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**QUESTIONS AND ANSWERS IN RELATION TO  
BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS  
RELATING TO CALLABLE BULL/BEAR CERTIFICATES**

(Issued on 31 May 2010)

**CHAPTER 5 - STRUCTURED WARRANTS**

***Callable Bull/Bear Certificate ("CBBC")***

- 1. Does a CBBC issuer have to comply with the same obligation as a structured warrant issuer?**

Unless otherwise provided in the Main LR, an issuer of CBBC must comply with all the requirements in the Main LR which are applicable to an issuer of structured warrants.

- 2. Issuer A intends to issue 100 million callable bear certificates on 1 June 2010. The callable bear certificates issued will be based on PLC X's shares listed on Bursa Securities. In what situation can Issuer A issue the callable bear certificates?**

Pursuant to paragraph 5.06(a) of the Main LR, Issuer A may only issue the callable bear certificates if the shares are part of the Approved Securities as defined in Rule 704.1 of the Rules of Bursa Securities ("**Approved Securities**").

- 3. What are considered as "Approved Securities"?**

Pursuant to paragraph 5.02 of the Main LR, "Approved Securities" has the meaning given in Rule 704.1 of the Rules of Bursa Securities. The list of the "Approved Securities" may be obtained at Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

- 4. If the underlying financial instrument of a callable bear certificate is an exchange-traded fund, must the issuer issue the callable bear certificates together with the callable bull certificates?**

No, the issuer need not issue the callable bear certificates together with any callable bull certificates if the underlying financial instrument is -

- (a) an exchange-traded fund;
- (b) an index; or
- (c) Approved Securities.

- 5. On 1 June 2010, Issuer A issues 100 million of callable bull certificates based on PLC X's shares listed on Bursa Securities. The certificates have the following features:**

**Call Price : RM1.50  
Exercise Price : RM1.00  
Expiry Date : 30 Dec 2010**

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On 2 August 2010, the transacted prices of PLC X's shares as at 10.30 a.m. are as follows:

Time (a.m.)	Transacted Price (RM)
9.00	1.60
9.20	1.70
9.30	1.40
10.00	1.70
10.30	1.50

(a) When does the MCE<sup>1</sup> for the callable bull certificates occur?

The MCE for the callable bull certificates occurs at 9.30 a.m. on 2 August 2010, when the transacted price is RM1.40, which is below the call price.

(b) What happens to the callable bull certificate when a MCE occurs?

When a MCE occurs, the certificates will be called and terminated by Issuer A immediately.

**6. Settlement of CBCs where the call price is different from the exercise price**

This Question is based on the same facts as Question 5 above. For the purpose of this Question, it is assumed that the next trading session after the MCE occurs at 9.30 a.m. contains at least 1 hour of continuous trading for PLC X's shares as defined in paragraph 5.25A(2) of the Main LR.

(a) Assuming the traded prices of PLC X's shares during the various trading phases on 2 August 2010 are as follows:

No	Trading Phase	Time	Traded Price of PLC X's Shares (RM)
1	Opening	9.00 a.m.	2.00
2	Continuous Trading	9.30 a.m.	1.40
		10.00 a.m.	1.70
		10.30 a.m.	1.50
		11.30 a.m.	1.60
		12.30 p.m.	1.30
<b>Lunch</b>			
3	Opening	2.30 p.m.	0.90
4	Continuous Trading	3.00 p.m.	1.20
		3.30 p.m.	1.35
		4.00 p.m.	1.40
5	Closing	4.50 p.m.	0.90

<sup>1</sup> "MCE" or "mandatory call event" is defined in paragraph 5.02 as the first occurrence at any time before the certificate's expiry date where the transacted price of the underlying financial instrument is –

- (a) at or below (in respect of a callable bull certificate); or  
(b) at or above (in respect of a callable bear certificate)

the call price and upon which the callable bull/bear certificate will be called by the issuer.

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**Are the callable bull certificate holders in this case entitled to receive a cash amount upon the MCE?**

Yes. Pursuant to paragraphs 5.25A(1)(b)(i) and 5.25A(2)(a) of the Main LR, where the call price of a callable bull certificate is different from the exercise price, the certificate holders will receive a cash amount if the lowest traded price transacted during the Main Trading Phase of an underlying financial instrument from the MCE up to the end of the next trading session, is above the exercise price.

In this case, MCE occurs at 9.30 a.m. The lowest traded price transacted during the Main Trading Phase\*\* of PLC X's shares from the MCE (9.30 a.m.) up to the end of the afternoon trading session, is higher than the exercise price of RM1.00.

As such, the callable bull certificate holders in this case are entitled to receive a cash amount upon the MCE.

*\*\*For the purpose of the lowest traded price during the Main Trading Phase, the opening and closing prices are not taken into account. As such, the opening and closing prices of RM0.90 which is lower than the exercise price of RM1.00 is not taken into account. Instead, RM1.20 which is the lowest traded price during the continuous trading phases is regarded as the lowest traded price for settlement purpose.*

Note: The requirement that only the lowest/highest traded price that occurs during the "Main Trading Phase" can be taken into account in computing the settlement price of a CBBC, is only applicable when the underlying financial instrument is shares or exchange-traded funds listed on the Exchange.

- (b) **This Question is independent from Question (a) above. Assuming the traded prices of PLC X's shares during the various trading phases on 2 August 2010 are as follows:**

No	Trading Phase		Traded Price of PLC X's Shares (RM)
1	Opening	9.00 a.m.	2.00
2	Continuous Trading	9.30 a.m.	1.40
		10.00 a.m.	1.70
		10.30 a.m.	1.50
		11.30 a.m.	1.60
		12.30 p.m.	1.30
<b>Lunch</b>			
3	Opening	2.30 p.m.	1.10
4	Continuous Trading	3.00 p.m.	0.90
		3.30 p.m.	1.20
		4.00 p.m.	1.30
5	Closing	4.50 p.m.	0.90

**Are the callable bull certificate holders in this case entitled to receive a cash amount upon the MCE?**

No. As explained in (a) above, pursuant to paragraph 5.25A(1)(b)(i) of the Main LR, the callable bull certificate holders will only receive a cash amount if the lowest traded price transacted during the Main Trading Phase of PLC X's shares from the MCE up to the end of the next trading session, is above the exercise price.

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In this case, the MCE occurs at 9.30 a.m. The lowest traded price transacted during the Main Trading Phase of PLC X's shares from the MCE (9.30 a.m.) up to the end of the afternoon trading session (excluding the opening and closing prices), is RM0.90 which occurs during the continuous trading at 3.00 p.m. RM0.90 is below the exercise price of RM1.00.

As such, the callable bull certificate holders in this case are not entitled to receive a cash amount upon the MCE.

- 7. On 1 June 2010, Issuer B issues 100 million of callable bull certificates based on PLC X's shares listed on Bursa Securities. The certificates have the following call and exercise price:**

**Call Price : RM1.00  
Exercise Price : RM1.00**

**Will the callable bull certificate holders receive any cash amount if a MCE occurs?**

No. As stipulated in paragraph 5.25A(1)(a) of the Main LR, where the call price of a CBBC is equal to its exercise price, the certificate holder will not receive any cash amount if a MCE occurs.

- 8. If a MCE occurs, paragraph 5.41A(2)(c) of the Main LR requires a CBBC issuer to announce the date when the CBBC will be de-listed by Bursa Securities. When will the CBBC be de-listed if a MCE occurs?**

The CBBC will be de-listed from the Official List on the 4<sup>th</sup> market day after the MCE occurs.

- 9. If a MCE occurs, will the CBBC be terminated at the time when the trading of the CBBC is suspended or when the MCE occurs?**

Pursuant to paragraph 5.17A(1) of the Main LR, if a MCE occurs, a CBBC will be terminated at the time when its trading is suspended.

Example

If a MCE occurs at 10 a.m. and the suspension is effected at 10.01 a.m., the CBBC will be terminated when it is suspended at 10.01 a.m.. All trades effected until the suspension are valid.

- 10. When must a CBBC issuer announce the settlement amount payable to the holders?**

Paragraph 5.44A(b) of the Main LR requires a CBBC issuer to announce the settlement amount payable to the holders within 1 market day from the end of the next trading session after the MCE.

Examples:

The examples below are on the assumption that the next trading session after the MCE contains at least 1 hour of continuous trading for the underlying financial instrument.

- (a) If a MCE occurs during a morning trading session on Monday, the issuer must announce the settlement amount by Tuesday; and

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- (b) If the MCE occurs during an afternoon trading session on Monday, the issuer must announce the settlement amount by Wednesday.