



Our Ref: SR/RPA/TAC(RO)/LD09/10

25 March 2010

The Company Secretary
(Listed Issuers / Corporations)

Via email

Dear Sir/Madam,

DISCLOSURE REQUIREMENTS PURSUANT TO IMPLEMENTATION OF FRS 139, FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT ("FRS 139")

1. This directive is issued to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("**Main LR**").

DISCLOSURE REQUIREMENTS

Part A: Disclosure of Derivatives

2. Paragraph 11 of Appendix 9B of the Main LR currently requires listed issuers to disclose in their notes to the quarterly reports ("**QR**"), a summary of the off balance sheet financial instruments (for example derivatives) by type and maturity profile at the latest practicable date which must not be earlier than 7 days from the date of issue of the QR. The disclosure must include information such as the face or contract amount, the nature and terms including a discussion of the credit and market risk, the cash requirement of those instruments and the related accounting policies.
3. However, with the implementation of FRS 139 to entities with annual periods beginning on or after 1 January 2010, derivatives will no longer be off balance sheet items but be accounted for on the balance sheet. FRS 139, amongst others, also requires such derivatives to be measured at fair value at the end of each reporting period.
4. In this connection, Bursa Malaysia Securities Berhad ("**Bursa Securities**") directs that a listed issuer must disclose in **the notes to its QR** the following:
 - 4.1 a description of the nature of all outstanding derivatives (including financial instruments designated as hedging instruments) as at the end of the relevant reporting period;

**Our Ref: SR/RPA/TAC(RO)/LD09/10
DISCLOSURE REQUIREMENTS PURSUANT TO IMPLEMENTATION OF FRS 139**

4.2 for each type of derivatives, the following information must be included:

- (a) the total contract or notional value as at the balance sheet date;
- (b) the total fair value as at the balance sheet date;
- (c) the maturity analysis in the following time bands:
 - (i) less than 1 year;
 - (ii) 1 year to 3 years; and
 - (iii) more than 3 years.

Disclosure of the information above may be set out in a tabular form as follows:

Type of Derivatives	Contract/Notional Value (RM million)	Fair Value (RM million)
i. Type "A" Contract (for example, Fuel Contracts)		
- Less than 1 year	X	X
- 1 year to 3 years	X	X
- More than 3 years	X	X
ii. Type "B" Contracts (for example, Foreign Exchange Contracts)		
- Less than 1 year	X	X
- 1 year to 3 years	X	X
- More than 3 years	X	X

4.3 where the listed issuer enters into a type of derivatives not disclosed in the previous financial year or any of the previous quarters under the current financial year, the rationale for entering into such derivatives and the expected benefit accruing to the listed issuer;

**Our Ref: SR/RPA/TAC(RO)/LD09/10
DISCLOSURE REQUIREMENTS PURSUANT TO IMPLEMENTATION OF FRS 139**

- 4.4 a discussion of the following for each type of derivatives:
- (a) the credit risk, market risk and liquidity risk associated with the derivatives, where applicable;
 - (b) the cash requirements of the derivatives;
 - (c) the policies in place for mitigating or controlling the risks associated with those derivatives; and
 - (d) the related accounting policies.

In relation to paragraph 4.4, a disclosure is only required if there is a change in the information since the last financial year, or where there is no change, a statement to that effect.

5. For the avoidance of doubt, disclosure of the total fair value as at the balance sheet date is not required for derivatives linked to equity instruments that do not have a quoted market price in an active market, that is measured at cost in accordance with FRS 139 because its fair value cannot be measured reliably.

Part B: Disclosure of Gains / Losses arising from Fair Value Changes of Financial Liabilities

6. Consequential to the implementation of FRS 139 and the requirement for measurement at fair value, financial assets and financial liabilities of a listed issuer will be measured at fair value.
7. In this regard, for purposes of enhanced transparency, Bursa Securities directs that a listed issuer must:
- 7.1 disclose in the **notes to its QR**, the amount of gains/losses arising from fair value changes of its financial liabilities for the current and cumulative quarter(s) including the following:
 - (a) the type of financial liabilities from which the gains/losses arose;
 - (b) an explanation on the reasons for the gains/losses; and
 - (c) the basis in arriving at the fair value changes.
 - 7.2 include the above information for the financial year in **its annual report**; and

Our Ref: SR/RPA/TAC(RO)/LD09/10

DISCLOSURE REQUIREMENTS PURSUANT TO IMPLEMENTATION OF FRS 139

7.3 **immediately** upon its board of directors approving the figures to be incorporated in the financial statements, **announce** to Bursa Securities any gains/losses arising from fair value changes of its financial liabilities amounting to either 5% or more of the listed issuer's profits after tax for the year to date, or RM1 million, whichever is the higher. The announcement must include the following:

- (a) the type of financial liabilities from which the gains/losses arose;
- (b) an explanation on the reasons for the gains/losses; and
- (c) the basis in arriving at the fair value changes.

Part C: Breakdown of Realised and Unrealised Profits or Losses

8. Bursa Securities also takes note that as a result of fair value measurements and fair value accounting under the FRS there is a need for greater transparency and enhanced disclosure in the listed issuer's financial statements. Hence, Bursa Securities requires a listed issuer to:
- 8.1 disclose in the **notes to its QR**, a breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period and the previous financial year, on a group basis, into realized and unrealized profits or losses, as the case may be; and
 - 8.2 include in **its annual report**, a breakdown of the unappropriated profits or accumulated losses as at the financial year end and the previous financial year, on a company and group basis, into realized and unrealized profits or losses, as the case may be.
9. However, we take cognisance of the input from the relevant listed issuers and industry players that in order to ensure consistency and comparability of disclosures, there must be guidance available to the listed issuers and their auditors on the segregation of realized and unrealized profits or losses. In this connection, Bursa Securities will work with the relevant professional body to issue a guide on the determination of realised and unrealised profits/losses ("**Guide**") to assist listed issuers in making the disclosure as required in paragraph 8 above. Bursa Securities will inform all listed issuers as soon as the Guide is ready.

Our Ref: SR/RPA/TAC(RO)/LD09/10

DISCLOSURE REQUIREMENTS PURSUANT TO IMPLEMENTATION OF FRS 139

IMPLEMENTATION

10. Listed issuers must comply with this directive in the manner set out in the table below:

Disclosure Requirements	Listed issuers who have applied FRS 139 (whether voluntarily or otherwise)	Listed issuers who have not applied FRS 139
<p>Part A – Disclosure of derivatives</p> <p>Applicable to QRs for the financial periods ending on or after 31 March 2010</p>	<p>Comply with all requirements</p>	<p>Comply with all requirements except for paragraph 4.2(b).</p> <p>For the avoidance of doubt, once the listed issuers have applied FRS 139, they must comply with all requirements.</p>
<p>Part B – Disclosure of gains/losses arising from fair value changes of financial liabilities</p> <p>Applicable to QRs and annual reports for the financial periods / financial years ending on or after 31 March 2010</p>	<p>Comply with all requirements</p>	<p>Need not comply with the requirements until the listed issuers have applied FRS 139.</p>
<p>Part C - Disclosure of breakdown of realised and unrealised profits or losses</p> <p>Applicable to QRs and annual reports for the financial period/financial years ending on or after 30 September 2010</p>	<p>Comply with all requirements</p> <p>Comparative figures are not required in the first financial year of applying Part C.</p>	<p>Comply with all requirements</p> <p>Comparative figures are not required in the first financial year of applying Part C.</p>

11. The requirements under this directive supersede paragraph 11, Appendix 9B of the Main LR.

**Our Ref: SR/RPA/TAC(RO)/LD09/10
DISCLOSURE REQUIREMENTS PURSUANT TO IMPLEMENTATION OF FRS 139**

CONTACT PERSONS

12. If you have any query on the above, please do not hesitate to liaise with the following persons:
- (a) Suzalina Harun at 03-2034 7353.
 - (b) Martina Low at 03-2034 7706.
 - (c) Chng Boon Huat at 03-2034 7270.
 - (d) Tan Lay Khoon at 03-2034 7276.

Thank you.

Yours faithfully,



**SELVARANY RASIAH
Chief Regulatory Officer**

TAC/ro