

## PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 17 May 2021

No : R/R 2 of 2021

### DIRECTIVE ON PILOT MARKET MAKING PROGRAMME FOR ELIGIBLE STOCKS

#### 1.0 INTRODUCTION

- 1.1 Bursa Malaysia Securities Berhad (the “**Exchange**” or “**BMS**”) is issuing a new directive in relation to the introduction of the Pilot Market Making Programme for Eligible Stocks (“**PMMP**”). The PMMP is a 2-year pilot programme to allow eligible market makers for PMMP registered with the Exchange (“**Stock Market Maker**”) to carry out market making activities on the eligible PMMP stocks (“**Eligible PMMP Stocks**”) with the key objective of improving the liquidity and price efficiency of these stocks.
- 1.2 The details of Participating Organisations’ (“**PO**”) Directive on PMMP No. 4-002 (“**Directive on PMMP**”) are set out in paragraph 2 below.
- 1.3 The Directive on PMMP has been approved by the Securities Commission Malaysia.

#### 2.0 DIRECTIVE ON PMMP

- 2.1 The Directive on PMMP sets out, among others, the following key requirements of PMMP:

**(a) Application of the BMS Rules and Directives to PMMP**

Parts A (Registration of a Market Maker), B (Obligations of a Market Maker), D (Resignation) and E (Permitted Short Selling) of Chapter 4 of the BMS Rules and the PO Directive in relation to Market Makers and Derivatives Specialists (No. 4-001) (“**Directive on Market Making**”) will be applicable to the Stock Market Maker under the PMMP (with the necessary modifications), unless stated otherwise in the Directive on PMMP.

**(b) Eligibility criteria of an PMMP stock**

The Exchange will determine and review the Eligible PMMP Stocks from time to time, based on, among others, the following criteria:

- (i) the stock is admitted to the Official List;
- (ii) the stock has a daily market capitalisation of RM500,000,000.00 and above and stock velocity of 35% and below; and
- (iii) the stock has at least 15% free float<sup>1</sup>.

**(c) Permitted Short Selling (“PSS”)**

- (i) A Stock Market Maker may carry out PSS on an Eligible PMMP Stock in the manner prescribed in Part E (Permitted Short Selling) of Chapter 4 of the BMS Rules, as part of its market making activities under the PMMP. However, the Stock Market Maker must first enter into an agreement to borrow the Eligible PMMP Stocks for the settlement of a short sale prior to commencing PSS.

<sup>1</sup> The criterion of “free float” is as determined by the Exchange using international benchmarks such as the Bloomberg Terminal.

- (ii) If a Stock Market Maker executes a purchase of Eligible PMMP Stock in a Securities Account designated for both market making and PSS (“**PSS/MM Account**”) and the purchase is not to contra in full or in part any PSS executed by the Stock Market Maker or for redelivery under a Securities Borrowing and Lending Agreement or an Islamic Securities Selling and Buying-Negotiated Transaction Agreement, the Stock Market Maker must rectify the purchase Contract executed in its PSS/MM Account on the day of the trade by replacing the Securities Account for the purchase Contract with the Stock Market Maker’s Securities Account designated for market making only, within the time specified by the Exchange.

2.2 The Directive on PMMP is attached as **Annexure 1**.

### 3.0 AMENDMENTS TO THE PARTICIPATING ORGANISATIONS’ TRADING MANUAL (“TRADING MANUAL”)

3.1 Amendments have been made to paragraph 2.10 of the Trading Manual to reflect the prescribed time of the requirement for contract rectification for PMMP.

3.2 The updated version of the Trading Manual is attached as **Annexure 2**.

### 4.0 FREQUENTLY ASKED QUESTIONS (“FAQs”)

The FAQs in relation to the PMMP can be accessed at the following link:  
[https://www.bursamalaysia.com/regulation/faqs\\_relating\\_to\\_bursa\\_malaysia\\_rules](https://www.bursamalaysia.com/regulation/faqs_relating_to_bursa_malaysia_rules)

### 5.0 EFFECTIVE DATE

The new Directive on PMMP and the amendments to the Trading Manual as set out in paragraphs 2 and 3 above will take effect from 1 June 2021.

### 6.0 CONTACT PERSON

In the event of any queries in relation to the above matter, kindly contact the Exchange as follows:

Name	Contact
<b>Product &amp; Market Development, Securities Market</b> (PMMP framework)	<a href="mailto:pmd@bursamalaysia.com">pmd@bursamalaysia.com</a>
<b>Market Operations</b> (Trading related matters)	<a href="mailto:smo@bursamalaysia.com">smo@bursamalaysia.com</a> 03-2034 7777
<b>Participants Supervision</b> (Compliance and registration)	<a href="mailto:isd2@bursamalaysia.com">isd2@bursamalaysia.com</a> 03-2034 7364  <a href="mailto:pa@bursamalaysia.com">pa@bursamalaysia.com</a> 03-2034 7242
<b>Regulatory Policy &amp; Advisory</b> (Rules and Directives)	<a href="mailto:rpa@bursamalaysia.com">rpa@bursamalaysia.com</a>

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