 dated 5 September 1997 ("the said prohibition") is hereby uplifted.

All circulars and directives issued in relation to the said activities prior to the date of this circular is hereby revoked with effect from 3 January 2007.

For the avoidance of doubt, in relation to Participating Organisations who have been approved to carry out the said activities pursuant to the Rules and directives of the Exchange issued prior to the said prohibition, these Participating Organisations are now subjected to the requirements set out in the Rules of Bursa Securities and the directives issued by Bursa Securities in relation to the said activities as contained in this circular including but not limited to the requirements set out in Rule 608.4 and Rule 704.4 of the Rules of Bursa Securities.

All rules, directives, rulings, guidelines and circulars in force which make reference or contain provisions relating to the matters set out in these directives shall have effect from the effective date hereof as if such reference or provisions relate to these directives.

A set of 'Frequently Asked Questions' on regulated short selling is also attached herewith as Annexure 5.

A copy of this circular is available at Bursa Malaysia's website at this link:
http://www.bursamalaysia.com/website/bm/rules_and_regulations/bursa_rules/bm_securityes.html

In the event of any queries in relation to the above amendments and directives issued herein, kindly contact the person(s) in charge of the respective areas as set out below at the contact numbers set out below:

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NAME	CONTACT NUMBER	SUBJECT MATTER
Ng G-Ming	03-20347364	<ul style="list-style-type: none"> • Compliance requirements in relation to regulated short selling ("RSS") and securities borrowing and lending ("SBL") • Illustration under item 4 herein.
Pasupathy	03-20347141	Inspection and/or Audit requirements in relation to RSS and SBL
Lum Chee Wah	03-20347734	Capital Adequacy requirements in relation to SBL
Benothini Bascaran	03-20347317	Rules on RSS and SBL
Patrick Kong	03-20347444	List of Approved Securities.
Any of the above persons		General clarification in relation to RSS and SBL

LEGAL ADVISORY AND CORPORATE LEGAL AFFAIRS

AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BHD. IN RELATION TO THE REINTRODUCTION OF SECURITIES BORROWING AND LENDING

Rule	Existing Rule	Rule	Amended Rules
		RULE 608	SECURITIES BORROWING AND LENDING
Rule 601.5(1)	<p>Guidelines issued by Commission</p> <p>The Securities Borrowing and Lending Guidelines issued by the Commission on 13th December 1995 and any further guidelines which may from time to time hereafter be issued by the Commission relating to securities borrowing and lending (“Commission’s Guidelines”) shall henceforth apply to Participating Organisations as if they were part of these Rules, and consequently any violation by Participating Organisations of the Commission’s Guidelines shall be deemed to be a violation of these Rules.</p>		Deleted
	New Rule	Rule 608.1	<p>DEFINITIONS</p> <p>(1) For the purposes of this Rule 608:-</p> <p>Clearing House Requirements means the Clearing House Rules, the SBL Conditions and any other document(s) by whatever name called issued by the Clearing House in relation to securities borrowing and/or lending;</p> <p>Effective Shareholders’ Funds shall have the same meaning assigned to that expression under Rule 1105;</p> <p>Eligible Securities means such securities as may be prescribed by the Clearing</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>House from time to time as being eligible for securities borrowing and/or lending in accordance with the Clearing House Requirements;</p> <p>haircut means the deduction of certain amount of value of the collateral referred to in Rule 608.7;</p> <p>income means any interest, dividends or other distribution of any kind whatsoever with respect to any Eligible Securities;</p> <p>Internal Guidelines for Securities Borrowing and Lending means written guidelines formulated by Participating Organisations setting out the Participating Organisations’ internal policies, procedures, controls and requirements in relation to securities borrowing and/or lending activities referred to in Rule 608.2(1) and for the supervision and monitoring of their securities borrowing and/or lending activities to ensure strict compliance with the laws, these Rules and the Clearing House Requirements including any regulations and requirements issued thereunder;</p> <p>SBL Conditions has the same meaning assigned to that expression in the Clearing House Rules; and</p> <p>securities borrowing and/or lending means the borrowing and/or lending of Eligible Securities as described in Rule 608.2(1).</p>
<p>Rule 601.5(2)</p>	<p>Approval in principle from the Exchange</p> <p>(a) Before a Participating Organisation applies to the Commission for the purposes of participating or engaging in securities borrowing and lending under the Commission’s Guidelines, the Participating Organisation shall first seek an approval in principle from the</p>		<p>Deleted.</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>Exchange. An application by a Participating Organisation to the Exchange for such approval in principle shall be made in such form as shall be determined by the Exchange from time to time.</p> <p>(b) An application submitted under Rule 601.5(2)(a) to the Exchange shall be supported by:-</p> <p>(i) an auditor’s certification that the applicant Participating Organisation has shareholders’ funds of not less than Ringgit Malaysia Fifty Million (RM50,000,000) (or such other amount as shall be determined by the Exchange from time to time) as at a date not earlier than six (6) months from the date of the application;</p> <p>(ii) such other documents or information as specified by the Exchange from time to time.</p> <p>(c) An approval in principle given by the Exchange to an applicant Participating Organisation to participate in securities borrowing and lending shall be subject to the Commission’s approval of the applicant Participating Organisation’s application relating to the same. No Participating Organisation shall participate or engage in any securities</p>		

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Rule	Existing Rule	Rule	Amended Rules
	borrowing and lending until the Commission has given its approval for the Participating Organisation to do so.		
	New Rule	Rule 608.2	<p>GENERAL</p> <p>(1) A Participating Organisation shall only be permitted to carry out the activities of borrowing and/or lending of Eligible Securities as described below, subject to the provisions in the Clearing House Requirements and this Rule 608:</p> <p>(a) A Participating Organisation may borrow Eligible Securities from:-</p> <ul style="list-style-type: none"> (i) the Clearing House whether for itself or its client, or (ii) its client provided that such borrowing is for the sole purpose of lending the Eligible Securities borrowed to the Clearing House. <p>(b) A Participating Organisation may lend Eligible Securities to:-</p> <ul style="list-style-type: none"> (i) the Clearing House whether for itself or its client; or (ii) its client provided that the Eligible Securities being lent are the Eligible Securities that have been borrowed from the Clearing House for the sole purpose of lending to such client. <p>(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:</p> <ul style="list-style-type: none"> (a) for the execution of a regulated short sale in accordance with Rule 704; (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

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Rule	Existing Rule	Rule	Amended Rules
			<p>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</p> <p>(c) for such other purposes as may be determined by the Clearing House.</p> <p>(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 and section 41(1) of the Securities Industry 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 and Rule 704.</p> <p>(4) Every Participating Organisation shall ensure where it borrows or lends Eligible Securities, on behalf of its client or where it onward lends to or borrows from its client as envisaged in Rule 608.2(1) that the following are complied with:</p> <p>(a) that a written agreement is duly executed between the Participating Organisation and its client in respect of the borrowing or lending mentioned herein and the terms of the written agreement complies with Rule 608.6;</p> <p>(b) that collateral is lodged in accordance with Rule 608.7;</p> <p>(c) that where Margin Securities of Margin Account Client as defined in Rule 608.8 is utilised for lending, the utilisation thereof shall be subject to Rule 608.8;</p> <p>(d) that where Custodial Securities of Custodial Client as defined in Rule 608.9 is utilised for lending, the utilisation thereof shall be subject to Rule 608.9; and</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>(e) that a copy of the Risk Disclosure Statement prescribed under Appendix 5 is given to and acknowledged by its client prior to the execution of any written agreement for borrowing by the client of Eligible Securities.</p>
	<p align="center">New Rule</p>	<p align="center">Rule 608.3</p>	<p>INTERNAL GUIDELINES AND SYSTEMS</p> <p>(1) Internal Guidelines</p> <p>(a) A Participating Organisation desirous of engaging in securities borrowing and/or lending activities shall formulate a set of its Internal Guidelines for Securities Borrowing and Lending, the contents of which shall include the areas set out under Schedule 9.</p> <p>(b) The Internal Guidelines for Securities Borrowing and Lending shall be approved by the board of directors of the Participating Organisation and the Participating Organisation shall ensure that the Internal Guidelines for Securities Borrowing and Lending is brought to the notice of, read and understood by, all relevant employees and registered persons of the Participating Organisation.</p> <p>(2) Every Participating Organisation shall establish, implement and maintain the following:</p> <p>(a) systems and infrastructure including but not limited to back office systems and infrastructure, which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of securities borrowing and/or lending in accordance with Rule 608; and</p> <p>(b) all the policies, procedures, controls and all other requirements set out in the Internal Guidelines for Securities Borrowing and Lending.</p>

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SECURITIES BORROWING AND LENDING**

Rule	Existing Rule	Rule	Amended Rules
	New Rule	Rule 608.4	<p>COMMENCEMENT OF SECURITIES BORROWING AND/OR LENDING ACTIVITIES</p> <p>(1) Subject always to the Clearing House Requirements, a Participating Organisation shall only be permitted to commence with its securities borrowing and/or lending activities when the following requirements are complied with:</p> <p>(a) the Participating Organisation shall have Effective Shareholders’ Funds of not less than Ringgit Malaysia Fifty Million (RM50,000,000) (or such other amount as shall be determined by the Exchange from time to time) as at the date of the declaration in Rule 608.4(1)(d) and shall continue to maintain the same for as long as it is carrying out securities borrowing and/or lending activities;</p> <p>(b) the Participating Organisation has established Internal Guidelines for Securities Borrowing and Lending stipulated in Rule 608.3;</p> <p>(c) the Participating Organisation has in place systems and infrastructure including but not limited to back office systems and infrastructure, which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of securities borrowing and/or lending activities in accordance with Rule 608 and the Clearing House Requirements; and</p> <p>(d) subject to Rule 608.5, the Participating Organisation has submitted a written declaration in the form prescribed in Appendix 10 to the Exchange of its compliance with Rules 608.4(1)(a), 608.4(1)(b) and 608.4(1)(c) at least two (2) market days prior to the commencement of its securities borrowing and/or lending activities.</p>

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Rule	Existing Rule	Rule	Amended Rules
	New Rule	Rule 608.5	<p>INSPECTION AND/OR AUDIT BY THE EXCHANGE :</p> <p>(1) Without prejudice to any other powers conferred on the Exchange in these Rules pertaining to the conduct of inspection and/or audit on a Participating Organisation, the Exchange may at any time and/or from time to time prior to or after the receipt of the declaration in Rule 608.4(1)(d) undertake an inspection and/or audit on the Participating Organisation’s compliance with the requirements stipulated under Rules 608.4(1)(a), 608.4(1)(b) and 608.4(1)(c), in the manner determined by the Exchange.</p> <p>(2) In determining compliance with Rule 608.4(1)(c), the following shall apply:</p> <p>(a) the Exchange shall be entitled to require the Participating Organisation to provide a confirmation as and in the manner determined by the Exchange, that adequate verification and assessment has been carried out to ensure that its systems and infrastructure including but not limited to back office systems and infrastructure, are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of securities borrowing and/or lending in accordance with Rule 608 and the Clearing House Requirements; and</p> <p>(b) the Exchange shall be entitled to rely on the confirmation provided herein.</p> <p>(3) The Participating Organisation shall be given notice in writing by the Exchange prior to the commencement of any inspection and/or audit referred to under Rule 608.5(1).</p> <p>(4) Where a notice under Rule 608.5(3) has been issued to a Participating Organisation which has yet to submit the declaration under Rule 608.4(1)(d) or has submitted the declaration under Rule 608.4(1)(d) but has yet to commence with its securities borrowing and/or lending activities, the</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>Participating Organisation shall not commence with its securities borrowing and/or lending activities until the following has been complied with:</p> <ul style="list-style-type: none"> (a) the inspection and/or audit referred to in Rule 608.5(1) has been completed; (b) the corrective and/or preventive measures and actions referred to in Rules 608.5(5) and 608.5(6) (if any) have been duly carried out and completed by the Participating Organisation; and (c) the submission of the confirmation (if applicable) and the declaration referred to in Rule 608.5(6). <p>(5) Upon completion of the inspection and/or audit, the Exchange shall notify the Participating Organisation in writing of the findings of the inspection and/or audit which shall include but not limited to findings of any non compliances with Rules 608.4(1)(a), 608.4(1)(b) and 608.4(1)(c) and the corrective and/or preventive measures and actions (if any) to be taken by the Participating Organisation for the purpose of complying with above Rules. The Exchange may pending the carrying out and completion of the corrective and/or preventive measures and actions (if any) by a Participating Organisation other than the Participating Organisation referred to in Rule 608.5(4), suspend the carrying out of any further securities borrowing and/or lending by the Participating Organisation until the corrective and/or preventive measures and actions (if any) are carried out and completed by the Participating Organisation.</p> <p>(6) Where the corrective and/or preventive measures and actions referred to in Rule 608.5(5) have been duly carried out and completed, the Participating Organisation shall confirm in writing to the Exchange of the same. In relation to a Participating Organisation referred to in Rule 608.5(4) which has yet to submit the declaration under Rule 608.4(1)(d) the Participating Organisation shall together with the confirmation mentioned herein submit</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>the declaration stipulated under Rule 608.4(1)(d).</p> <p>(7) The Exchange is not precluded from exercising any of its powers under these Rules for any non compliances of these Rules found pursuant to the inspection and/or audit referred to under Rule 608.5(1), notwithstanding that a Participating Organisation may have duly carried out and completed the corrective and/or preventive measures and actions referred to in Rule 608.5(5) and 608.5(6).</p>
	New Rule	Rule 608.6	<p>WRITTEN AGREEMENT</p> <p>(1) A Participating Organisation shall ensure that the written agreement referred to in Rule 608.2(4)(a) for the securities borrowing and/or lending of Eligible Securities entered into with its client is executed prior to the borrowing and/or lending of the Eligible Securities.</p> <p>(2) The terms and conditions stipulated in the written agreement between the Participating Organisation and its client with the exception of the fees chargeable or payable in relation to the securities borrowing and/or lending of the Eligible Securities shall be at least on equal terms and conditions as the written agreement executed between the Participating Organisation and the Clearing House in relation to the securities borrowing and/or lending of the Eligible Securities and shall include but not limited to matters specified below:</p> <p>(a) the party that lends is absolutely entitled to pass full legal and beneficial ownership of the securities lent free from all liens, charges and encumbrances;</p> <p>(b) subject to Rule 608.7, requirement for deposit of collateral (if any) including the management and utilisation of the collateral deposited thereof;</p>

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Rule	Existing Rule	Rule	Amended Rules
			<ul style="list-style-type: none"> (c) treatment of corporate actions and income in relation to any of the Eligible Securities borrowed or lent and the securities held as collateral; (d) rights and obligations of the Participating Organisation and its client in relation to the Eligible Securities borrowed and/or lent; (e) the fees, to be paid for the borrowing and/or lending of the Eligible Securities; (f) the circumstances under which the Participating Organisation and its client is entitled to terminate the agreement entered into for the borrowing and/or lending of the Eligible Securities; and (g) the rights and remedies of the parties to the agreement in the event of a default by the other party of its obligations under the agreement.
	New Rule	Rule 608.7	<p>COLLATERAL</p> <ul style="list-style-type: none"> (1) A Participating Organisation shall ensure that where it borrows Eligible Securities on behalf of a client as envisaged in Rule 608.2(1)(a)(i) or where it onward lends Eligible Securities as envisaged in Rule 608.2(1)(b)(ii) to its client (“the Borrowed Securities”) that it obtains collateral from the client in relation to the borrowing in accordance with this Rule 608.7. (2) The Participating Organisation shall comply with the following requirements in relation to the collateral required to be deposited by a client pursuant to Rule 608.7(1): <ul style="list-style-type: none"> (a) the collateral shall only be the types of collateral provided in Schedule 8J and shall be subject to a haircut. The rate of the haircut for a particular type of collateral shall at least be the same as the rate

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Rule	Existing Rule	Rule	Amended Rules
			<p>prescribed by the Clearing House for that collateral in relation its securities borrowing and/or lending activities. In the absence of any haircut thereof prescribed by the Clearing House, the haircut for that collateral shall at least be same as the ‘discounting’ rate provided in Schedule 8J for that type of collateral.,. For the purposes of this Rule 608.7, any reference made to the value of collateral shall be taken to mean the value of the collateral based on the valuation prescribed in Rule 608.7(2)(d) after applying the prescribed hair cut herein;</p> <p>(b) the client shall deposit the collateral prior to the borrowing envisaged in Rule 608.7(1);</p> <p>(c) the value of collateral obtained from the client, shall be at least one hundred and five per centum (105%) or such other percentum as may be determined by the Exchange from time to time, of the market value of the Borrowed Securities throughout the period the Borrowed Securities are borrowed by the client ; and</p> <p>(d) the value of the Borrowed Securities and the collateral deposited by the client for the Borrowed Securities shall be marked to market on a daily basis based on the valuation stipulated in Rule 703.7. However the above valuation may be made on an intra day basis in the following circumstances:</p> <ul style="list-style-type: none"> (i) unusually rapid or volatile changes in the value of the securities; (ii) non-existence of active market for the securities; or (iii) no possibility of immediate liquidation for the securities. <p>(3) Where the value of the collateral falls below one hundred and five per centum (105%) or such other per centum as may be determined by the Exchange from time to time, of the market value of the Borrowed Securities, a Participating Organisation shall comply with the following :</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>(a) where the collateral falls below one hundred and five per centum (105%) the Participating Organisation shall issue a notice to the client to lodge additional collateral in order to top up the short fall. Pending such topping up, the client shall not be permitted to borrow any additional securities. and</p> <p>(b) Where the value of the collateral falls below one hundred and two per centum (102%), the Participating Organisation shall issue a notice to the client for the return of the securities borrowed within three (3) market days from the date of the notice. In the event the client fails to return the securities borrowed, the Participating Organisation shall liquidate the collateral. The proceeds from the liquidation shall be utilised to purchase the relevant securities for the purpose of returning the securities borrowed to the Clearing House. .</p> <p>(4) A Participating Organisation may allow a client to withdraw any collateral deposited in relation to the Borrowed Securities, provided that the value of any collateral remaining after the withdrawal herein is at least one hundred and five per centum (105%) or such other percentum as may be determined by the Exchange, of the market value of the Borrowed Securities on the withdrawal date.</p> <p>(5) Subject to Rule 608.7(6), a Participating Organisation shall ensure that all collateral deposited by a client is kept in the following manner:</p> <p>(a) for collateral other than cash, the collateral is segregated, not co-mingled with the assets of the Participating Organisation and other collateral deposited by other clients and can be clearly identified as that of the client;</p> <p>(b) in respect of cash collateral, the Participating Organisation shall ensure that the cash deposited can be clearly identified from its records as that of the client; and</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>(c) where the collateral is in respect of securities deposited with the Depository, the collateral is held in a separate CDS Account specifically for the client.</p> <p>(6) A Participating Organisation may only utilise the collateral deposited by its client for the purpose of providing the collateral required by the Clearing House for the borrowing made or to be made for the client.</p> <p>(7) A Participating Organisation shall ensure that the provisions in Rule 608.7 except Rule 608.7(8) is incorporated into the written agreement referred to in Rule 608.6.</p> <p>(8) A Participating Organisation shall submit a report to the Exchange on a weekly basis, in respect of all of its clients whose collateral has fallen below one hundred and two per centum (102%) of the market value of the Borrowed Securities for the week, in the format as may be prescribed by the Exchange from time to time, on the first market day (1st) day of the following week.</p> <p>(9) No Participating Organisation shall be permitted to onward pledge to any party or utilise any of the collateral lodged by its clients pursuant to this Rule 608.7 for whatsoever reason save and except as permitted in Rule 608.7(6).</p>

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Rule	Existing Rule	Rule	Amended Rules
Rule 601.5(3)	<p>Monthly Statement : A Participating Organisation approved by the Commission to participate in securities borrowing and lending shall submit to the Exchange a monthly statement of its position with regard to securities borrowing and lending in the format as prescribed in Appendices 5A, 5B and 5C to these Rules not later than the tenth (10th) day of the following month.</p>		Deleted
Rule 601.5(4)	<p>Securities in margin account: A Participating Organisation may utilise securities carried in the margin account of a client, whether such securities are purchased or deposited as collateral (“Margin Securities”), for the purposes of securities borrowing and lending, subject to the following requirements:-</p> <p>(a) A written <i>authorisation</i> shall be <i>obtained from the client</i> (in this Rule, “Margin Account Client”) <i>to allow the respective Participating Organisation to utilise the Margin Securities of the Margin Account Client for purposes of securities borrowing and lending.</i></p> <p>(b) A Margin Account Client shall at all times be entitled to deal with his margin account in the ordinary manner as provided for under the terms of the</p>	Rule 608.8	<p>SECURITIES IN MARGIN ACCOUNT</p> <p>(1) A Participating Organisation may borrow any Eligible Securities carried in the margin account of a client , whether such securities are purchased or deposited as collateral (“Margin Securities”), for the purpose of lending the Margin Securities as envisaged in Rule 608.2(1)(a)(ii), subject to the following requirements:-</p> <p>(a) A written agreement referred to in Rule 608.6 shall be executed between the Participating Organisation and the client (in this Rule, “Margin Account Client”) to borrow the Margin Securities from the Margin Account Client for purpose of lending the Margin Securities as envisaged in Rule 608.2(1)(a)(ii).</p> <p>(b) A Margin Account Client shall at all times be entitled to deal with his margin account in the ordinary manner as provided for under the terms of the margin agreement entered into between him and the Participating Organisation, notwithstanding :</p> <p>(i) that Margin Securities carried in the margin account is used for purposes of securities borrowing and/or lending as envisaged in Rule 608.2(1)(a)(ii); and</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>margin agreement entered into between him and the Participating Organisation notwithstanding :</p> <p>(i) that the margin account is used for purposes of securities borrowing and lending;</p> <p>(ii) any shortfall or gains arising from securities borrowing and lending transactions involving the Margin Securities of the Margin Account Client .</p> <p>(c) A Margin Account Client whose Margin Securities are utilised for purposes of securities borrowing <i>and lending</i> shall be entitled to a portion of the fees earned by the Participating Organisation on that client’s Margin Securities from securities borrowing and lending on such terms as to be mutually agreed between the Participating Organisation and that client , notwithstanding that the securities borrowing <i>and lending</i> for which his Margin Securities have been utilised has resulted in any shortfall or gain.</p> <p>(d) A Margin Account Client shall give reasonable notice to the Participating Organisation for any withdrawal or sale of the Margin Securities utilised for the purpose of securities borrowing and</p>		<p>(ii) any shortfall or gains arising from securities borrowing and/or lending transactions as envisaged in Rule 608.2(1)(a)(ii) involving the Margin Securities of the Margin Account Client.</p> <p>(c) A Margin Account Client whose Margin Securities are utilised for purposes of securities borrowing and/or lending as envisaged in Rule 608.2(1)(a)(ii) shall be entitled to a portion of the fees earned by the Participating Organisation on that client’s Margin Securities from the above securities borrowing and/or lending on such terms as to be mutually agreed between the Participating Organisation and that client, notwithstanding that the securities borrowing and/or lending for which his Margin Securities have been utilised has resulted in any shortfall or gain.</p> <p>(d) A Margin Account Client, shall give reasonable notice to the Participating Organisation for any withdrawal or sale of the Margin Securities utilised for the purpose of securities borrowing and/or lending as envisaged in Rule 608.2(1)(a)(ii), such notice to be given within a specified time as mutually agreed between the Participating Organisation and the Margin Account Client.</p> <p>(e) Notwithstanding that the Margin Securities are utilised for securities borrowing and/or lending as envisaged in Rule 608.2(1)(a)(ii), the Participating Organisation shall comply strictly with all the requirements of Rule 703.</p> <p>(f) The Participating Organisation shall not utilise more than fifty per cent (50%) of the value, at the time of lending, of the Margin Securities in any client’s margin account for the purposes of securities borrowing and/or lending as envisaged in Rule 608.2(1)(a)(ii).</p> <p>(g) The Participating Organisation shall issue a monthly statement to Margin Account Client whose Margin Securities are used for the purposes of securities borrowing and/or lending as envisaged in Rule 608.2(1)(a)(ii), and such statement shall contain all necessary details in relation to the securities borrowing and/or lending transactions envisaged in Rule 608.2(1)(a)(ii)</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>lending, such notice to be given within a specified time as mutually agreed between the Participating Organisation and the Margin Account Client,</p> <p>(e) Notwithstanding that the Margin Securities are utilised for securities borrowing and lending, the Participating Organisation shall comply strictly with all the requirements of Rule 703.</p> <p>(f) The Participating Organisation shall not utilise more than fifty per cent (50%) of the value, at the time of lending, of the Margin Securities in any client’s margin account for the purposes of securities borrowing and lending.</p> <p>(g) The Participating Organisation shall issue a monthly statement to Margin Account Client’s whose Margin Securities are used for the purposes of securities borrowing and lending, and such statement shall contain all necessary details in relation to the securities borrowing and lending transactions, including the quantity of Margin Securities utilised and the fees earned thereon.</p> <p>(h) The Participating Organisation shall ensure that its Margin Account Clients are fully aware of the risks involved in allowing their Margin Securities to be</p>		<p>including the quantity of Margin Securities utilised and the fees earned thereon.</p> <p>(2) A Participating Organisation shall ensure that the requirements stipulated in Rule 608.8(1)(b) are incorporated into the written agreement referred to in Rule 608.6.</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>utilised for the purpose of securities borrowing and lending. For this purpose a risk disclosure statement containing the particulars as set out in Rule 601.5(5) shall be issued to all Margin Account Client by the respective Participating Organisations.</p>		
<p>Rule 601.5(5)</p>	<p>Risk Disclosure Statement to Margin Account Client: The risk disclosure statement referred to in Rule 601.5(4)(h) shall contain, at a minimum, the following:</p> <ul style="list-style-type: none"> (a) a written authorisation given by the Margin Account Client as required under Rule 601.5(4)(a); (b) an advice to the Margin Account Client that he has the right to deny authority for his Margin Securities to be utilised by the Participating Organisation for purposes of securities borrowing and lending. (c) a statement informing the Margin Account Client that he shall be entitled to a portion of the fees earned by the 		<p>Deleted</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>Participating Organisation, notwithstanding any shortfall or gain arising from the securities borrowing and lending transactions, on terms as to be mutually agreed between the Participating Organisation and the Margin Account Client;</p> <p>(d) the time within which a Margin Account Client shall give notice to the Participating Organisation, as mutually agreed by the parties, for any withdrawal or sale of the Margin Securities utilised for the purpose of securities borrowing and lending;</p> <p>(e) an advice that any shortfall or gains arising from securities borrowing and lending transactions involving the Margin Account Client's Margin Securities shall not affect the ability of that Margin Account Client to deal with his margin account in the ordinary manner as under the terms of the margin agreement.</p>		

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Rule	Existing Rule	Rule	Amended Rules
<p>Rule 601.5 (6)</p>	<p>Securities held in custody: A Participating Organisation may utilise securities which are held in its custody (“Custodial Securities”) for its client (“Custodial Clients” and singly, “Custodial Client”) for purposes of securities borrowing and lending subject to:</p> <p>(a) the specific consent in writing being obtained from the Custodial Client whose Custodial Securities are intended to be utilised authorising the Participating Organisation to borrow and to lend that client’s Custodial Securities;</p> <p>(b) the necessary agreement being made between the Participating Organisation and the Custodial Client setting out clearly and explicitly each party’s rights and obligations in relation to the Custodial Securities, including and arrangement for the Participating Organisation to compensate the Custodial Client for any fees earned, dividend or payments due while the Custodial Securities are on loan.</p>	<p>Rule 608.9</p>	<p>SECURITIES HELD IN CUSTODY</p> <p>(1) A Participating Organisation may borrow Eligible Securities which are held in its custody (“Custodial Securities”) for its clients (“Custodial Clients” and singly, “Custodial Client”) for purposes of lending the Custodial Securities as envisaged in Rule 608.2(1)(a)(ii), provided that a written agreement as referred to in Rule 608.6 is executed between the Participating Organisation and the Custodial Client to borrow the Custodial Securities from the Custodial Client.</p> <p>(2) A Participating Organisation shall at all times ensure that the process of selecting the custodial accounts to be utilised for the purposes of securities borrowing and / or lending is fair, equitable and transparent.</p>

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Rule	Existing Rule	Rule	Amended Rules
Rule 601.5(7)	<p>Selection Process:</p> <p>Every Participating Organisation <i>which participates or engages in securities borrowing and lending</i> shall at all times ensure that the process of selecting the custodial accounts to be utilised for the purposes of securities borrowing and lending is fair, equitable and transparent.</p>		Deleted.
Rule 601.5(8)	<p>Risk Disclosure Statement to Custodial Client: A Participating Organisation shall at all times ensure that its Custodial Clients are fully aware of the risks involved in allowing their Custodial Securities to be utilised for the purposes of securities borrowing and lending. For this purpose, a risk disclosure statement shall be issued to all Custodial Clients by the respective Participating Organisations. The risk disclosure statement shall contain, at a minimum, the following -</p> <p>(a) a written authorisation given by the Custodial Client authorising the Participating Organisation to utilise his Custodial Securities for the purposes of securities borrowing and lending;</p> <p>(b) an advice that the Custodial Client has a right to deny authority for his Custodial Securities to be utilised by the Participating Organisation for purposes of securities borrowing and lending;</p>		Deleted.

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	<p>(c) a statement informing the Custodial Client that he is entitled to a portion of the fees earned by the Participating Organisation arising out of the borrowing and lending of his Custodial Securities on such terms as mutually agreed between him and the Participating Organisation;</p> <p>(d) clear statements as to the Custodial Client's entitlements to dividends and other economic rights arising out of the Custodial Securities while such securities are on loan.</p>		
	New Rule	Rule 608.10	<p>DESIGNATED CDS ACCOUNTS</p> <p>(1) A Participating Organisation shall ensure that all Eligible Securities borrowed and/or lent pursuant to securities borrowing and/or lending are held in the CDS Account(s) prescribed in the Clearing House Requirements and in no other CDS Account(s).</p>
	New Rule	Rule 608.11	<p>REPORTING BY COMPLIANCE OFFICER</p> <p>(1) The Executive Director Compliance or the Head of Compliance or in the case of Non Universal Brokers the Compliance Officer or where there is more than one Compliance Officer, the Compliance Officer that is heading the compliance functions, shall ensure that the report submitted pursuant to Rule 309.8(4) shall address the following areas in relation to securities borrowing and/or lending:</p> <p>(a) inaccuracies and errors in relation to any reports submitted by the Participating Organisations pursuant to this Rule or any directives,</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>rulings and guidelines issued by the Exchange;</p> <p>(b) non compliances with any requirements stipulated in the Internal Guidelines for Securities Borrowing and Lending; and</p> <p>(c) any other breaches in relation to Rule 608.</p> <p>(2) A Participating Organisation shall submit to the Exchange a report of all Eligible Securities borrowed for the purpose stipulated in Rule 608.2(2)(b) on a weekly basis, in the format and manner as may be prescribed by the Exchange from time to time, on the first (1st) market day of the following week. In the event there is no report submitted to the Exchange on the first (1st) market day of the week, the Exchange shall assume that there were no borrowings of Eligible Securities in the preceding week unless proven otherwise.</p>
	New Rule	Rule 608.12	<p>ACTION BY THE EXCHANGE</p> <p>(1) Without prejudice to any other powers of the Exchange contained in the Securities Industry 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:</p> <p>(a) where there is a breach or likelihood of breach of any provisions in Rule 608 and /or Rule 704; or</p> <p>(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 Securities Industry Act.</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>(2) Pursuant to Rule 608.12(1), the following actions may be taken by the Exchange in relation to any or all Eligible Securities and/or against any or all Participating Organisations, registered persons and clients in the manner and for the period determined by the Exchange :</p> <p>(a) suspension and/ cessation of further securities borrowing and / or lending of Eligible Securities by the Participating Organisation and / or registered persons whether for itself or any or all of its clients;</p> <p>(b) imposition of limits on the total number or the type of Eligible Securities that may be borrowed or lent by the Participating Organisation and / or registered persons whether for itself or any or all of its clients or by any or all of its clients; or</p> <p>(c) imposition of restriction or conditions on the securities borrowing and /or lending activities carried out by the Participating Organisation and / or registered persons whether for itself or any or all of its clients or by any or all of its clients .</p> <p>(3) In the event that the Exchange undertakes any of the actions under Rule 608.12(2) against a Participating Organisation, a registered person or a client of the Participating Organisation, such actions shall also be applicable to any person who is the proxy, agent, nominee or acting in concert with that Participating Organisation, registered person or that particular client of the Participating Organisation as the case may be.</p> <p>(4) Where an action has been taken under Rule 608.12(2), a Participating Organisation and / or registered person, 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 608.12 (2) in the first place.</p>

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Rule	Existing Rule	Rule	Amended Rules
			(5) The provisions in Rule 1303 shall not apply to any action taken under Rule 608.12(2).
Rule 703.7	<p>VALUATION OF COLLATERAL</p> <p>(1) The collateral that a client may deposit into his margin account and the method of valuation thereof shall be limited to the following -</p> <p>(a) For securities quoted on the Exchange and other recognised stock exchanges, the value shall be based on the Last Done Price of the securities on the preceding market day;</p> <p>(b) For fixed deposit certificates, the value shall be -</p> <p>(i) in the case of fixed deposit certificates denominated in Ringgit Malaysia, their face value thereof;</p> <p>(ii) in the case of fixed deposit certificates denominated in currencies other than in Ringgit Malaysia, the prevailing market exchange rate;</p> <p>(c) For Malaysian Government securities, Cagamas bonds,</p>	Rule 703.7	<p>VALUATION OF COLLATERAL</p> <p>(1) The collateral that a client may deposit into his margin account and the method of valuation thereof shall be limited to the following -</p> <p>(a) For securities quoted on the Exchange and other recognised stock exchanges, the value shall be based on the Last Done Price of the securities on the preceding market day;</p> <p>(b) For cash or fixed deposit certificates, the value shall be -</p> <p>(i) in the case of cash or fixed deposit certificates denominated in Ringgit Malaysia, their face value thereof;</p> <p>(ii) in the case of cash or fixed deposit certificates denominated in currencies other than in Ringgit Malaysia, the prevailing market exchange rate;</p> <p>(c) For Malaysian Government securities, Cagamas bonds, Government investment issues and Malaysian Treasury Bills, the value shall be calculated at the Last Done Price as reported to the Central Bank of Malaysia;</p> <p>(d) [Deleted];</p> <p>(e) For negotiable certificates of deposit and bankers’ acceptances issued in Malaysia, the value shall be at the price determined by the issuing banks;</p> <p>(f) [Deleted];</p> <p>(g) [Deleted]; and</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>Government investment issues and Malaysian Treasury Bills, the value shall be calculated at the Last Done Price as reported to the Central Bank of Malaysia;</p> <p>(d) [Deleted];</p> <p>(e) For negotiable certificates of deposit and bankers' acceptances issued in Malaysia, the value shall be at the price determined by the issuing banks;</p> <p>(f) [Deleted];</p> <p>(g) [Deleted]; and</p> <p>(h) For guarantees issued by banks, merchant banks or finance companies or standby letters of credit issued by commercial banks or merchant banks, the value shall be their face value thereof.</p>		<p>(h) For guarantees issued by banks, merchant banks or finance companies or standby letters of credit issued by commercial banks or merchant banks, the value shall be their face value thereof.</p>
Rule 703.9	<p>Rule 703 FINANCING</p> <p>Rule 703.9 Written Agreement</p> <p>(1) Requirement : There shall be a written agreement executed between the Participating Organisation and its client for any margin account.</p>	Rule 703.9	<p>Rule 703 FINANCING</p> <p>Rule 703.9 Written Agreement</p> <p>(1) Requirement : There shall be a written agreement executed between the Participating Organisation and its client for any margin account.</p> <p>(2) Special clauses : The written agreement referred to in Rule 703.9(1) shall contain, inter alia, provisions which authorise the Participating Organisation to:</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>(2) Special clauses : The written agreement referred to in Rule 703.9(1) shall contain, inter alia, provisions which authorise the Participating Organisation to:</p> <p>(a) subject to Rule 703.9(3), mortgage, pledge or hypothecate the client's securities for a sum not exceeding the outstanding balance in the margin account and without any obligation to retain in its possession or control securities of like characters; and</p> <p>(b) use its discretion to sell or dispose of any or all the collateral, in any manner in order to meet the prescribed margin requirements as are specified in Rule 701.10(3).</p> <p>(3) A Participating Organisation shall not mortgage, pledge, charge, hypothecate or grant security arrangements over a client's securities and collateral unless the aggregate mark to market (as defined in Rule 1105) value of the securities and collateral of that client which are mortgaged, pledged, charged, hypothecated or security arrangements granted shall not at any time exceed the outstanding balance of that client's margin account.</p>		<p>(a) subject to Rule 703.9(3), mortgage, pledge or hypothecate the client's securities for a sum not exceeding the outstanding balance in the margin account and without any obligation to retain in its possession or control securities of like characters;</p> <p>(b) use its discretion to sell or dispose of any or all the collateral, in any manner in order to meet the prescribed margin requirements as are specified in Rule 701.10(3)'</p> <p>(3) A Participating Organisation shall not mortgage, pledge, charge, hypothecate or grant security arrangements over a client's securities and collateral unless the aggregate mark to market (as defined in Rule 1105) value of the securities and collateral of that client which are mortgaged, pledged, charged, hypothecated or security arrangements granted shall not at any time exceed the outstanding balance of that client's margin account.</p> <p>(4) A Participating Organisation may, subject to requirements stipulated in Rule 608, utilise any Eligible Securities (as defined in Rule 608.1) deposited or purchased or carried in a client 's margin account for the purpose of securities borrowing and/or lending as envisaged in Rule 608.</p>

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Rule	Existing Rule	Rule	Amended Rules
Rule 1105.1	<p>DEFINITIONS</p> <p>(1) In this Rule 1105, unless the context otherwise requires -</p> <p>Capital Adequacy Ratio in relation to a Participating Organisation, means the ratio linking the liquid capital of the Participating Organisation to risks faced, calculated as the Participating Organisation’s Liquid Capital divided by its Total Risk Requirement.</p> <p>hybrid securities means such securities which are a combination of a conventional securities and an embedded derivative and which may</p>	Rule 1105.1	<p>DEFINITIONS</p> <p>(1) In this Rule 1105, unless the context otherwise requires -</p> <p>Collateral in relation to securities borrowing and lending referred to in 1105.7(5)(d) means the ‘collateral’ mentioned in Rule 608.7 and where the collateral consist of securities, to the extent those securities have been subdivided or consolidated, made the subject of a bonus issue or event similar to any of the foregoing , the expression Collateral shall have the following meaning:</p> <p>(a) in the case of subdivision or consolidation, the securities into which the Collateral have been subdivided or consolidated;</p> <p>(b) in the case of a bonus issue, the Collateral together with the securities allotted by way of bonus issue thereon; and</p> <p>(c) in the case of any event similar to any of the foregoing events, the Collateral, together with or replaced by a sum of money and/or securities equivalent to that received in respect of such Collateral resulting from such event.</p> <p>Capital Adequacy Ratio in relation to a Participating Organisation, means the ratio linking the liquid capital of the Participating Organisation to risks faced, calculated as the Participating Organisation’s Liquid Capital divided by its Total Risk Requirement.</p> <p>.....</p> <p>.....</p> <p>hybrid securities means such securities which are a combination of a conventional securities and an embedded derivative and which may consist of virtually any combination of two or more financial instrument building blocks e.g. bond or note, swap, forward or future, or option.</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>consist of virtually any combination of two or more financial instrument building blocks e.g. bond or note, swap, forward or future, or option.</p> <p>Recognised Market Indices means the market indices of the recognised stock exchanges which are acceptable to the Exchange from time to time, as set out in Schedule 8C.</p>		<p>income has the same meaning assigned to that expression under Rule 608.1</p> <p>.....</p> <p>.....</p> <p>Margin Financing Onward Lent Risk means the risks to which a Participating Organisation is exposed from Margin Securities which have been onward lent pursuant to securities borrowing and/or lending by the Participating Organisation to such third party, as may be permitted from time to time pursuant to the Clearing House Requirements.</p> <p>Margin Securities has the same meaning assigned to that expression under Rule 608.8.</p> <p>Recall means redelivery of Securities Borrowed to the lender and/or redelivery of the Collateral to the borrower, whether partial or in full pursuant to the terms of the Client SBL Agreement or SBL Agreement as defined in Rule 704..</p> <p>Recognised Market Indices means the market indices of the recognised stock exchanges which are acceptable to the Exchange from time to time, as set out in Schedule 8C.</p> <p>securities borrowing and/or lending has the same meaning assigned to that expression as referred to in Rule 608.</p> <p>Securities Borrowed or Securities Lent means any securities borrowed or securities lent pursuant to securities borrowing and/or lending and to the extent that the securities borrowed or securities lent consist of securities that have been subdivided or consolidated, made the subject of a bonus issue or event similar to any of the foregoing , the expression Securities Borrowed or Securities Lent shall have the following meaning:</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>(a) in the case of subdivision or consolidation, the securities into which the Securities Borrowed or Securities Lent have been subdivided or consolidated;</p> <p>(b) in the case of a bonus issue, the Securities Borrowed or Securities Lent together with the securities allotted by way of bonus issue thereon; and</p> <p>(c) in the case of any event similar to any of the foregoing events, the Securities Borrowed or Securities Lent, together with or replaced by a sum of money and/or securities equivalent to that received in respect of such Securities Borrowed or Securities Lent resulting from such event.</p> <p>.....</p> <p>.....</p>
<p>Rule 1105.6(1)</p>	<p>General Principle: Subject Always to Rule 1105.10, every Participating Organisation shall calculate its Position Risk Requirement -</p> <p>(a) in respect of all securities held by it as principal, including those held pursuant to its intra-day activities; and</p> <p>(b) on an intra-day basis to ensure that its Total Risk Requirement does not exceed its Liquid Capital.</p>	<p>Rule 1105.6(1)</p>	<p>General Principle: Subject Always to Rule 1105.10, every Participating Organisation shall calculate its Position Risk Requirement -</p> <p>(a) in respect of all securities held by it as principal, including those held pursuant to its intra-day activities;</p> <p>(b) on an intra-day basis to ensure that its Total Risk Requirement does not exceed its Liquid Capital;</p> <p>(c) in respect of all Securities Borrowed and/or Securities Onward Lent for itself as principal as envisaged in Rules 608.2(1)(a)(i) and/or 608.2(1)(b)(ii); and</p> <p>(d) in respect of all securities other than Margin Securities held by it which has been onward lent by it as principal for the purpose of securities borrowing and lending as envisaged in Rule 608.2(1)(a)(ii).</p>

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Rule	Existing Rule	Rule	Amended Rules
Rule 1105.6(2)	<p>Principles Applicable to Equity Position Risk Requirement: In calculating the Position Risk Requirement in respect of its equity and equity derivative positions, a Participating Organisation shall observe the following principles -</p> <p>(a) in accordance with Rule 1105.6(1), a Participating Organisation shall calculate all principal positions held by it;</p> <p>(b) a Participating Organisation shall, on a daily basis, mark to market all its principal positions;</p> <p>(c) a Participating Organisation may, in the case of securities held by it pursuant to intra-day activities, reduce its risk exposure to the extent of the mark to market value of any collateral held after deducting the applicable discounts prescribed in Schedule 8J;</p> <p>(d) where applicable, a Participating Organisation shall calculate its Position Risk Requirement on a country by country basis;</p> <p>(e) in the case of depository receipts, a Participating Organisation shall allocate a share represented by that depository receipt to the same country as the underlying share.</p>	Rule 1105.6(2)	<p>Principles Applicable to Equity Position Risk Requirement: In calculating the Position Risk Requirement in respect of its equity and equity derivative positions, a Participating Organisation shall observe the following principles -</p> <p>(a) in accordance with Rule 1105.6(1), a Participating Organisation shall calculate all principal positions held by it;</p> <p>(b) a Participating Organisation shall, on a daily basis, mark to market all its principal positions;</p> <p>(c) a Participating Organisation may, in the case of securities held by it pursuant to intra-day activities, reduce its risk exposure to the extent of the mark to market value of any collateral held after deducting the applicable discounts prescribed in Schedule 8J;</p> <p>(d) where applicable, a Participating Organisation shall calculate its Position Risk Requirement on a country by country basis;</p> <p>(e) in the case of depository receipts, a Participating Organisation shall allocate a share represented by that depository receipt to the same country as the underlying share; and</p> <p>(f) a Participating Organisation shall add any income accrued on any Securities Borrowed, Securities Lent or Collateral and shall deduct any fees and charges imposed on the borrowing, lending or the Collateral pursuant to the SBL Conditions or the written agreement referred to in Rule 608.2.</p>

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Rule	Existing Rule	Rule	Amended Rules
Rule 1105.6(8)	<p>Position Netting: A Participating Organisation may, in respect of -</p> <p>(a) an equity, net a long position against a short position where the positions are in the same type of equity; and</p> <p>(b) an equity equivalent positions resulting from the equity derivative identified in Rule 1105.6(5)(b), net a long position against a short position where the positions are in the same type of instrument provided that the instrument has been converted into an equity equivalent position in accordance with Rule 1105.6(6)(b).</p>	Rule 1105.6(8)	<p>Position Netting: A Participating Organisation may, in respect of -</p> <p>(a) an equity, net a long position against a short position where the positions are in the same type of equity;</p> <p>(b) an equity equivalent positions resulting from the equity derivative identified in Rule 1105.6(5)(b), net a long position against a short position where the positions are in the same type of instrument provided that the instrument has been converted into an equity equivalent position in accordance with Rule 1105.6(6)(b); and</p> <p>(c) securities borrowing and/or lending, net a position of Securities Lent against Securities Borrowed where the positions are of the same type.</p>
Rule 1105.7(5)(d)	<p>Securities Borrowing and Lending:</p> <p>(i) Counterparty exposures: A Participating Organisation shall calculate its counterparty exposures for securities borrowing and lending as follows -</p> <p>(aa) for borrowing transactions, the difference between the market value of the deposit (plus accrued interest) and the value of the securities received;</p> <p>(bb) for lending transactions, the difference between the market value of the securities on-lend (plus unpaid</p>	Rule 1105.7(5)(d)	<p>Securities Borrowing and Lending:</p> <p>(i) Counterparty exposures: A Participating Organisation shall calculate its counterparty exposures for securities borrowing and lending as follows -</p> <p>(aa) for borrowing transactions in relation to its clients as envisaged in Rule 608.2(1)(a)(i) Participating Organisation’s counterparty exposures shall be computed based on the difference between the mark to market value of the Securities Borrowed and the mark to market value of the Collateral deposited subject to the provisions of Rule 1105.7(6). In computing the mark to market value of the Securities Borrowed or the Collateral, a Participating Organisation shall add any income accrued on the same and shall deduct any fees and charges imposed on the borrowing or the Collateral pursuant to the SBL Conditions or the written agreement referred to in Rule 608.6; and</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>fees) and the value of the collateral received. If the collateral received is not in the form of cash deposit in Malaysian Ringgit, the collateral shall be discounted in accordance with the provisions of Rule 1105.7(6).</p> <p>(ii) Calculation of CRR: A Participating Organisation shall calculate its Counterparty Risk Requirement for securities borrowing and lending in accordance with Rule 1105.7(4).</p>		<p>(bb) for lending transactions in relation to its clients as envisaged in Rule 608.2(1) (b)(i) and Rule 608.2(1)(b)(ii) for onward lending transactions, a Participating Organisation’s counterparty exposures shall be computed based on the difference between the mark to market value of the Securities Lent and the mark to market value of the Collateral deposited, if any subject to the provisions of Rule 1105.7(6). In computing the mark to market value of the Securities Lent or the Collateral, a Participating Organisation shall add any income accrued on the same and shall deduct any fees and charges imposed on the lending or the Collateral pursuant to the SBL Conditions or the written agreement referred to in Rule 608.6.</p> <p>(ii) Calculation of CRR: Pursuant to the above-mentioned a Participating Organisation shall calculate its Counterparty Risk Requirement for securities borrowing and lending in accordance with Schedule 8G.</p>
<p>Rule 1105.10(1)</p>	<p>Margin Financing Facilities:</p> <p>(a) Every Participating Organisation which provides margin financing facilities has:-</p> <p>(i) a Counterparty Risk in relation to margin financing facilities which is dependent on the quality and value of collateral pledged and the quality of the counterparty; and</p> <p>(ii) a Position Risk in the form of market risk relating to Margin Financing On-Pledged Risk in respect of securities held by it as collateral but which have been onward pledged.</p>	<p>Rule 1105.10(1)</p>	<p>Margin Financing Facilities:</p> <p>(a) Every Participating Organisation which provides margin financing facilities has:-</p> <p>(i) a Counterparty Risk in relation to margin financing facilities which is dependent on the quality and value of collateral pledged and the quality of the counterparty;</p> <p>(ii) a Position Risk in the form of market risk relating to Margin Financing On-Pledged Risk in respect of securities held by it as collateral but which have been onward pledged; and</p> <p>(iii) a Position Risk in the form of market risk relating to Margin Financing Onward Lent Risk in respect of Margin Securities which have been onward lent as principal for the purpose of securities borrowing and lending as envisaged in Rules 608.2(1)(a)(ii) and 608.8.</p>

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Rule	Existing Rule	Rule	Amended Rules
Rule 1105.10(2)	<p>General principles: Every Participating Organisation which provides margin financing facilities shall calculate the following:-</p> <p>(a) its Counterparty Risk Requirement in respect of counterparty exposures arising from margin financing facilities, to the extent as provided in Rule 1105.10(3)(b); and</p> <p>(b) its Position Risk Requirement in respect of Margin Financing On-Pledged Risk for all securities held by it as collateral pursuant to margin financing facilities but which have been onward pledged, to the extent as provided in Rule 1105.10(4)(a).</p>	Rule 1105.10(2)	<p>General principles: Every Participating Organisation which provides margin financing facilities shall calculate the following:-</p> <p>(a) its Counterparty Risk Requirement in respect of counterparty exposures arising from margin financing facilities, to the extent as provided in Rule 1105.10(3)(b);</p> <p>(b) its Position Risk Requirement in respect of Margin Financing On-Pledged Risk for all securities held by it as collateral pursuant to margin financing facilities but which have been onward pledged, to the extent as provided in Rule 1105.10(4)(a); and</p> <p>(c) its Position Risk Requirement in respect of Margin Financing Onward Lent Risk for all Margin Securities which have been onward lent as principal for the purpose of securities borrowing and lending as envisaged in Rule 608.2(1)(a)(ii), to the extent as provided in Rule 1105.10(5) .</p>
	New Rule	Rule 1105.10(5)	<p>Position Risk Requirement for Margin Financing Onward Lent Risk:</p> <p>In calculating the Position Risk Requirement in respect of Margin Financing Onward Lent Risk in relation to Margin Securities which have been onward lent by a Participating Organisation as principal, the Participating Organisation shall observe the principles prescribed in Rule 1105.6.</p>

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Rule	Existing Rule	Rule	Amended Rules
	New Schedule	Schedule 9	<p align="center">SCHEDULE 9 [Chapter 6]</p> <p>SCHEDULE 9 (Chapter 6) [Rule 608.3(1)(a)]</p> <p align="center">INTERNAL GUIDELINES FOR SECURITIES BORROWING AND LENDING</p> <ol style="list-style-type: none"> 1) Criteria to assess the suitability of clients in borrowing or lending of Eligible Securities prior to the borrowing or lending and on an ongoing basis; 2) Risk management policies and procedures including but not limited to limits in terms of volume and value of borrowing and/or lending permitted for each client and/or the Participating Organisation itself; 3) The authority matrix in relation to the approval process within the Participating Organisation for the borrowing and/or lending of Eligible Securities whether by its clients or the Participating Organisation; 4) The list of Eligible Securities where the Participating Organisation will not be borrowing and/or lending (if any); 5) Relevant documentation in relation to the borrowing and/or lending of Eligible Securities which includes but not limited to the written agreement in Rule 608.6 and the risk disclosure statement; 6) the handling and distribution of fees and / or income in relation to Eligible Securities lent and the collateral deposited; 7) the handling of corporate actions in respect of Eligible Securities lent and the collateral deposited; and 8) the carrying out of review in relation to the requirements and controls set out in the Internal Guidelines for Securities Borrowing and Lending and compliance with these Rules and the Clearing House Requirements pertaining to securities borrowing and/or lending activities.

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Rule	Existing Rule	Rule	Amended Rules
	APPENDIX 5A/5B/5C		Deleted
	New Appendix	<u>APPEN- DIX 5</u>	<p><u>APPENDIX 5-RISK DISCLOSURE STATEMENT ON SECURITIES BORROWING</u></p> <ol style="list-style-type: none"> 1. This statement is provided to you in accordance with Rule 608.2(4)(e) of the Rules of Bursa Malaysia Securities Berhad. 2. The purpose of this statement is to inform you that the risk of loss in borrowing securities for the purposes permitted under the Rules of Bursa Malaysian Securities Bhd, which can be substantial. You should therefore assess if borrowing securities is suitable for you in light of your financial circumstances. In deciding whether to borrow securities you should be aware of the following:- <ol style="list-style-type: none"> (a) where the return of securities to the lender, which securities is equivalent to the securities borrowed, is by way of purchase on the market, the buy price of the securities may be substantially higher than the price of the securities at the time of borrowing; (b) under certain conditions, it may be difficult to buy back securities equivalent to the securities borrowed; (c) the lender may recall on the securities borrowed at any time which necessitates the buying back of securities equivalent to the securities borrowed; and (d) the securities borrowed may no longer be eligible for borrowing in the future and as such the lender may recall on all of that securities borrowed by all borrowers which may necessitate the buying back of the securities equivalent to that securities borrowed, by all borrowers. This ‘buying back’ thereof may result in the buy price of those securities to go up significantly. 3. This brief statement cannot disclose all the risks and other aspects of

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Rule	Existing Rule	Rule	Amended Rules
			<p>borrowing of securities. You should therefore carefully study the terms, conditions, the rules and regulations pertaining to borrowing of securities before engaging in this activity. If you are in doubt in relation to any aspect of this statement, you should consult your Participating Organisation.</p> <p align="center">-----</p> <p align="center">ACKNOWLEDGEMENT OF RECEIPT OF THIS RISK DISCLOSURE STATEMENT</p> <p>I acknowledge that I have received a copy of the RISK DISCLOSURE STATEMENT ON SECURITIES BORROWING and understand its contents which have been explained to me by the Participating Organisation.</p> <p align="right">Signature: _____ Full name: _____ Date : _____</p>

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SCHEDULE 8G [CHAPTER 11]

**SCHEDULE 8G (Chapter 11) COUNTERPARTY RISK REQUIREMENT
[Rule 1105.7(5)(d)] FOR SECURITIES BORROWING / LENDING TRANSACTIONS**

Securities Borrowing and Lending Transaction		Time period for application of Percentage	Counterparty Risk Requirement
1. Borrowing	On borrowing	Pre-Recall	CE x CW x 0%
	On Recall	From Recall to Recall + 3 days	CE x CW x 8%
	On Recall	Beyond Recall + 3 days	CE x CW x 100%
2. Lending	On Lending	Pre-Recall	CE x CW x 0%
	On Recall	From Recall to Recall + 3 days	CE x CW x 8%
	On Recall	Beyond Recall + 3 days	CE x CW x 100%

Where:

CE = Counterparty Exposure, as determined in accordance with Rule 1105.7(5)(d).

CW = Counterparty Weighting, as specified in Schedule 8F.

‘On Borrowing’ means upon crediting of the securities borrowed from the Clearing House into the Borrower’s CDS account,

‘On Lending’ means upon debiting of the securities lent to the Clearing House from the Lender’s CDS account.

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SCHEDULE 8J [CHAPTER 11]

**SCHEDULE 8J (Chapter 11) DISCOUNTING FOR COLLATERAL
[Rule 1105.7(6)(c)]**

Type of Collateral	Applicable Discount
<p><i>Foreign Currency Cash Deposit</i></p> <ul style="list-style-type: none"> ▪ Foreign currency acceptable to the Exchange:- <ul style="list-style-type: none"> ▪ US Dollar ▪ Currencies from European Economic Community (EEC) countries ▪ Japanese Yen ▪ Hong Kong Dollar ▪ New Zealand Dollar ▪ Singapore Dollar ▪ Other foreign currency not acceptable to the Exchange 	<p>8% after conversion into Ringgit by applying prevailing Bank Negara Malaysia’s best available exchange rate quoted by commercial banks of Kuala Lumpur or by applying any other rate as may be determined by the Exchange</p> <p>100% after conversion into Ringgit by applying prevailing Bank Negara Malaysia’s best available exchange rate quoted by commercial banks of Kuala Lumpur or by applying any other rate as may be determined by the Exchange</p>
<p><i>Quoted Securities</i></p> <p>Securities listed on the Exchange or other recognised stock exchange (mark to market on daily basis)</p>	<p>Position Risk Factor used in the Standard Approach, as prescribed in Schedule 8C</p>
<p><i>Suspended Securities</i></p>	<p>Position Risk Factor used in the Standard Approach, as prescribed in Schedule 8C</p>

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Type of Collateral	Applicable Discount
<p>Malaysian Government securities, Khazanah bonds, Malaysian treasury bills, Malaysian Government investment certificates</p> <ul style="list-style-type: none"> ▪ Up to one (1) year maturity ▪ More than one (1) year maturity 	<p align="center">2.5% 5.0%</p>
<p>Cagamas Bonds</p> <ul style="list-style-type: none"> ▪ Up to one (1) year maturity ▪ More than one (1) year maturity 	<p align="center">12.5% 15.0%</p>
<p>Letters of Credit/Bank Guarantee</p> <p>Letters of credit/ Bank Guarantee guaranteed by financial institutions licensed under the Banking and Financial Institutions Act, 1989 or the Islamic Banking Act, 1983</p>	<p align="center">20%</p>
<p>Negotiable Instruments of Deposit</p> <p>Negotiable instruments of deposit guaranteed by financial institutions licensed under the Banking and Financial Institutions Act, 1989 or the Islamic Banking Act, 1983</p>	<p align="center">20%</p>
<p>Other collateral or security</p> <p>Any other collateral or security (not being those categorised above)</p>	<p align="center">100%</p>

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Rule	Existing Rule	Rule	Amended Rules
Rule 404.3(2)	<p>DOING BUSINESS WITH CLIENTS</p> <p>(2) Guidelines on regulated short selling: Every Participating Organisation shall formulate guidelines on regulated short selling by its clients as required under <i>Rule 805.3(1)</i> and shall ensure that such guidelines are strictly complied with by all its Dealer's Representatives.</p>	Rule 404.3(2)	<p>DOING BUSINESS WITH CLIENTS</p> <p>(2) Guidelines on regulated short selling: Every Participating Organisation shall formulate guidelines on regulated short selling by its clients as required under Rule 704.3 and shall ensure that such guidelines are strictly complied with by all its Dealer's Representatives.</p>
Rule 704.1(1)	<p>DEFINITION</p> <p>approved class of securities means a class of approved securities.</p> <p>approved securities means <i>any securities (for the time being admitted to the Official List) which is from time to time declared by the Exchange to be included in a class of securities to which Section 41(4)(c) of the Securities Industry Act applies.</i></p>	Rule 704.1(1)	<p>DEFINITION</p> <p>approved class of securities means a class of approved securities.</p> <p>approved securities means any of the securities from the class of securities set out below, of an Issuer, which is declared by the Exchange from time to time (“declaration date”) to be included in a class of securities to which Section 41(4)(c) of the Securities Industry Act applies:</p> <p>(a) the securities is for the time being admitted to the Official List (“the Securities”);</p> <p>(b) the Securities has a daily market capitalisation of Ringgit Malaysia five hundred (500) million for at least three months prior to the declaration date. Market capitalisation means the market value of all the ordinary shares issued by the Issuer and admitted to the Official List;</p> <p>(c) the Securities has at least fifty million (50) million in public float prior to the declaration date. ‘Public float’ means securities held in the hands of the public shareholders. ‘Public’ has the same meaning assigned to that expression in the Listing Requirements; and</p>

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	<p>Internal Guidelines for Short Selling means written guidelines formulated by <i>Participating Organisations pursuant to Rule 704.3(1)</i> setting out the Participating Organisations' <i>practices</i></p> <p>regulated short selling means the selling of approved securities where the seller does not,</p>		<p>(d) the volume of trading for the Securities on a monthly basis on average is at least one (1) million units for twelve (12) months prior to the declaration date.</p> <p>Authorised SBL Participant means the Clearing House or an entity approved by the Clearing House, for, the purpose of undertaking securities borrowing and/or lending activities as defined in Rule 608.</p> <p>Client SBL Agreement means a written agreement executed between a client and an Authorised SBL Participant in accordance with Rule 608 for the purpose of securities borrowing and/or lending as defined in Rule 608.</p> <p>Clearing Account has the same meaning assigned to it in R/R 18 of 2005.</p> <p>Eligible Securities shall have the same meaning assigned to it under Participating Organisations' Circular R/R 17 of 2006 issued by the Exchange pertaining to 'Directives on the Use of Day Trading Activities Account' including any amendments thereto.</p> <p>Internal Guidelines for Short Selling means written guidelines formulated by Participating Organisations setting out the Participating Organisations' internal policies, procedures, controls and requirements in relation to regulated short selling whether for itself or its clients and for the supervision and monitoring of its regulated short selling activities to ensure strict compliance with the laws and these Rules including any regulations, directives, guidelines and rulings issued thereunder in relation to regulated short selling.</p> <p>net short position in relation to an approved securities means the quantity of an approved securities short sold on a market day in accordance with Rule 704 but which have yet to be closed off by subsequent purchases of securities falling within the same class of securities as the approved securities short sold and executed on the same market day that the approved securities was short sold.</p> <p>regulated short selling means the selling of approved securities where the seller does not, at the time of the execution of the sale, have an exercisable and unconditional</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>at the time of the execution of the sale, have an exercisable and unconditional right to vest such securities in the purchaser but has, prior to the execution of the sale, <i>executed an agreement to borrow the approved securities</i> as will enable delivery of the same to be made to the purchaser under the said sale, in accordance with the Rules relating to delivery and settlement in Chapter 8, and "regulated short sale" means the sale relating to the same.</p>		<p>right to vest such securities in the purchaser but has, prior to the execution of the sale, borrowed the approved securities or obtained confirmation from an Authorised SBL Participant that the Authorised SBL Participant has the approved securities available to lend, pursuant to a SBL Agreement as will enable delivery of the same to be made to the purchaser under the said sale, in accordance with the Rules relating to delivery and settlement in Chapter 8, and "regulated short sale" means the sale relating to the same.</p> <p>R/R 18 of 2005 means the Participating Organisations’ Circular dated 7 October 2005 issued by the Exchange and numbered as R/R 18 of 2005, pertaining to ‘Directives For Participating Organisations On the Use of Clearing Account, Error or Mistake Account and Investment Account’.</p> <p>SBL Agreement means an agreement executed between two (2) Authorised SBL Participants in accordance with the Clearing House Requirements, for the purpose of securities borrowing and/or lending as defined in Rule 608.</p> <p>total short position in relation to an approved securities means the total quantity of an approved securities short sold in accordance with Rule 704.</p>
<p>Rule 704.2</p>	<p>PERMITTED SHORT SELLING</p> <p>(1) <i>No Participating Organisation shall effect a short sale except in accordance with the provisions of this Rule 704 or as otherwise permitted under Section 41(4) of the Securities Industry Act.</i></p>	<p>Rule 704.2</p>	<p>PERMITTED SHORT SELLING</p> <p>(1) A Participating Organisation shall be permitted to execute regulated short selling provided that the same is carried out in accordance with the provisions in Rule 704 and section 41(4)(c) of the Securities Industry Act.</p> <p>(2) No Participating Organisation shall be permitted to execute regulated short selling where the client of the Participating Organisation or the person on whose behalf the client of the Participating Organisation is executing the regulated selling for, is associated with the body corporate that issued or made available the approved securities. For purposes of</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>(2) Insofar as it is not otherwise provided in this Rule 704, <i>the provisions of these Rules</i> shall apply to regulated short sales as if they were normal sales of securities.</p>		<p>Rule 704 the following interpretation shall apply to the words used herein :-</p> <p>(a) ‘client’ includes the Participating Organisation where it is executing regulated short selling for itself; and</p> <p>(b) ‘associated’ has the same meaning assigned to it under section 3 of the Securities Industry Act.</p> <p>(3) Insofar as it is not otherwise provided in this Rule 704, all other provisions in these Rules shall apply to regulated short sales as if they were normal sales of securities.</p> <p>(4) For the avoidance of doubt, the following shall apply</p> <p>(a) regulated short selling shall only be permitted for approved securities;</p> <p>(b) the Exchange shall have the discretion to declare from time to time any of the securities that meets the criteria as set out in the definition of approved securities in Rule 704.1(1) as approved securities and may thereafter declare otherwise, where the approved securities no longer meets the criteria as set out in the definition of approved securities in Rule 704.1(1) or in any other circumstances it deems fit;</p> <p>(c) the Exchange may not declare a securities as approved securities notwithstanding that it fulfils the criteria as set out in the definition of approved securities in Rule 704.1(1);and</p> <p>(d) the Exchange may with the prior approval of the Commission vary the criteria of approved securities as set out in the definition of approved securities in Rule 704.1(1).</p> <p>(5) All provisions in this Rule 704 relating to a Participating Organisation except for Rules 704.3, 704.10 and 704.11 shall equally apply to a Dealer’s Representative unless the context otherwise permits.</p>

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Rule	Existing Rule	Rule	Amended Rules
Rule 704.3	<p>PRE-REQUISITES</p> <p>(1) Guidelines:</p> <p>(a) Participating Organisations desirous of effecting regulated short selling shall formulate and submit to the Exchange a set of its Internal Guidelines for Short Selling.</p> <p>(b) <i>The Internal Guidelines for Short Selling shall contain such matters as shall be determined from time to time by the Exchange.</i></p> <p>(c) <i>Only Participating Organisations which have established Internal Guidelines for Short Selling submitted to the Exchange shall be permitted to effect regulated short sales.</i></p> <p>(2) Internal System of Supervision: Every Participating Organisation shall establish and maintain adequate internal control systems and procedures to supervise and monitor its regulated short selling activities in order to ensure strict compliance with the laws, rules and regulations relating thereto.</p>	Rule 704.3	<p>INTERNAL GUIDELINES AND SYSTEMS</p> <p>(1) Internal Guidelines:</p> <p>(a) A Participating Organisation desirous of executing regulated short selling shall formulate a set of its Internal Guidelines for Short Selling the contents of which shall include the areas set out under Schedule 10.</p> <p>(b) The Internal Guidelines for Short Selling shall be approved by the board of directors of the Participating Organisation and the Participating Organisation shall ensure that the Internal Guidelines for Short Selling is brought to the notice of, read and understood by, all relevant employees and registered persons of the Participating Organisation.</p> <p>(2) Implementation: Every Participating Organisation shall establish, implement and maintain the following:</p> <p>(a) systems and infrastructure including but not limited to front office and/or back office systems and infrastructure which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of the regulated short selling in accordance with Rule 704; and</p>

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Rule	Existing Rule	Rule	Amended Rules
			(b) all the policies, procedures, controls and all other requirements set out in the Internal Guidelines for Short Selling.
	New Rule	Rule 704.4	<p>COMMENCEMENT OF REGULATED SHORT SELLING</p> <p>(1) Participating Organisation shall only be permitted to commence with its regulated short selling activities when the following requirements are complied with:</p> <p>(a) the Participating Organisation has established Internal Guidelines for Short Selling as stipulated in Rule 704.3(1);</p> <p>(b) the Participating Organisation 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 regulated short selling in accordance with Rule 704;and</p> <p>(c) subject to Rule 704.4(2)(c), the Participating Organisation has submitted a written declaration in the form prescribed in Appendix 10 to the Exchange of its compliance with Rules 704.4(1)(a) and 704.4(1)(b) at least two (2) market days prior to the commencement of its regulated short selling activities.</p> <p>(2) Inspection and/ or Audit by the Exchange</p> <p>(a) Without prejudice to any other powers conferred on the Exchange in these Rules pertaining to the conduct of inspection and/or audit on a Participating Organisation, the Exchange may at any time and/or from time to time prior to or after the receipt of the declaration in Rule 704.4(1)(c) undertake an inspection and/or audit on a Participating Organisation’s compliance with the requirements stipulated under Rules 704.4(1)(a) and 704.4(1)(b) in the manner determined by the Exchange.</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>(b) In determining compliance with Rule 704.4(1)(b), the following shall apply:</p> <ul style="list-style-type: none"> (i) the Exchange shall be entitled to require the Participating Organisation to provide a confirmation as and in the manner determined by the Exchange, that adequate verification and assessment has been carried out to ensure that its systems and infrastructure including but not limited to front office and/or back office systems and infrastructure are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of regulated short selling in accordance with Rule 704; and (ii) the Exchange shall be entitled to rely on the confirmation provided herein. <p>(c) The Participating Organisation shall be given notice in writing by the Exchange prior to the commencement of any inspection and/or audit referred to under Rule 704.4(2)(a).</p> <p>(d) Where a notice under Rule 704.4(2)(c) has been issued to a Participating Organisation which has yet to submit the declaration under Rule 704.4(1)(c) or has submitted the declaration under Rule 704.4(1)(c) but has yet to commence with its regulated short selling activities, the Participating Organisation shall not commence with its regulated short selling activities until the following have been complied with:</p> <ul style="list-style-type: none"> (i) the inspection and/or audit referred to in Rule 704.4(2)(a) has been completed; (ii) the corrective and/or preventive measures and actions referred to in Rules 704.4(2)(e) and 704.4(2)(f) (if any) have been duly carried out and completed by the Participating Organisation; and (iii) the submission of the confirmation (if applicable) and the declaration referred to in Rule 704.4(2)(f).

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Rule	Existing Rule	Rule	Amended Rules
			<p>(e) Upon completion of the inspection and/or audit, the Exchange shall notify the Participating Organisation in writing of the findings of the inspection and/or audit which shall include but not limited to findings of any non compliances with Rules 704.4(1)(a) and 704.4(1)(b) and the corrective and/or preventive measures and actions (if any) to be taken by the Participating Organisation for the purpose of complying with Rules 704.4(1)(a) and 704.4(1)(b). The Exchange may pending the carrying out and completion of the corrective and/or preventive measures and actions (if any) by a Participating Organisation other than the Participating Organisation referred to in Rule 704.4(2)(d), suspend the carrying out of any further regulated short selling by the Participating Organisation until the corrective and/or preventive measures and actions (if any) are carried out and completed by the Participating Organisation.</p> <p>(f) Where the corrective and/or preventive measures and actions referred to in Rule 704.4(2)(e) have been duly carried out and completed, the Participating Organisation shall confirm in writing to the Exchange of the same. In relation to a Participating Organisation referred to in Rule 704.4(2)(d) which has yet to submit the declaration under Rule 704.4(1)(c), the Participating Organisation shall together with the confirmation mentioned herein submit the declaration stipulated under Rule 704.4(1)(c).</p> <p>(g) The Exchange is not precluded from exercising any of its powers under these Rules for any non compliances of these Rules found pursuant to the inspection and/or audit referred to under Rule 704.4(2)(a), notwithstanding that a Participating Organisation may have duly carried out and completed the corrective and/or preventive measures and actions referred to in Rule 704.4(2)(e) and 704.4(2)(f).</p>
	New Rule	Rule 704. 5	<p>Designated Trading Account and CDS Account</p> <p>(1) A Participating Organisation shall open a separate trading account</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>designated as ‘RSS’, in the name of the Participating Organisation where it is executing regulated short selling for itself or in the name of each client where it is executing regulated short selling for its clients (“RSS Account”).</p> <p>(2) A Participating Organisation shall ensure that all regulated short selling whether for itself or its clients are executed through the RSS Account and that the RSS Account is utilised only for regulated short selling and transactions permitted under Rule 704.5(5).</p> <p>(3) Where the Participating Organisation intends to execute regulated short selling in a Clearing Account, the Participating Organisation shall also ensure that a separate Clearing Account is opened for that purpose and shall designate that account in accordance with the provisions prescribed in R/R 18 of 2005 followed by ‘RSS’ in brackets. Any reference in these Rules to ‘RSS Account’ shall be read to include a Clearing Account opened for the purpose stipulated herein. All other provisions in R/R 18 of 2005 shall apply to a Clearing Account opened herein subject to the provisions contained herein in Rule 704.5(3) and the following:-</p> <p>(a) provisions contained in Rule 704.6(4); and</p> <p>(b) the provisions in paragraph 3.12 of R/R 18 of 2005 pertaining to transfer of securities shall not be applicable to purchases of securities made in the Clearing Account in accordance with Rule 704.5(5) and held in the CDS Account opened by the Participating Organisation in accordance with Rule 704.5(6).</p> <p>(4) A Participating Organisation shall ensure the following prior to opening a RSS Account:</p> <p>(a) where the RSS Account is to be opened in the name of a client, a copy of the Client SBL Agreement executed in the name of the client and certified by the authorised officer(s) of the Authorised SBL Participant is lodged with the Participating Organisation by the client; or</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>(b) where the RSS Account is to be opened in the name of Participating Organisation, that the Participating Organisation has executed a SBL Agreement or a Client SBL Agreement as the case may be, in its name.</p> <p>(5) A Participating Organisation shall be permitted to execute purchase of securities in the RSS Account but only for the following purposes:</p> <p>(a) to contra in full or partially any regulated short sale of an approved securities executed in the RSS account subject to the following conditions:</p> <p>(i) that the purchase is of securities falling within the same class of securities as the approved securities in relation to which the regulated short sale was executed;</p> <p>(ii) that the purchase of securities is executed at any time after the execution of any regulated short sale of an approved securities and on the same market day that the regulated short sale of that approved securities was executed;</p> <p>(iii) that the quantity of securities to be purchased at any one time on a market day shall not be more than the total quantity of the net short position of the approved securities, prior to the execution of the purchase, on that same market day;</p> <p>(iv) that in relation to the quantity of regulated short sale of an approved securities to be executed on a market day subsequent to any purchase executed to contra whether in full or partially any regulated short sale of an approved securities executed in the RSS Account on that same market day, the Participating Organisation shall ensure that the total quantity of the net short position of that approved securities and the regulated short sale to be executed on that market day shall not be more than the quantity of that approved securities borrowed in the RSS account on that market</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>day. The expression ‘approved securities borrowed in the RSS Account’ for purposes of this Rule 704.5(5)(a) means the quantity of approved securities which has been borrowed for execution of any regulated short sale in the RSS Account including the quantity of approved securities stipulated in the confirmation given by the Authorised SBL Participant to be made available for borrowing to enable settlement of any regulated short sale in the RSS Account;</p> <p>(v) the net short position in the RSS Account on a market day in relation to an approved securities shall not be more than the quantity of that approved securities borrowed in the RSS Account; and</p> <p>(vi) that any quantity of an approved securities borrowed in the RSS Account for the purpose of settlement of any regulated short sale executed on a market day in the RSS Account but not utilised as a result of contra executed in accordance with provisions herein, may be utilised for execution of any regulated short sale on subsequent market day(s) provided that the approved securities borrowed in the RSS Account is still available to enable settlement of the subsequent regulated short sale, or</p> <p>(b) for redelivery of securities arising from any borrowing of approved securities under an SBL Agreement or Client SBL Agreement.</p> <p>(6) A Participating Organisation shall open a separate CDS Account for each trading account opened pursuant to Rule 704. 5(1) and Rule 704. 5(3). The CDS Account shall be designated in accordance with the Depository Rules and/or any directives issued by the Depository. A Participating Organisation shall only utilise the CDS Account opened herein for the following purposes only:</p> <p>(a) settlement of regulated short selling;</p> <p>(b) settlement of purchases as permitted under Rule 704. 5(5); or</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>(c) to hold securities for purposes of subsequent redelivery of the securities arising from the borrowing of approved securities under a SBL Agreement or Client SBL Agreement.</p> <p>(7) Where a Participating Organisation executes a purchase of securities in the RSS Account other than for the purposes stipulated in Rule 704.5(5) by reason of mistake, the Participating Organisation shall be permitted to subsequently sell the securities so purchased subject to the following conditions:</p> <p>(a) the Executive Director Dealing shall report to the Exchange of the sale made herein not later than the end of the next market day from the date of the sale; and</p> <p>(b) the Executive Director Dealing shall together with the report provide an explanation as to the cause of the mistake.</p> <p>(8) Where the Exchange is not satisfied that the purchase of securities as stipulated in Rule 704.5(7), arose from a mistake made by the Participating Organisation or where the mistake was caused by reason of a breach of Rule 704.3(2,) the Exchange reserves its rights to take action against the Participating Organisation for a breach of Rule 704.5(5).</p>
Rule 704.5	<p>NOTIFICATION</p> <p>(1) A Participating Organisation upon receiving any request from a client to effect a sell order/transaction shall enquire from the same client whether the intended sale is a regulated short sale (pursuant to this Rule 704).</p>		Deleted

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Rule	Existing Rule	Rule	Amended Rules
	(2) A regulated short sale shall be stipulated as such on the contract note issued by the Participating Organisation to the seller.		
Rule 704.6	<p>EXECUTION</p> <p>(1) <i>Before a Participating Organisation executes a regulated short sale on behalf of a client, it must ensure that the said client has made prior arrangement with a Participating Organisation approved by the Commission to participate in securities borrowing and lending to borrow the approved class of securities to be short sold and has executed an agreement relating thereto. The Participating Organisation executing the short sale must ensure that the aforesaid agreement is certified true copy by the other Participating Organisation’s director or company secretary and satisfy itself that all conditions precedent stipulated in the said agreement have been fulfilled.</i></p>	Rule 704.6	<p>EXECUTION</p> <p>(1) A Participating Organisation upon receiving any request from a client to effect a sell order/transaction shall enquire from the same client whether the intended sale is a regulated short sale. Where the client confirms that the sale is a regulated short sale, the Participating Organisation shall comply with the provisions in Rule 704.6(2) for the execution of the sell order.</p> <p>(2) A Participating Organisation shall ensure that the following conditions are complied with prior to executing an order for a regulated short sale whether for itself or a client:</p> <p>(a) where the order is executed for the Participating Organisation itself, the Participating Organisation has borrowed the approved securities to be short sold from an Authorised SBL Participant or has obtained a confirmation from the Authorised SBL Participant that the approved securities to be short sold are available for borrowing to settle the sale;</p> <p>(b) where the order is for a client, confirmation from the client, that the client has borrowed the approved securities to be short sold from an Authorised SBL Participant or that the client has obtained a confirmation from an Authorised SBL Participant that the approved securities to be short sold are available for borrowing to settle the sale;</p> <p>(c) confirmation from the client, that the client or if the client is acting on behalf of another person, the person for whom the client is acting for,</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>(2) <i>A Participating Organisation shall only execute a regulated short sale if the order price of the approved securities is NOT lower than its Last Done Price, as defined under Rule 701.1.</i></p> <p>(3) <i>Regulated short sale shall only be executed through ATS. No regulated short sale by way of Direct Business is permitted in any situation whatsoever.</i></p> <p>(4) No regulated short sales shall be made in any of the following circumstances -</p> <p>(a) during the period of twenty-one (21) days immediately following a takeover announcement involving the Issuer of an approved securities;</p>		<p>is not associated with the body corporate that issued or made available the approved securities in relation to which the order for short sale is to be executed. Where the order is executed for the Participating Organisation itself, the Participating Organisation shall ensure that it is not associated with the body corporate mentioned herein. “Associated” shall have the same meaning as is assigned to it under Rule 704.2(2)(b);</p> <p>(d) the order price of the approved securities to be entered into the ATS is higher than the Last Done Price of the approved securities prior to the intended entry of the above order. Last Done Price has the meaning assigned to that expression under Rule 701.1; and</p> <p>(e) the order shall be entered into ATS through the screen designated in the ATS for regulated short sale.</p> <p>(3) No Participating Organisation shall execute any regulated short sale by way of Direct Business in any situation whatsoever.</p> <p>(4) All orders for regulated short sale in a Clearing Account shall be executed on the same market day that the client has instructed for the order to be executed. No Participating Organisation shall be permitted to carry forward any execution of an order for a regulated short sale in a Clearing Account to the next market day from the date of the above instruction notwithstanding that the order remains unexecuted whether fully or partially.</p> <p>(5) 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 Rules 704.6 (2)(a), (b) and (c) are complied with. The documents shall be either in writing, tape recording or electronic form.</p> <p>(6) Executive Director of Dealing or the Head of Dealing shall be responsible to ensure that the relevant reports are reviewed for the purpose of ensuring that no regulated short sale are executed in ATS through a</p>

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Rule	Existing Rule	Rule	Amended Rules
	(b) during the period where the approved securities has been declared, and remains, as Designated Securities under Rule 604.		<p>screen other than the screen designated in the ATS for regulated short sale. Where upon the above review it is found that any regulated short sale has been executed not through the screen designated in the ATS for regulated short sale, the Executive Director Dealing or the Head of Dealing shall report the same by the next market day to the Exchange.</p> <p>(7) A Compliance Officer shall also ensure that the relevant reports as stipulated under Rule 704.6 (6) are reviewed for the purpose mentioned therein. Where the Compliance Officer detects of any regulated short sale executed not through the screen designated in the ATS for regulated short sale, the Compliance Officer shall ensure that same is reported to the Exchange pursuant to Rule 309.8(4).</p> <p>(8) No regulated short sale shall be executed by a Participating Organisation in any of the following circumstances -</p> <p>(a) during the period of twenty-one (21) days immediately following a takeover announcement involving the Issuer of an approved securities; or</p> <p>(b) when expressly directed by the Exchange, during the period where the approved securities has been declared, and remains, as Designated Securities under Rule 604 .</p>
Rule 704.5(2)	<i>A regulated short sale shall be stipulated as such on the contract note issued by the Participating Organisation to the seller.</i>	Rule 704.7	<p>CONTRACT NOTE FOR REGULATED SHORT SALE</p> <p>A Participating Organisation shall upon execution of a regulated short sale stipulate on the contract note issued by the Participating Organisation to the client, that the sale is a regulated short sale.</p>
	New Rule	Rule 704.8	<p>PROHIBITION ON AMENDMENTS OF CONTRACTS</p> <p>(1) Notwithstanding Rules 601.2(3), 601.2(4) and 601.2(5), no Participating Organisation shall be permitted to effect any amendments of contract from a trading account and/or a CDS account opened not under Rule 704.5</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>to a trading account and/or CDS Account opened under Rule 704.5.</p> <p>(2) An Executive Director Dealing or the Head of Dealing shall be responsible to ensure that proper systems and procedures for review and monitoring are in place to ensure that all amendments of contracts made in accordance with Rules 601.2(3), 601.2(4) and 601.2(5) are not in breach of Rule 704.8(1). In the event of a breach thereof the Executive Director Dealing or the Head of Dealing shall report the breach to the Exchange by the next market day after the amendments were made.</p>
Rule 704.7	<p>DELIVERY AND SETTLEMENT</p> <p>(1) The Rules relating to delivery and settlement under Chapter 8 shall apply to regulated short sales in the same manner as they apply to normal sales.</p> <p>(2) Failure by the seller in a regulated 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, <i>the Exchange</i> shall automatically institute a buying-in against the Participating Organisation concerned without giving a buying-in notice.</p>	Rule 704.9	<p>DELIVERY AND SETTLEMENT</p> <p>(1) The Rules relating to delivery and settlement under Chapter 8 shall apply to regulated short sales in the same manner as they apply to normal sales.</p> <p>(2) Failure by the seller in a regulated 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 upon instructions of the Clearing House shall automatically institute a buying-in against the Participating Organisation concerned without giving a buying-in notice.</p>
Rule 704.4	<p>CONTROL OF REGULATED SHORT SELLING</p> <p>(1) Participating Organisations shall report to the Exchange <i>daily</i>, in <i>such</i> format</p>	Rule 704.10	<p>REPORTING BY PARTICIPATING ORGANISATION</p> <p>(1) Participating Organisations shall report to the Exchange daily or in such other frequency as may be determined by the Exchange, in the format prescribed by the Exchange, the net short position and/or any other</p>

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Rule	Existing Rule	Rule	Amended Rules
	<p>prescribed by the Exchange <i>from time to time</i>, the net position of regulated short sales of approved securities. For the purposes of this Rule 704.4, the expression "net position" in relation to any approved securities means the short sold position of the approved securities which have yet to be closed off by subsequent purchases.</p> <p>(2) Where the net short sold position of an approved class of securities exceeds an amount which the Exchange determines to be either -</p> <p>(a) undesirable to public interest; or</p> <p>(b) detrimental to the approved class of securities;</p> <p>the Exchange may, at its entire discretion, suspend any further short selling of that approved class of securities for any period.</p>		<p>information in relation to the net short position as may be required by the Exchange from time to time.</p>
		<p>Rule 704.11</p>	<p>REPORTING BY COMPLIANCE OFFICER</p> <p>(1) The Executive Director Compliance or the Head of Compliance or in the case of Non Universal Brokers the Compliance Officer or where there is more than one Compliance Officer, the Compliance Officer that is heading the compliance functions, shall ensure that the report submitted pursuant to Rule 309.8(4) shall address the following areas in relation to regulated short selling :</p> <p>(a) inaccuracies and errors in relation to any reports submitted by the</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>Participating Organisation pursuant to this Rule or any directives, rulings and guidelines issued by the Exchange;</p> <p>(b) non compliances with any requirements stipulated in the Internal Guidelines for Short Selling;</p> <p>(c) execution of any regulated short sale through a screen in the ATS other than the screen designated for regulated short sale;</p> <p>(d) the CDS Account utilised for the settlement of any regulated short sales other than the CDS Account stipulated in Rule 704.5;</p> <p>(e) sale of securities executed pursuant to Rule 704.5(7);</p> <p>(f) amendments to contracts in breach of Rule 704.8; and</p> <p>(g) any other breaches in relation to Rule 704.</p>
Rule 704.8	<p>REGULATED SHORT SALE BY PARTICIPATING ORGANISATION</p> <p>(1) A regulated short sale effected by a Participating Organisation whether as a principal or agent shall be deemed to be a liability of the Participating Organisation concerned equal to the amount of the contract price or the market price of the approved securities short sold, whichever is higher.</p>		Deleted.
	New Rule	Rule 704.12	<p>LIMIT FOR REGULATED SHORT SELLING</p> <p>(1) Without prejudice to Rule 704.13, the Exchange shall commence</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>suspension of any order entry into the ATS for any further regulated short selling of an approved securities, in the following circumstances:</p> <p>(a) where the total short position of the shares of an Issuer, on a particular market day is at ten percentum (10%) of the outstanding shares of the Issuer on that market day. Outstanding shares means the total quantity of shares held by the shareholders of the Issuer including shares held by the Issuer pursuant to a share buy back scheme as provided for in the Listing Requirements; and/or</p> <p>(b) where the quantity of the total short position of a class of securities other than shares of an Issuer (“securities”) on a particular market day is at ten percentum (10%) of the quantity of the outstanding securities on that market day. Outstanding securities means the total quantity of securities held by the holders of the securities.</p> <p>(2) The suspension referred to in Rule 704.12(1) shall be for a period of four (4) market days from the date of suspension.</p> <p>(3) Where a suspension on regulated short selling is imposed on the shares of an Issuer pursuant to Rule 704.12(1)(a), the suspension thereof shall also apply to the following:</p> <p>(a) all securities referred to in Rule 704.12(1)(b) notwithstanding the total short position of the securities is not in breach of the limit referred to Rule 704.12(1)(b); and</p> <p>(b) all securities issued by any Issuer where the underlying instrument of the securities issued, comprise solely the shares of an Issuer in relation to which suspension under Rule 704.12(1)(a) has been imposed.</p> <p>(4) Where the shares or securities referred to under Rule 704.12(1)(a) and Rule 704.12(1)(b) respectively falls within the class of Eligible Securities, the following shall apply:</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>(a) the suspension referred to in Rule 704.12(1)(a), Rule 704.12(1)(b) and Rule 704.12(2) shall include suspension on the short selling of the Eligible Securities; and</p> <p>(b) the ‘securities’ referred to in Rule 704.12(3) shall be read to include Eligible Securities and the suspension referred to therein shall be applicable to the short selling of that Eligible Securities.</p>
Rule 704.9	<p>POWER OF THE EXCHANGE</p> <p>The Exchange may, in consultation with the Commission –</p> <p>(a) declare any securities admitted to the Official List as approved securities for purposes of this Rule 704;</p> <p>(b) either vary the Rules or prescribe additional rules relating to regulated short selling.</p>		Deleted
	New Rule	Rule 704.13	<p>ACTION BY THE EXCHANGE</p> <p>(1) Without prejudice to any other powers of the Exchange contained in the Securities Industry Act, this Rule 704, 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 704.13(2) in the manner stipulated therein against a Participating Organisation, its registered persons and clients and/or in relation to any or all approved securities:</p> <p>(a) where there is a breach or likelihood of breach of any provisions in Rule 704; or</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>(b) where the execution of a regulated short sale may lead or likely to lead to the commission of any of the offences under the Securities Industry Act.</p> <p>(2) Pursuant to Rule 704.13(1) the following actions may be taken by the Exchange in relation to any or all approved securities and/or against any or all Participating Organisations, registered persons and clients in the manner and for the period determined by the Exchange :</p> <p>(a) suspension and/or cessation of further regulated short selling by the Participating Organisation and/or registered persons whether for itself or any or all of its clients;</p> <p>(b) imposition of limits on the net short positions or total short positions that may be held by the Participating Organisation and/or registered persons whether for itself or any or all of its clients; or</p> <p>(c) imposition of restrictions or conditions on regulated short selling carried out by the Participating Organisation and/or registered persons whether for itself or any or all of its clients.</p>
	New Rule	Rule 704.14 .	<p>EFFECT OF ACTION TAKEN</p> <p>(1) In the event that the Exchange undertakes any of the actions under 704.13 against a Participating Organisation, registered persons or the client of the Participating Organisation, such actions shall also be applicable to any person who is the proxy, agent, nominee or acting in concert with that Participating Organisation, registered persons or that particular client of the Participating Organisation as the case may be.</p> <p>(2) Where an action has been taken under Rule 704.13, a Participating Organisation and / or registered person, may make representations to the Exchange for the discontinuance of the action taken. The Exchange may</p>

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Rule	Existing Rule	Rule	Amended Rules
			<p>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 704.13 in the first place.</p> <p>(3) The provisions in Rule 1303 shall not apply to any action taken under Rule 704. 13.</p>
	<p>New Schedule</p>	<p>Schedule 10</p>	<p align="center">SCHEDULE 10 [Chapter 7]</p> <p>SCHEDULE 10 (Chapter 7) [Rule 704.3(1)(a)] INTERNAL GUIDELINES FOR SHORT SELLING</p> <ol style="list-style-type: none"> 1. Criteria to assess the suitability of client in carrying out regulated short selling prior to the opening of RSS Account and on an ongoing basis; 2. The authority matrix in relation to the approval process within the Participating Organisation for the carrying out of regulated short selling by the clients and/or the Participating Organisation; 3. The list of approved securities for which the Participating Organisation will not allow for regulated short selling (if any); 4. Procedures on amendments of orders and amendments of contracts for regulated short selling, including the supervision, monitoring and approval request for the amendments; 5. Relevant documentation in relation to the carrying out of regulated short selling which includes but not limited to the account opening form and documentation required pursuant to Rule 704.6; 6. Risk management policies and procedures which addresses the market risk, operational risk , credit risk and regulatory risk in relation to the conduct of

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Rule	Existing Rule	Rule	Amended Rules
			<p>regulated short selling including but not limited to limits in terms of volume and value prescribed for the carrying out of regulated short selling by each client and/or the Participating Organisation; and</p> <p>7. The carrying out of review in relation to the requirements and controls set out in the Internal Guidelines for Short Selling and compliance with the laws and rules relating to regulated short selling.</p>
	<p>New Appendix</p>	<p>Appendix 10</p>	<p align="center">APPENDIX 10-DECLARATION ON COMPLIANCE [RULE 608.4(1)(d) and 704.4(1)(c)]</p> <p>To: Bursa Malaysia Securities Berhad</p> <p align="center">DECLARATION ON COMPLIANCE</p> <p>Pursuant to the requirements of Rule 608.4(1)(d) and Rule 704.4(1)(c), we [name of Participating Organisation] hereby declare as follows:</p> <ol style="list-style-type: none"> 1. that we have formulated a set of Internal Guidelines for Securities Borrowing and Lending and the Internal Guidelines for Short Selling which have been approved by the board of directors; 2. the Internal Guidelines for Securities Borrowing and Lending and the Internal Guidelines for Short Selling have been brought to the notice of the relevant employees and registered persons who have read and understood the contents therein; 3. that the Internal Guidelines for Securities Borrowing and Lending and the Internal Guidelines for Short Selling comply with the requirements set out in Rule 608.3 and Rule 704.3 respectively; 4. 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

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Rule	Existing Rule	Rule	Amended Rules
			<p>operational and have all the functionalities, requirements and controls in place for the purpose of carrying out securities borrowing and lending activities and regulated short selling activities in accordance with these Rules; and</p> <p>5. that the Effective Shareholders’ Funds is not less than Ringgit Malaysia Fifty (50) Million as at the date of the declaration herein for the purpose of undertaking securities borrowing and/or lending activities pursuant to Rule 608.</p> <p>Dated this [] day of [] [year].</p> <p>Signed : [Executive Director Operations or Head of Operations] Date :</p> <p>Signed : [Executive Director Compliance or Head of Compliance/Compliance Officer] Date :</p>

RSS APPROVED SECURITIES		
NO.	STOCK CODE	STOCK NAME
1	5185	AFFIN HOLDINGS BHD
2	5099	AIRASIA BHD
3	2288	AMINVESTMENT GROUP BHD
4	1015	AMMB HOLDINGS BHD
5	2291	ASIATIC DEVELOPMENT BHD
6	5076	ASTRO ALL ASIA NETWORKS PLC
7	1562	BERJAYA SPORTS TOTO BHD
8	1023	BUMIPUTRA-COMMERCE HOLDINGS BHD
9	1818	BURSA MALAYSIA BHD
10	7277	DIALOG GROUP BHD
11	6947	DIGI.COM BHD
12	1619	DRB-HICOM BHD
13	2143	ECM LIBRA AVENUE BHD
14	5266	EON CAPITAL BHD
15	5398	GAMUDA BHD
16	3182	GENTING BHD
17	1503	GUOCOLAND (MALAYSIA) BHD
18	5819	HONG LEONG BANK BHD
19	1597	IGB CORPORATION BHD
20	3336	IJM CORPORATION BHD
21	2216	IJM PLANTATIONS BHD
22	1961	IOI CORPORATION BHD
23	5089	KLCC PROPERTY HOLDINGS BHD
24	2445	KUALA LUMPUR KEPONG BHD
25	5097	KURNIA ASIA BHD
26	3794	LAFARGE MALAYAN CEMENT BHD
27	1643	LANDMARKS BHD
28	3581	LION CORPORATION BHD
29	2887	LION DIVERSIFIED HOLDINGS BHD
30	4235	LION INDUSTRIES CORPORATION BHD
31	3735	MAGNUM CORPORATION BHD
32	1155	MALAYAN BANKING BHD
33	5077	MALAYSIAN BULK CARRIERS BHD
34	2488	MALAYSIAN PLANTATIONS BHD
35	1651	MALAYSIAN RESOURCES CORPORATION BHD
36	5051	MAXIS COMMUNICATIONS BHD
37	4502	MEDIA PRIMA BHD
38	3816	MISC BHD (incl. Misc-F)
39	8893	MK LAND HOLDINGS BHD
40	3905	MULPHA INTERNATIONAL BHD
41	5053	OSK HOLDINGS BHD
42	6866	PADIBERAS NASIONAL BHD
43	5052	PLUS EXPRESSWAYS BHD
44	4634	POS MALAYSIA & SERVICES HOLDINGS BHD
45	4065	PPB GROUP BHD
46	5304	PROTON HOLDINGS BHD
47	1295	PUBLIC BANK BHD (incl. Public Bank-F)
48	6807	PUNCAK NIAGA HOLDINGS BHD
49	5030	RANHILL BHD
50	1309	RASHID HUSSAIN BHD
51	4715	RESORTS WORLD BHD
52	1066	RHB CAPITAL BHD
53	8575	SAPURACREST PETROLEUM BHD
54	7045	SCOMI MARINE BHD
55	4324	SHELL REFINING CO (F.O.M.) BHD

APPROVED SECURITIES FOR RSS		
NO.	STOCK CODE	STOCK NAME
56	8664	SP SETIA BHD
57	6165	SUNRISE BHD
58	4898	TA ENTERPRISE BHD
59	4863	TELEKOM MALAYSIA BHD
60	5347	TENAGA NASIONAL BHD
61	5031	TIME DOTCOM BHD
62	5103	TITAN CHEMICALS CORP. BHD
63	4855	UEM BUILDERS BHD
64	1775	UEM WORLD BHD
65	4588	UMW HOLDINGS BHD
66	5005	UNISEM (M) BHD
67	6831	UTAMA BANKING GROUP BHD
68	5142	WAH SEONG CORPORATION BHD
69	4677	YTL CORPORATION BHD
70	6742	YTL POWER INTERNATIONAL BHD

Example 1**Clarification in relation to application and operation of condition set out in Rule 704.5(5)**

						Remarks
		SBL	100			
Transaction Date	Transaction Sequence	Type of Trade (1)	Quantity (unit) (2)	Transaction Positions		
				Net Short (units) (S-B) (3)	Long (units) (4)	
T	1	S	100	100	0	
	2	B	100	0	0	PO is permitted to execute a purchase of securities in the RSS account at any time after the execution of any RSS of an approved securities on the same market day [Rule 704.5 (a) (ii)]
	3	S	100	100	0	Subsequent RSS of 100 is permitted because the net short position prior to the RSS transaction is 0 and there is a borrow of 100. [Rule 704.5(5)(a)(iv)]
	4	B	80	20	0	This purchase is permitted because it is within the net short position of 100. [Rule 704.5(5)(a)(iii)]
	5	S	80	100	0	PO must ensure that the total RSS executed at any one time shall not exceed the amount of borrows, i.e. PO cannot do an RSS of 100 notwithstanding a borrow of 100 at this point because the net short position plus the subsequent RSS cannot be greater than the borrow of 100. [Rule 704.5(5)(a)(iv)]
	6	B	140	0	40	The purchase of 40 is an over-purchase as Rule 704.5(5)(a)(iii) limits purchases to not more than the total quantity of net short position.
T+1	7	S	100	100	40	<ol style="list-style-type: none"> T+1 short is permitted provided the SBL of 100 on T is still valid [Rule 704.5(5)(a)(vi)] The RSS of 100 must be reported as a net short of 100 and not a net short of 60 because the 40 is an over-purchase which should be reported under the long position.

Example 2

Options for Squaring-off Over-Purchase Positions

						Remarks
		SBL	100			
Transaction Date	Transaction Sequence	Type of Trade (1)	Quantity (unit) (2)	Transaction Positions		
				Net Short (units) (S-B) (3)	Long (units) (4)	
T	1	S	100	100	0	
	2	B	100	0	0	
	3	S	100	100	0	
	4	B	80	20	0	
	5	S	80	100	0	
	6	B	140	0	40	
	7	S	60	60	40	The purchase of 40 is an over-purchase as Rule 704.5(5)(a)(iii) limits purchases to not more than the total quantity of net short position. Option 1 Amend to normal a/c; or if PO forgot to amend, go to Option 2;
T+3	7(a)	S Or	40	40	40	Option 2 The total securities balance on T+3 will be 80 (i.e. 40 long + balance of 40 from borrowing) Client can do an RSS trade for 40, leaving a long position of 40 for partial return of the borrowing (i.e. 80-40); or
	7(b)	S	40	40	0	Option 3 Sell the over-purchase of 40 which is reportable by the PO as part of the sell is to square-off the over-purchase of 40[(Rule 704.5(7))]

S= Sell B = Buy

Example 3

Computation of Net Short (by Broker) of stock 1818 for reporting purposes

Trades:

Record no	Stock No.	Matched Qty	Trx_type	Buyer CDS	Seller CDS
1	1818	1000	06	1111	2222
2	2323	2000	06	3333	4444
3	1818	3000	06	5555	6666
4	1818	4000	00	2222	7777
5	1818	5000	06	6666	9999
6	1818	6000	06	8888	0000

Net Short for RSS stock 1818:

Seller CDS	Short Sell	Buy Back	Net Short	Value
2222	1000	4000	0	xxx
6666	3000	5000	0	xxx
9999	5000	0	5000	xxx
0000	6000	0	6000	xxx
		Total	11,000	xxx

FAQs on Regulated Short Selling (RSS)

1. Are all securities eligible for short-selling?

No, only selected securities which qualify as Approved Securities are eligible for RSS activities.

2. What are the Approved Securities for RSS?

The Approved Securities for the re-introduction of RSS consists of 70 stocks on the main board based on the criteria set.

3. Will this list of Approved Securities change?

Yes, the list of Approved Securities will be reviewed approximately every 6 months ie. in June and December.

4. What are the criteria for the selection of RSS Approved Securities?

Securities which must satisfy all the following criteria:

- Average daily market capitalization of more than RM500 million for the past 3 months;
- At least 50 million shares in public float;
- Average monthly volume traded of more than 1 million units for the past 12 calendar months.

However, Bursa may not declare a securities as Approved Securities notwithstanding that it fulfils the criteria above.

5. Will the criteria for the selection of RSS Approved Securities change from time to time?

The criteria may be reviewed but any changes will be notified via circulars.

6. What are the new features of RSS?

There are 3 new features: (i) the Uptick Rule whereby RSS orders can only be keyed-in at a price greater than the last traded price; (ii) RSS orders must be executed through designated RSS Trading Accounts, and (iii) gross short transactions is limited to 10% of the total number of listed shares of a particular Approved Securities. RSS activities will be suspended for 4 trading days from the day the limit is reached.

7. Can RSS be executed in a Clearing Account?

Yes, provided the following conditions are complied with:

- (i) a separate Clearing Account is opened for solely for RSS purposes;

- (ii) comply with provisions prescribed in RR18 of 2005 followed by "RSS" in brackets;
- (iii) no carry forward of any execution of an order for RSS to the next market day from date of order notwithstanding that the order may be unexecuted either fully or partially; and
- (iv) no outward transfers of purchases from the Clearing Account.

8. What happens when the 10% limit is reached?

RSS activities for a particular Approved Security for RSS will be suspended for 4 market days from the day the limit is reached. Normal trades for the particular security will continue.

9. What happens to orders already entered prior to the above suspension?

Orders already entered will be matched in full unless withdrawn by the broker. The 10% limit is a trigger point to commence action to suspend RSS activities.

10. Where can I find the information on the percentage of ‘gross short transactions’?

The BFE will display the percentage of the ‘gross short transactions’ on a real-time basis in the short sell column of each RSS Approved Security and also in the ‘stock scoreboard’ in BFE.

11. What do investors need to do if they are interested to short-sell any of the RSS Approved Securities?

Investors interested to short-sell any of the RSS Approved Securities would need to open a designated RSS trading account with their brokers. All trades have to be executed via this designated RSS trading account. Before any short-selling orders can be executed, investors must provide a confirmation to the broker (i) that they are not an associate pursuant to section 3 of the Securities Industry Act 1983, and (ii) that have borrowed the RSS Approved Securities or have procured confirmation from an Authorised SBL Participant that the RSS Approved Securities are available for borrowing.

12. POs have the obligation to obtain confirmation from the client as stated under Question 9 . Would a verbal confirmation be sufficient?

Yes, verbal confirmation is permitted provided that the verbal confirmation is taped. Therefore, if a Participating Organisation allows verbal confirmation, it must put in place phone taping system to record such verbal confirmation

13. Can an investor borrow securities and do RSS at different POs?

No.

14. Will the RSS screen accept a sell order using a non-RSS trading account?

No.

15. Are purchases allowed in an RSS Trading account

Yes, purchases are allowed in an RSS Trading account provided it is executed after the execution of any RSS of an approved securities for the following purposes:

- (i) for a contra either in full or partially, the RSS trade provided such contra is executed on the same market day of the RSS of an approved security;
- (ii) for the return of the borrowed securities.

Purchases shall not exceed the total amount of net short positions of the approved securities on a market day.

16. Can a client sell overbought securities in the RSS account?

Yes, provided the overbought position of the securities arose from a mistake and the sale is subsequently reported by the Executive Director Dealing to the Exchange with explanation on how the mistake arose .

17. Can a trade on a non-RSS account be amended to a RSS account?

No, this is prohibited by the rules and the BFE.

18. Can a trade on using a RSS account be amended to a non-RSS account?

Yes.

19. Would POs have to still upload the TSHTSELL file to the Exchange?

No, POs will no longer have to upload the said file to the Exchange.

20. What action can be taken by the Exchange if there is a breach of any of the rules on RSS or where the Exchange suspects that the RSS is used for manipulative activities?

The Exchange amongst others will be able to suspend or restrict the short selling activities carried out by the Participating Organisation whether for itself or its clients immediately.

*** END ***