

# RULES OF BURSA MALAYSIA SECURITIES BERHAD

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## CHAPTER 1 DEFINITION AND RELATED PROVISIONS

## PART A DEFINITION AND INTERPRETATION

## 1.01 Definition

The following terms have the following meanings unless the context requires otherwise:

<b>Term</b>	<b>Meaning</b>
ABFMY1	The ABF Malaysia Bond Index Fund that is an Exchange Traded Fund listed and quoted on the Exchange and bears the stock short name ABFMY1.
ACE Market	The Exchange's stock market referred to as the ACE Market.
Admission Guidelines	The admission guidelines for the registration of Participating Organisation, Registered Person, Market Maker or Derivatives Specialist which are made available on the Exchange Holding Company's website.
Adverse Event(s)	<i>[Deleted]</i>
Annual Report	<i>[Deleted]</i>
Approved Securities	In relation to Regulated Short Selling and Intraday Short Selling, any of the securities traded on the stock market of the Exchange that is declared by the Exchange as such under Rule 8.22(5).
ATS	The automated and computerised securities trading system established by the Exchange.
ATS Operator	In relation to a Participating Organisation, a Dealer's Representative, Trading Clerk or Trading Representative who is duly authorised by the Participating Organisation to enter orders into the ATS, to modify and cancel orders.
Authorised ISSBNT Participant	An entity approved to undertake ISSBNT under the Clearing House Rules.
Authorised Nominee	Same meaning as in the Securities Industry (Central Depositories) Act and the Depository Rules.
Authorised SBL Participant	The Clearing House or an entity approved by the Clearing House to undertake Securities Borrowing and Lending
Associated Corporation	A corporation that is deemed to be associated with the person by virtue of the person holding, directly or indirectly, not less than 20% and not more than 50% of the issued share capital of the corporation.
BAFIA	<i>[Deleted]</i>
Best Buy Price	The highest buy order price in the order book of the ATS.
Beneficial Owner	Same meaning as in the Securities Industry (Central Depositories) Act and the Depository Rules.

## Chapter 1 – Definitions and Related Provisions

Best Sell Price	The lowest sell order price in the order book of the ATS.
Board Lot	In relation to any securities quoted on the Official List, a parcel of securities comprising such number of units as determined by the Exchange.
Board of Directors	In relation to a Participating Organisation, the Participating Organisation's board of Directors.
BOCA Declaration	The Declaration on Cooperation and Supervision of International Futures Markets and Clearing Organisations.
Books	Same meaning as in the Capital Markets and Services Act.
Books Closing Date	The specified time and date set by an Issuer for the purpose of determining entitlements to dividends, interest, new securities or other distributions or rights of holders of its securities traded on the stock market of the Exchange.
Branch Office	A permanent location, identified by a Participating Organisation as its branch where it carries on its business of dealing in securities.
Capital Adequacy Requirements	The capital adequacy requirements in Chapter 13.
Capital Markets and Services Act	Capital Markets and Services Act 2007.
Capital Markets Services Licence	Same meaning as in the Capital Markets and Services Act.
Capital Markets Services Representative's Licence	Same meaning as in the Capital Markets and Services Act.
Central Bank	Central Bank of Malaysia established under the Central Bank of Malaysia Act 2009.
Central Depository	A central depository established under the Securities Industry (Central Depositories) Act and includes any foreign central depository the Exchange may stipulate.
Chief Executive Officer	Same meaning as 'chief executive' in the Capital Markets and Services Act.
Clearing Account	A trading account opened in the name of a Participating Organisation and used by the Participating Organisation to facilitate the accumulation of an order given by a client to buy or sell a specific quantity of securities on T day.
Clearing House	BURSA MALAYSIA SECURITIES CLEARING SDN BHD or any other clearing house the Exchange prescribes for the purpose of clearing and settlement of Contracts and Direct Business Transactions.
Clearing House Rules	In relation to a Clearing House, the rules of the Clearing House and any amendment that may be made from time to time.

## Chapter 1 – Definitions and Related Provisions

Client	A person for whom a trading account is proposed to be opened or has been opened by a Participating Organisation under these Rules.
Closing Price	'closing price' for On-Market Transaction as stipulated by the Exchange.
Commission	The Securities Commission Malaysia established under the Securities Commission Malaysia Act.
Commissioned Dealer's Representative	A Dealer's Representative a Participating Organisation engages on a non-salaried basis.
Commission's Licensing Handbook	The licensing handbook the Commission issues pursuant to Section 377 of the Capital Markets and Services Act.
Companies Act	Companies Act 2016.
Constituent Securities	Any of the securities admitted on the Official List which forms the basket or part of the basket of securities required for the creation of an ETF unit and/or underlying an ETF unit.
Contract	A contract for a sale or purchase transaction of securities entered into on the stock market of the Exchange as described in Rule 8.08(3).
Contract Date	In relation to a sell or buy Contract of On-Market Transaction, the day the sell or buy order is matched in the ATS.
Contract Note	Same meaning as in the Capital Markets and Services Act.
Conversion Date	Same meaning as in the Demutualisation Act.
Corporate Action	Any action taken by an Issuer in relation to or arising from the Issuer's securities including payment of dividend, issue of bonus shares and other rights and interests associated with such securities, capital restructuring and share consolidation.
Counterparty	A person or Client with or for whom a Participating Organisation carries on, or intends to carry on, any dealings in securities.
Day Trading	The taking of proprietary positions by the Participating Organisations on an intraday buy and sell and vice versa, and for the avoidance of doubt excludes Direct Business transactions.
Dealer's Representative	A holder of a Capital Markets Services Representative's Licence for dealing in securities.
Demutualisation Act	Demutualisation (Kuala Lumpur Stock Exchange) Act 2003.
Depository	BURSA MALAYSIA DEPOSITORY SDN BHD or any other company approved by the Minister to act as a central depository under the Securities Industry (Central Depositories) Act.
Depository Rules	In relation to a Depository, the rules of the Depository and any amendments that may be made from time to time.

## Chapter 1 – Definitions and Related Provisions

Derivatives Exchange	BURSA MALAYSIA DERIVATIVES BERHAD.
Derivatives Exchange Rules	The rules of the Derivatives Exchange and any amendments that may be made from time to time.
Derivatives Specialist	A person prescribed under Part C of Chapter 4, who is registered with the Exchange.
DF Account	An account opened by a Client of a Participating Organisation, which allows the Client to utilise Discretionary Financing referred to in Rule 7.31.
DF Account Holder	A Client who has a DF Account with a Participating Organisation.
Direct Business Transaction	A contract for a sale and purchase of securities transacted on the stock market of the Exchange that is done outside the ATS but excludes ISSBNT.
Direct Market Access (DMA)	The process by which orders to buy or sell securities, or modifications or cancellations of the orders, are submitted for execution in the ATS by a Client without any intervention or keying-in by a Dealer's Representative.
Directives	<p>Instructions, rulings or guidelines the Exchange issues by whatever name called for or in connection with any of these Rules and any amendment that may be made from time to time, including:</p> <ul style="list-style-type: none"><li>(a) any decision or requirement the Exchange makes or imposes pursuant to any act or thing done under these Rules;</li><li>(b) any terms or conditions imposed pursuant to any act or thing done under these Rules; and</li><li>(c) any requirement the Exchange imposes for the proper operation and management of the Exchange's stock market and facilities.</li></ul>
Director	Same meaning as in the Companies Act.
Discretionary Account	An account for trades executed by a Participating Organisation on behalf of a Client pursuant to an arrangement where the Client authorises the Participating Organisation to trade on the Client's behalf on a discretionary basis.
Discretionary Financing	A financing that a Participating Organisation provides to a Client under Rule 7.31.
DMA Client	A person who is allowed to key-in DMA orders under Rule 8.18.
Document	Same meaning as in the Capital Markets and Services Act.
DR Security Deposit	Any cash, bank guarantee, securities or other form of security acceptable to the Participating Organisation deposited with the Participating Organisation:

## Chapter 1 – Definitions and Related Provisions

- (a) to secure the Dealer's Representative's obligations to the Participating Organisation under the agreement setting out the Participating Organisation's arrangement with the Dealer's Representative; or
- (b) as security for the repayment of all monies that are or may be owing by the Dealer's Representative or the Dealer's Representative's Client to the Participating Organisation arising from or in connection with transactions in securities.

Dual Licensed Dealer's Representative	A Dealer's Representative who also holds a Capital Markets Services Representative's Licence for dealing in derivatives.
Effective Date	<i>[Deleted]</i>
Effective Shareholders' Funds	The Participating Organisation's last audited shareholders' funds less unaudited losses.
Electronic Access Facility	<i>[Deleted]</i>
1+1 broker	Same meaning as in the Commission's Licensing Handbook.
Eligible Securities	Such securities as the Clearing House may prescribe as being eligible for Securities Borrowing and Lending in accordance with the Clearing House Requirements.
Equity	In relation to Margin Financing, the sum of Margin and securities purchased and carried in Client's Margin Account.
Equity-based Exchange Traded Fund	<i>[Deleted]</i>
Exchange	BURSA MALAYSIA SECURITIES BERHAD.
Exchange Holding Company	BURSA MALAYSIA BERHAD.
Exchange Traded Bonds (ETB)	Sukuk or debt securities which are listed and quoted for trading on the Exchange.
Exchange Traded Fund (ETF)	Same meaning as in the Guidelines on Exchange Traded Funds.
Exempt Authorised Nominee	Same meaning as in the Depository Rules.
FDSS	The fixed delivery and settlement system established by the Exchange that fixes and regulates the day and time for the delivery and settlement of securities traded or reported on the Exchange's stock market.
Forward Contract	A contract for the future delivery of securities at a pre-determined price and date.
FSA	Financial Services Act 2013.
Fund Management	<i>[Deleted]</i>
Fund Manager's Representative	<i>[Deleted]</i>

## Chapter 1 – Definitions and Related Provisions

Goods and Services Tax (GST)	<i>[Deleted]</i>
Group	Same meaning as in the Commission’s Licensing Handbook.
Guidelines for Marketing Representatives	Commission’s Guidelines for Marketing Representatives
Guidelines on Exchange Traded Funds	Commission’s Guidelines on Exchange Traded Funds.
Guidelines on Investment Banks	Guidelines on Investment Banks jointly issued by the Central Bank and the Commission.
Guidelines on Market Conduct and Business Practices for Stockbroking Companies and Licensed Representatives	Commission’s Guidelines on Market Conduct and Business Practices for Stockbroking Companies and Licensed Representatives.
Guidelines on Outsourcing	<i>[Deleted]</i>
Guidelines for Registered Person (Registered Representative)	<i>[Deleted]</i>
Haircut	The deduction of certain amount of value of the collateral referred to in Rule 7.18(4)(a)(ii);
Heads	In relation to the Participating Organisation, persons who are the Head of Dealing, Head of Operations and Head of Compliance and “Head” means any one of these Heads.
Head of Compliance	A person who a Participating Organisation appoints under Rule 3.34(1).
Head of Dealing	A person who a Participating Organisation appoints under Rule 3.26(1).
Head of Operations	A person who a Participating Organisation appoints under Rule 3.30(1).
Immediate Basis Contract	<i>[Deleted]</i>
Income	In relation to Eligible Securities or ISSBNT Eligible Securities, any profits, dividends or other distribution of any kind whatsoever with respect to the Eligible Securities or ISSBNT Eligible Securities respectively.
Interest in securities	Same meaning as in the Capital Markets and Services Act.
Internal Guidelines for Permitted Short Selling	Written guidelines formulated by a Market Maker or a Derivatives Specialist setting out the Market Maker’s or the Derivatives Specialist’s internal policies, procedures, controls and requirements on compliance with laws and these Rules in relation to Permitted Short Selling activities.
Intraday Short Selling	The short selling of Approved Securities carried out in accordance with Part D of Chapter 8.
Introducing Representative	<i>[Deleted]</i>

## Chapter 1 – Definitions and Related Provisions

Inverse ETF	Same meaning as in the Guidelines on Exchange Traded Funds.
Investment Bank	An investment bank referred to under the Guidelines on Investment Banks and admitted as a Participating Organisation under Rule 3.02.
IOSCO MMOU	The International Organisation of Securities Commissions Multilateral Memorandum of Understanding.
Islamic Securities Selling and Buying - Negotiated Transaction or ISSBNT	Same meaning as in the Clearing House Rules.
ISSBNT Agreement	An agreement for the purpose of ISSBNT.
ISSBNT Eligible Securities	Such securities as the Clearing House may prescribe as being eligible for ISSBNT in accordance with the Clearing House Requirements.
Issuer	Same meaning as in the Capital Markets and Services Act.
Last Done Price	Last traded price of an On-Market Transaction.
LEAP Market	The Exchange's stock market referred to as the LEAP Market.
Leveraged ETF	Same meaning as in the Guidelines on Exchange Traded Funds.
Licensed Institution	<i>[Deleted]</i>
Listing Requirements	The rules governing the listing of securities and regulation of listed Issuers on the stock market(s) of the Exchange.
Lower Limit Price	The lowest price at which the securities can be traded from a Reference Price, as stipulated by the Exchange.
Main Market	The Exchange's stock market referred to as the Main Market.
Margin	The aggregate amount of cash and collateral deposited into a Client's Margin Account but excludes securities that are purchased and carried in the Client's Margin Account.
Margin Account	The account a Client maintains with a Participating Organisation for Margin Financing.
Margin Financing	A form of financing that a Participating Organisation provides to a Client under Rule 7.30.
Margin Securities	In relation to Securities Borrowing and Lending, any Eligible Securities carried in the Margin Account of a Client.
Market Day	A day on which the Exchange's stock market is open for trading in securities.
Market Maker	A person who performs Market Making.
Market Making	

## Chapter 1 – Definitions and Related Provisions

The act of entering bid and offer prices in the order book maintained in the ATS for a Specified Security based on the requirements stipulated by the Exchange.

Marketing Representative	Same meaning as in the Guidelines for Marketing Representatives.
Member Company	A Participating Organisation who was a member of the Exchange Holding Company prior to the demutualisation of the Exchange Holding Company under the Demutualisation Act.
Minimum Paid-Up Capital	In relation to a Participating Organisation, the minimum paid-up capital specified in Rule 13.03.
Minimum Shareholders' Funds	In relation to a Participating Organisation, the minimum shareholders' funds unimpaired by the losses specified in Rule 13.03.
Minister	The Minister responsible for finance in Malaysia.
Net Short Position	In relation to Approved Securities, the quantity of Approved Securities short sold on a Market Day in accordance with Part C of Chapter 8 but which were not closed off within the same day.
New Rules	<i>[Deleted]</i>
Non-Universal Broker	A Participating Organisation that is not a Universal Broker and includes an Eligible Non-Universal Broker and Special Scheme Broker.
Odd Lot	In relation to any securities quoted on the Official List, any number of such securities that is less than the number of securities the Exchange determines as a Board Lot.
Off-Balance Sheet	<p>Includes:</p> <ul style="list-style-type: none"><li>(a) uncalled amounts on securities, options, other contingent liabilities and capital commitments (whether secured or not);</li><li>(b) all assets pledged as security, forward purchase or sale contracts (other than in securities);</li><li>(c) derivatives and other commitments that contractually oblige a Participating Organisation to perform certain actions that are transacted outside the ATS,</li></ul> <p>but excludes underwriting or sub-underwriting that are required to be reported under the Capital Adequacy Requirements.</p>
Official List	<p>The list of securities that:</p> <ul style="list-style-type: none"><li>(a) have been admitted by the Exchange and have not been removed by the Exchange; or</li><li>(b) are quoted and traded on the Exchange,</li></ul> <p>or both.</p>

## Chapter 1 – Definitions and Related Provisions

Old Rules	<i>[Deleted]</i>
On-Market Transaction	A transaction that is concluded by way of automated matching of orders entered into the order book maintained in the ATS under Rule 8.08 or an On-Market Married Transaction under Rule 8.14.
On-Market Married Transaction	<p>A match of a buy order to a sell order for the same price and quantity made by the same Participating Organisation simultaneously entering and executing the buy and sell orders into the ATS under Rule 8.14 between:</p> <p>(a) two Clients of the same Participating Organisation; or</p> <p>(b) a Participating Organisation and its Client.</p>
Opening Price	'Opening price' for On-Market Transaction as stipulated by the Exchange.
Outstanding Balance	The amount owed by a Client in the Client's Margin Account arising from the Client's transactions in securities traded on the stock market of the Exchange or Recognised Stock Exchanges, including all commission charges, interest, expenses and all other related expenses before deducting any cash deposited by the Client as Margin.
Participanship	Being a Participating Organisation of the Exchange.
Participating Dealer	Same meaning as in the Guidelines on Exchange Traded Funds.
Participating Organisation	A company that carries on the business of trading in securities on the Exchange's stock market and is admitted as a Participating Organisation under Rule 3.02 and includes all the Participating Organisation's Branch Offices.
Permitted Short Selling	The short selling of PSS Securities carried out in accordance with Part E of Chapter 4.
Principal Office	The principal office approved by the Commission as the principal office of a Participating Organisation. In the case of an Investment Bank, the principal office approved by the Central Bank as the principal office of that Investment Bank.
Proprietary Account	A trading account opened by a Participating Organisation for the Participating Organisation's own trades.
Proprietary Day Trader	A Dealer's Representative a Participating Organisation engages to execute Day Trading on the Participating Organisation's behalf.
PSS Securities	Any of the securities traded on the stock market of the Exchange that is prescribed by the Exchange for the purposes of Permitted Short Selling under Rule 4.15(1).
Public Holiday	A day that is declared as a public holiday in the Federal Territory of Kuala Lumpur.
Ready Basis Contract	A Contract where the date and time for delivery and settlement

## Chapter 1 – Definitions and Related Provisions

for the buying and selling of securities traded on the stock market of the Exchange are as stipulated in Schedule 2.

Recognised Stock Exchange	A foreign stock exchange the Exchange declares to be a Recognised Stock Exchange.
Record	Same meaning as in the Capital Markets and Services Act.
Record of Depositors	Same meaning as in the Depository Rules.
Reference Price	<p>(a) Except for the situations stipulated in paragraph (b) below, the Last Done Price of securities:</p> <ul style="list-style-type: none"><li>(i) in the previous trading day; or</li><li>(ii) if no trade of such securities was effected on the previous trading day, the last trading day in which trades were effected; or</li></ul> <p>(b) if for 2 consecutive trading sessions of 1 Market Day, no trading has been done for a particular securities:</p> <ul style="list-style-type: none"><li>(i) the Upper Limit Price at market close, if there is an order to buy at the Upper Limit Price at the close of both the trading sessions and the Upper Limit Price is greater than the last Reference Price; or</li><li>(ii) the Lower Limit Price at market close, if there is an order to sell at the Lower Limit Price at the close of both the trading sessions and the Lower Limit Price is less than the last Reference Price; or</li></ul> <p>(c) for securities quoted ex-entitlement, as the Exchange determines; or</p> <p>(d) for securities that have been approved by the Exchange for listing and quotation on the Official List, on the first day of their listing and quotation, the issue or offer price of such securities or any other price as determined by the Exchange; or</p> <p>(e) in any other circumstances, as the Exchange determines.</p>
Register	The list or roll that the Exchange keeps of Participating Organisations, Registered Person(s) and such other persons determined by the Exchange.
Registered Person	A person stipulated under Rule 3.10, who is registered with the Exchange.
Registered Representative	A holder of a Capital Markets Services Representative's Licence for dealing in derivatives.
Regulated Short Selling	The short selling of Approved Securities carried out in accordance with Part C of Chapter 8, and "Regulated Short Sale" means the sale relating to the same.
Relevant Person	includes the Participating Organisation's Registered Person, agent and employee.

## Chapter 1 – Definitions and Related Provisions

Retail Clients	Clients of a Participating Organisation who carry out Retail Trade as defined in Rule 11.01.
Related Corporation	Same meaning as in the Companies Act.
Salaried Dealer's Representative	A Dealer's Representative a Participating Organisation employs on a salaried basis.
SBL Agreement	An agreement for the purpose of Securities Borrowing and Lending
Securities Account	Same meaning as in the Securities Industry (Central Depositories) Act.
Securities Borrowing and Lending or SBL	The borrowing or lending of securities pursuant to Part F of Chapter 7.
Securities Commission Malaysia Act	Securities Commission Malaysia Act 1993.
Securities Industry (Central Depositories) Act	Securities Industry (Central Depositories) Act 1991.
Securities Laws	As defined in the Securities Commission Malaysia Act 1993.
service provider	Same meaning as in the Commission's Licensing Handbook.
Single Stock Futures Contract	A single stock futures contract traded on the Derivatives Exchange.
Sophisticated Investor	A person who falls within any one of the categories of investors set out in Part I, Schedule 6 or 7 of the Capital Markets and Services Act.
Special Scheme Broker	Same meaning as in the Commission's Licensing Handbook.
Specified Security	The securities specified by the Exchange as available for Market Making.  <i>[Refer to Directive No. 4-001]</i>
Standalone Broker	A Participating Organisation that has not complied with the Commission's Policy Framework for Stockbroking Industry Consolidation as stated in the Commission's Licensing Handbook.
Stock Option Contract	A stock option contract traded on the Derivatives Exchange.
sub-contractor	<i>[Deleted]</i>
T	The day an On-Market Transaction is done on ATS, or a Direct Business Transaction is reported to the Exchange, as the case may be.
these Rules	The Rules of Bursa Malaysia Securities Berhad and any amendment that may be made from time to time.
Tick	The minimum change allowed in the price of securities, as

## Chapter 1 – Definitions and Related Provisions

	stipulated by the Exchange.
Total Short Position	In relation to Approved Securities, the total quantity of Approved Securities short sold in accordance with Part C of Chapter 8.
Tradeable Balance	(a) Securities designated as “free securities” in the seller’s Securities Account; or  (b) Securities that are due to be delivered to a seller’s Securities Account pursuant to an outstanding purchase Contract.
Trading Clerk	A trading clerk referred to in Rule 5.14.
Trading Participant	A holder of a Capital Markets Services Licence for dealing in derivatives.
Trading Representative	Same meaning as in the Commission’s Licensing Handbook.
Universal Broker	A Participating Organisation that has:  (a) merged with or acquired 3 or more Member Company(ies) or Participating Organisations or both;  (b) fulfilled the necessary qualifying criteria stipulated by the Commission to the satisfaction of the Commission; and  (c) been approved in writing by the Commission to be a Universal Broker.
Upper Limit Price	The highest price at which the securities can be traded from a Reference Price as stipulated by the Exchange.
VWAP	The volume weighted average price of a particular securities calculated as follows:  $\frac{\text{the total value of securities transacted during a particular period of time (“the period”)}}{\text{the total number of securities transacted during the period}}$

### 1.02 Interpretation

- (1) Unless the context requires otherwise, terms or expressions defined in the following Acts, when used in these Rules have the same meaning as in the following Acts:
- (a) Capital Markets and Services Act;
  - (b) Securities Industry (Central Depositories) Act;
  - (c) Securities Commission Malaysia Act; or
  - (d) Companies Act.
- (2) Apart from the above, certain other terms and expressions have also been defined in the respective Chapters. Such definitions only apply with respect to the respective Chapters in

which they are contained and the Directives issued pursuant to the Rules in the respective Chapters.

- (3) The terms and expressions defined in Rule 1.01 are also applicable to any Directive or best practice, unless otherwise defined in the Directive or best practice.
- (4) A reference to a statute is to that statute so modified, re-enacted or consolidated and includes regulations, rules or other statutory instruments made under that statute.
- (5) A reference to a rule, directive, guideline or requirement of the Exchange, Exchange Holding Company, Depository, Clearing House, the Commission or the Central Bank or other relevant party is to that rule, directive, guideline or requirement so amended, supplemented, consolidated or substituted.
- (6) The singular includes the plural and vice versa.
- (7) A reference to a person includes a firm, partnership and corporation.
- (8) A reference to writing includes any mode of representing or reproducing letters, figures or marks in a visible form.
- (9) A reference to "RM" or "Ringgit Malaysia" is to the Malaysian currency.
- (10) If a word or phrase is defined in these Rules, any other grammatical form in respect of such word or phrase has a corresponding meaning.
- (11) A reference to a rule, chapter, schedule or appendix is to the relevant rule, chapter, schedule and appendix to these Rules.
- (12) Headings and sub-headings are inserted for convenience of reference only and do not affect the interpretation and construction of the rule.
- (13) A reference to a day or month is to a calendar day or calendar month.
- (14) A reference to a time of day is a reference to Malaysian time.
- (15) A reference to "suspend" or "suspension" in relation to the trading of securities, where the context permits, includes "forbidden", "interrupted", "reserved", "suspended" or "frozen".

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**PART B APPLICATION AND EFFECT OF THESE RULES**

**1.03 Rules of the Exchange**

These Rules must be read together with:

- (a) the Directives;
- (b) the Securities Laws; and
- (c) any other laws or requirements of any relevant authority applicable to Participating Organisations or Registered Person.

**1.04 Binding effect of Rules**

These Rules are binding on Participating Organisations and Registered Persons in the manner set out in:

- (a) section 354(2) of the Capital Markets and Services Act; and
- (b) Rule 1.05.

**1.05 Covenants to observe Rules**

These Rules have the effect of a contract between:

- (a) the Exchange and Participating Organisations under which each Participating Organisation covenants with the Exchange to observe these Rules and the Directives and to perform the obligations that these Rules and the Directives purport to impose on the Participating Organisation in the manner set out by these Rules and the Directives; and
- (b) the Exchange and Registered Persons under which each Registered Person covenants with the Exchange to observe these Rules and the Directives and to perform the obligations that these Rules and the Directives purport to impose on the Registered Person(s), in the manner provided by these Rules and the Directives.

**1.06 Investment Banks**

If a provision in these Rules is expressed to be inapplicable to an Investment Bank or a Registered Person of an Investment Bank, the relevant requirements in the Guidelines on Investment Banks and any other requirement the Central Bank specifies on the matter (“the Relevant Guidelines and Requirements”) will apply instead.

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**PART C      TRANSITIONAL PROVISIONS**

**1.07      Transitional provisions in relation to the Conversion Date**

*[Deleted]*

**1.08      Transitional provisions in relation to the Old Rules**

*[Deleted]*

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**PART D NOTICES**

**1.09 Notices**

- (1) The Exchange will send all notices required to be sent under these Rules in writing:
  - (a) to the address or facsimile number (or both) of the addressee contained in the records of the Exchange; or
  - (b) using any other mode of giving notice the Exchange thinks fit, including electronic mail, other electronic means and advertisement in newspapers.
- (2) A notice given under these Rules is regarded as received:
  - (a) if delivered by hand, at the time of delivery;
  - (b) if sent by post within Peninsula Malaysia, on the 3<sup>rd</sup> Market Day after posting;
  - (c) if sent by air mail to Sabah, Sarawak or outside Malaysia, on the 5<sup>th</sup> Market Day after posting;
  - (d) if sent by courier, on the 2<sup>nd</sup> Market Day after despatch;
  - (e) if sent by facsimile or other electronic media, at the time of transmission; and
  - (f) if published in any public media, at the time of publication.
- (3) All notices to the Exchange must be made in writing unless stated otherwise.

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**PART E          PERSONAL DATA NOTICE**

**1.10    Personal Data Notice**

- (1) Any person who provides or has provided personal data to the Exchange or the Exchange Holding Company pursuant to or in connection with these Rules should read and be aware of the relevant notification in relation to the Personal Data Protection Act 2010 (“PDPA”) available at the Exchange Holding Company’s website at [www.bursamalaysia.com](http://www.bursamalaysia.com) (“Personal Data Notice”).
- (2) Where the personal data provided is of another individual (“data subject”), the person providing such data must have notified the data subject in writing of the Personal Data Notice before providing the personal data unless:
  - (a) section 41 of the PDPA applies; or
  - (b) the Exchange otherwise specifies in connection with the PDPA.
- (3) For the purposes of this Rule 1.10, ‘personal data’ shall have the same meaning given in section 4 of the PDPA.

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**PART F**

**GOODS AND SERVICES TAX**

**1.11 Goods and Services Tax**

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**PART G                      CONFIDENTIALITY**

**1.12 Confidentiality of Findings**

If a finding or result of any inspection or investigation, or testimony or documentation in connection with a disciplinary proceeding or appeal under these Rules is disclosed to a Participating Organisation or a Relevant Person by the Exchange or any other person, the Participating Organisation and Relevant Person must keep the findings and results of such inspection or investigation, or testimony or documentation in connection with a disciplinary proceeding or appeal confidential and must not disclose the findings or results to any person except:

- (a) the Commission, any authorised officer of the Commission or any investigating governmental authority or agency; or
- (b) where necessary, for the procurement of legal or expert advice in relation to the inspection, investigation, disciplinary proceeding or appeal, provided that the disclosure is restricted to the relevant persons and strictest confidentiality is maintained.

[End of Chapter]

**CHAPTER 2 ADMINISTRATION**

**PART A POWERS OF THE EXCHANGE**

**2.01 Exercise of powers**

- (1) Subject to the provisions of the Securities Laws, the Exchange may exercise its powers in such manner and on such terms as it considers necessary or expedient.
- (2) The powers of the Exchange include:
  - (a) making new rules;
  - (b) adding to, repealing, enforcing, waiving or modifying compliance with any of these Rules or Directives;
  - (c) administering, managing and formulating policies in relation to these Rules;
  - (d) issuing Directives for the purposes of or in connection with any of these Rules;
  - (e) interpreting conclusively any provision in these Rules and any Directives having regard to the spirit, intention, purpose and the substance of such Rules and Directives;
  - (f) pursuant to a finding from any inspection or investigation on a Participating Organisation or a Registered Person, requiring a Registered Person or Participating Organisation to take appropriate action against the Participating Organisation's or Registered Person's employees or agents if such employees or agents have caused the Registered Person or the Participating Organisation to violate these Rules or Directives;
  - (g) *[Deleted]*
  - (h) granting, suspending, varying or revoking the rights of any Participating Organisation or Registered Person;
  - (i) imposing terms and conditions in relation to any decision, approval, or act done by the Exchange in connection with these Rules at any time and subsequently at any time revoke, waive, vary or amend such terms and conditions;
  - (j) enforcing the directions given by the Commission;
  - (k) requiring a Participating Organisation or a Registered Person to maintain and provide reports, information, Documents, Books and Records to the Exchange in relation to any matter under these Rules or Directives;

*[Refer to Directives No. 2.01(2)-002, 2.01(2)-003, 2.01(2)-004 and 2.01(2)-005]*

- (l) referring any act or conduct of a Participating Organisation or Registered Person to an appropriate authority;
- (m) imposing charges, fees and penalty for late payment or non-payment of fees, charges or any other amount due to the Exchange;
- (n) appointing a committee, sub-committee, officers of the Exchange or an agent to exercise the Exchange's powers under these Rules, where appropriate;

- (o) undertaking a readiness audit on a Participating Organisation or requiring a Participating Organisation to carry out its own readiness audit, with the scope, criteria and manner to be determined by the Exchange;

*[Refer to Directive No. 2.01(2)-006]*

- (p) undertaking any further, ancillary or consequential action pursuant to an initial decision or action taken by the Exchange, Commission, Clearing House or Depository in relation to a Participating Organisation, Registered Person or an Issuer;
  - (q) exercising all such other powers as may be necessary for the purposes of monitoring compliance with and enforcement of these Rules and Directives; and
  - (r) exercising any power and taking any action (including preventive or pre-emptive action) which in the Exchange's opinion is necessary for the existence or maintenance of an orderly and fair market.
- (3) The exercise of any specific powers conferred on the Exchange in any other provisions in these Rules does not prejudice or waive the exercise of any power by the Exchange under Rule 2.01(2).
  - (4) If any provision of these Rules empowers, authorises or enables the Exchange to do or enforce the doing of any act or thing, the Exchange has all such powers or rights as may be necessary or reasonably incidental to the Exchange doing or enforcing the doing of the act or thing.
  - (5) A Participating Organisation and a Registered Person must comply with and give effect to any Directives the Exchange issues in exercising the powers under these Rules.

## **2.02 Disapplication of Chapter 15**

- (1) The disciplinary proceedings prescribed in Chapter 15 do not apply to any action taken under Rule 2.01(2)(r) or to any action described under these Rules or Directives as taken 'summarily' by the Exchange ("**the Relevant Rules**").
- (2) In taking any of the actions under the Relevant Rules, the Exchange need not give a Participating Organisation or a Registered Person a prior opportunity to be heard.
- (3) Where an action is taken under the Relevant Rules a Participating Organisation, or a Registered Person may make representations to the Exchange to discontinue the action taken. The Exchange may, after considering the representations made, discontinue with the action taken or take any other action it considers necessary in the circumstances. However, such discontinuance is not to be construed as an omission or error on the part of the Exchange in taking the action under the Relevant Rules in the first place.
- (4) The Exchange's decision after considering the representations made is final and binding on the Participating Organisation or Registered Person.

## **2.03 Validity of actions**

- (1) Any amendments to the Rules or Directives ("**the Amendments**") do not affect:
  - (a) the accrued rights of the Exchange and the accrued obligations of Participating Organisations and Registered Persons under these Rules or Directives which are effective prior to the Amendments; and

- (b) any conditions, undertakings, decisions, waivers, act or thing imposed on or given by or done by Participating Organisations and Registered Persons prior to the Amendments.
- (2) Any action proposed to be taken or is in the process of being taken or has been taken by the Exchange in relation to any provisions of these Rules or Directives which are effective prior to the Amendments, will not be invalidated by the Amendments even if the above action is taken on or after the effective date of the Amendments.
- (3) The Exchange may apply the rules, procedures and penalties as may be applicable prior to, on or after the effective date of the Amendments, as it deems appropriate in relation to the following:
  - (a) disciplinary actions which were initiated prior to the effective date of the Amendments;
  - (b) appeals made prior to the effective date of the Amendments; or
  - (c) appeals made on or after the effective date of the Amendments in relation to disciplinary actions initiated or taken prior to the effective date of the Amendments.

**2.04 Powers of the Exchange Holding Company**

- (1) If any provision of these Rules confers a right or power on the Exchange to do any act or thing such provision will be deemed to confer the right or power on the Exchange Holding Company to do such act or thing on behalf of the Exchange.
- (2) A Participating Organisation, Registered Person and other person to whom these Rules are directed must comply with, observe or give effect to any action of the Exchange Holding Company pursuant to Rule 2.04(1).

**2.05 Decisions of the Exchange and the Right of Appeal**

- (1) Any decision of the Exchange, including a decision on appeal, is final and binding.
- (2) A person may only appeal against any action or decision taken or made by the Exchange under these Rules or Directives if the right of appeal is expressly provided for under the relevant provisions of these Rules.
- (3) The Exchange may affirm, vary or set aside the decision appealed against.

**2.06 Parties affected by actions taken by the Exchange**

A Participating Organisation and a Registered Person must ensure that a proxy, agent, nominee or other person acting in concert with the Participating Organisation, Registered Person or Clients of a Participating Organisation complies with any direction issued by the Exchange to the Participating Organisation and Registered Person

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**PART B PROTECTION OF PUBLIC, CLIENT AND EXCHANGE'S INTEREST**

**2.07 Summary Powers**

The Exchange may summarily take such action the Exchange thinks fit against a Participating Organisation or a Registered Person to protect the interests of Clients, the public or the Exchange if the Exchange is of the opinion that:

- (a) the manner in which the Participating Organisation or Registered Person conducts the Participating Organisation's business is or is likely to be detrimental to Clients, the public or the Exchange;
- (b) the Participating Organisation or Registered Person has committed an act or omission that is or is likely to be detrimental to Clients, the public or the Exchange;
- (c) the financial position or reputation of the Participating Organisation or Registered Person has a detrimental effect or is likely to be detrimental to Clients, the public or the Exchange.

*[Refer to Directive No. 2.07-001]*

## PART C      EMERGENCY SITUATIONS

### 2.08      Circumstances upon which the Exchange may take action

The Exchange may exercise its emergency powers where there is reasonable cause to believe that any of the following circumstances or circumstances similar to the following exist:

- (a) a situation that threatens, or may threaten, the integrity or the liquidity of any counter in the stock market or of the stock market;
- (b) a situation that threatens, or may threaten, the financial integrity of the Exchange or its Participating Organisations;
- (c) a manipulation or attempted manipulation of, or the creation of a corner situation in, any securities as described under Part C and Part D of Chapter 7 respectively;
- (d) any internal or external factors which are likely to have direct and adverse effect on the Exchange;
- (e) a situation where the operations of the Exchange are severely and adversely affected by the occurrence of any major incidents such as a fire, power failure or computer malfunction; or
- (f) any other situation likely to have an adverse impact on the operation of an orderly and fair market.

### 2.09      Actions

- (1) Upon determination by the Exchange under Rule 2.08 that an emergency exists or has arisen, the Exchange may, without prejudice to the generality of such powers, order that all or any of the following actions be taken to remedy the situation:
  - (a) suspend any of the provisions of these Rules or make or impose new temporary rules ("**Emergency Rules**") to ensure the existence or continuance of an orderly and fair market;
  - (b) suspend trading on the stock market of the Exchange;
  - (c) suspend trading in any securities on the stock market of the Exchange;
  - (d) modify Business Day or trading hours;
  - (e) impose higher financial requirements on a Participating Organisation;
  - (f) suspend a Participating Organisation's trading rights; and
  - (g) any other action deemed appropriate.
- (2) All Emergency Rules made and imposed by the Exchange are binding on all Participating Organisations, Registered Persons and employees for such period and in accordance with the terms and conditions prescribed by the Exchange.

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**PART D      REGISTERS**

**2.10**

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**PART E            LIABILITY AND INDEMNITY**

**2.11    Non-liability of the Exchange**

Without prejudice to any immunity or defence available to the following persons by statute or in law, none of the following persons is liable for, on account of or in respect of anything done or omitted to be done, any such statement made or omitted to be made by such persons or on behalf of such persons in good faith in connection with the discharge or performance or purported discharge or performance of any function or duty, or the exercise or intended exercise of any power under these Rules or any applicable law or in respect of any decision made or enforcement action taken or notice of publication in relation to such enforcement action, whether resulting in any loss of profit, costs, damages or damage to reputation or otherwise:-

- (a)        the Exchange or the Exchange Holding Company;
- (b)        any person acting on behalf of the Exchange or the Exchange Holding Company, including:
  - (i)        any member of the board of the Exchange or Exchange Holding Company or any member of any committee or sub-committee of the Exchange or Exchange Holding Company;
  - (ii)       any officer of the Exchange or Exchange Holding Company; or
  - (iii)      any agent of, or any person acting under the direction of the Exchange or Exchange Holding Company.

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**PART F            DISCLOSURE OF INFORMATION**

**2.12 Disclosure of information regarding Participating Organisations**

- (1) The Exchange may, where it considers appropriate, release any information including any confidential information in relation to a Participating Organisation, the Participating Organisation's Registered Person or Clients:
  - (i) to the Commission, Depository, Clearing House or any other relevant body or authority (in Malaysia or outside of Malaysia) as the Exchange considers fit; or
  - (ii) to such parties as the Exchange considers fit for the purposes of the Exchange's investigation, enforcement or both.
  
- (2) The Exchange may publish or disclose the following information to the Participating Organisations or any other persons as the Exchange considers fit:
  - (i) without identifying the Client of the Participating Organisation to whom the information relates, the volume or value of On-Market Transactions and Direct Business Transactions transacted by all or any or each of the Participating Organisations or Market Maker(s); or
  - (ii) any action taken against a Participating Organisation or a Registered Person by the Exchange under these Rules.

*[Refer to Directive No. 2.12(2)-001]*

[End of Chapter]

CHAPTER 3

PARTICIPATING ORGANISATIONS AND  
REGISTERED PERSONS

PART A PARTICIPATING ORGANISATIONS

**3.01 Qualification criteria**

To be eligible for admission as a Participating Organisation, an applicant must:

- (a) be a company incorporated in Malaysia and if the company has a constitution which states the objects of the company, having as one of the applicant's objects, the carrying on of the business of dealing in securities;
- (b) hold a valid Capital Markets Services Licence for dealing in securities;
- (c) upon admission as a Participating Organisation, satisfy all the financial requirements set out in Chapter 13 of these Rules;
- (d) have facilities and personnel adequate for the expeditious and orderly carrying on of the business of trading in securities on the Exchange's stock market;
- (e) upon admission as a Participating Organisation, register all the Participating Organisation's Registered Person under these Rules; and
- (f) comply with such other requirements as may be prescribed by the Exchange from time to time.

**3.02 Application procedure**

(1) To become a Participating Organisation, an applicant must:

- (a) apply to the Exchange in accordance with the requirements the Exchange stipulates; and

*[Refer to Directive No. 3-001]*

- (b) satisfy the qualification criteria prescribed in Rule 3.01.

(2) The Exchange may accept or reject an application to be a Participating Organisation.

(3) Notwithstanding the applicant meeting the qualification criteria under Rule 3.01, the Exchange may reject the applicant's application to be a Participating Organisation if:

- (a) the applicant does not provide information relating to the application as the Exchange requires;
- (b) any information or document that is furnished by the applicant to the Exchange is false or misleading;
- (c) the applicant has failed to comply with any other requirement of the Securities Laws, these Rules and the Directives;
- (d) the applicant is the subject of an investigation or proceeding involving an allegation of fraud or dishonesty, whether in or out of Malaysia;

- (e) the admission of the applicant is not in the interest of an orderly and fair stock market; or
  - (f) the Exchange is of the opinion that the admission of the applicant may affect the optimum utilisation of the Exchange's facilities, taking into account risk management and any other considerations.
- (4) If the Exchange accepts an applicant's application to be a Participating Organisation, the applicant will be admitted as a Participating Organisation and the applicant's name will be entered into the Register.
- (5) The Exchange will categorise a Participating Organisation as follows:
- (a) Investment Bank;
  - (b) Universal Broker;
  - (c) Special Scheme Broker;
  - (d) 1 + 1 Broker; or
  - (e) Standalone Broker.

### **3.03 Appeals on Refusal to Register**

If the Exchange rejects an application to be a Participating Organisation, the applicant may appeal in writing to the Exchange within 14 days after the applicant is notified of the Exchange's decision.

### **3.04 Change of status**

If a Participating Organisation changes the Participating Organisation's status from one category to another based on the categorisation prescribed under Rule 3.02(5), the Participating Organisation must notify the Exchange in the manner the Exchange prescribes.

*[Refer to Directive No. 3-001]*

### **3.05 Participantship**

- (1) Once admitted as a Participating Organisation, a Participating Organisation may:
- (a) have access to the markets or facilities established, maintained or operated by the Exchange, subject to these Rules and the Directives; and
  - (b) describe itself as a Participating Organisation of the Exchange.
- (2) A Participating Organisation is not permitted to transfer its Participantship in the Exchange to any other person.
- (3) A Participating Organisation will immediately cease to enjoy access to the markets or facilities maintained by the Exchange as described in Rule 3.05(1)(a) if the Participating Organisation:
- (a) is suspended;
  - (b) no longer holds a Capital Markets Services Licence for dealing in securities or has had its Capital Markets Services Licence for dealing in securities suspended;

- (c) defaults in the Participating Organisation's payment or delivery obligation to the Clearing House arising from the purchase or sale of securities on the Exchange's stock market; or
  - (d) ceases to be a Participating Organisation.
- (4) A Participating Organisation must immediately notify the Exchange upon becoming aware of the circumstance prescribed in Rule 3.05(3)(b).

### **3.06 Continuing Obligations**

Throughout the term of a Participating Organisation's Participanship, it must:

- (a) continuously satisfy the qualification criteria stated in Rule 3.01;
- (b) comply with and give effect to the Securities Laws and the Commission's requirements;
- (c) comply with and give effect to these Rules and the Directives whether or not the provisions are directed at the Participating Organisation specifically and to any undertaking given to the Exchange whether before or after admission as a Participating Organisation;
- (d) ensure that its constitution, if any, complies with or is consistent with these Rules or the Directives;
- (e) register with the Exchange the business address of its Principal Office and not change such business address without the prior written approval of the Exchange;
- (f) notify the Exchange of any change to the Participating Organisation's registered address within 7 days after the change;
- (g) notify the Exchange of any change to its name as registered by the Exchange within 7 days after the change;
- (h) not go into voluntary liquidation or apply for any order under Section 366 of the Companies Act without the Exchange's prior written approval; and
- (i) comply with the provisions of the rules of the Clearing House and Central Depository.

### **3.07 Resignation**

- (1) If a Participating Organisation intends to resign, it must:
- (a) give the Exchange at least 30 days' written notice stating the proposed date of resignation;
  - (b) satisfy the Exchange that it has taken, or will take, proper and adequate steps before the proposed date of resignation for the orderly winding down of its business of trading in securities on the Exchange's stock market including being able to fulfil all its obligations to the Exchange and its Clients; and
  - (c) stop entering into transactions within the time frame the Exchange prescribes.
- (2) The Exchange may accept or reject the Participating Organisation's resignation.
- (3) If the resignation is accepted, the Exchange will notify all other Participating Organisations of the effective date of resignation.

- (4) The resigning Participating Organisation's name will be removed from the Register on the effective date of resignation.

**3.08 Fees**

- (1) A Participating Organisation must pay the Exchange all fees and charges the Exchange stipulates in the manner and within the period the Exchange prescribes.
- (2) A Participating Organisation that omits to pay the Exchange any fee or charge within the time frame the Exchange specifies will be sent a written demand for payment. If the amount due is not paid within the period prescribed in the written demand, the Exchange may summarily suspend, terminate or take any other action the Exchange thinks fit against the Participating Organisation and will notify the Participating Organisation concerned.

**3.09 Continuing liability**

- (1) A former Participating Organisation remains liable to disciplinary action for any breach of these Rules and all other Directives issued by the Exchange committed during the period while it was a Participating Organisation.
- (2) A former Participating Organisation must retain all its records for at least 7 years from the date of cessation and produce such records in a legible form to the Exchange upon demand.
- (3) All provisions in these Rules continue to apply in respect of the former Participating Organisation to the extent required to give effect to Rules 3.09(1) and 3.09(2).

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**PART B REGISTERED PERSON**

**3.10 Obligation to register**

A Participating Organisation must register the following persons with the Exchange:

- (a) Chief Executive Officer;
- (b) Director;
- (c) Head of Dealing;
- (d) Head of Operations;
- (e) Head of Compliance; and
- (f) Dealer's Representative.

**3.11 Registration procedures**

- (1) To register a person under Rule 3.10, a Participating Organisation must:
  - (a) submit the relevant documents to the Exchange in accordance with the requirements the Exchange prescribes; and
  - (b) make the submission only in respect of a person that satisfies the relevant qualification criteria applicable for the relevant category of Registered Person as prescribed in these Rules.
- (2) The Exchange may accept or reject a submission for registration as a Registered Person.
- (3) Notwithstanding the Registered Person meeting the relevant qualification criteria under these Rules, the Exchange may reject a submission for registration as a Registered Person if:
  - (a) the information relating to the submission as the Exchange requires is not provided;
  - (b) any information or document that is furnished to the Exchange is false or misleading;
  - (c) the proposed Registered Person has failed to comply with any other requirement of the Securities Laws, these Rules and the Directives;
  - (d) the proposed Registered Person is the subject of an investigation or proceeding involving an allegation of fraud or dishonesty, whether in or out of Malaysia; or
  - (e) the conduct of a Registered Person is not in the interest of a fair and orderly market.

*[Refer to Directive No. 3-001]*

**3.12 Appeals on Refusal to Register**

If the Exchange rejects a submission for registration under this Rule, the Participating Organisation may appeal in writing to the Exchange within 14 days after the Participating Organisation is notified of the Exchange's decision.

### 3.13 Prohibition on performing functions until registered

- (1) This Rule does not apply to Directors and Chief Executive Officers.
- (2) No person may perform the functions of a Registered Person of a Participating Organisation unless registered with the Exchange as such.

### 3.14 Obligations

Throughout the term of a Registered Person's registration, a Registered Person must:

- (a) continuously satisfy the qualification criteria applicable to that Registered Person;
- (b) comply with and give effect to the Securities Laws and the Commission's requirements;
- (c) comply with and give effect to these Rules and the Directives and to any undertaking given to the Exchange whether before or after registration as a Registered Person;
- (d) observe professional conduct, standards of integrity and fair dealing;
- (e) exercise proper skill, care and diligence;
- (f) act honestly and in the best interest of the Client and the Participating Organisation;
- (g) carry out the Registered Person's duties in a manner that contributes to the maintenance of an orderly and fair stock market;
- (h) effectively discharge the Registered Person's duties while in office;
- (i) not act in a manner that may compromise the Registered Person's function and position;
- (j) comply with the Rules of the Clearing House and Central Depository; and
- (k) comply with and give effect to the structures, policies, procedures and internal controls implemented by the Participating Organisation pursuant to Rule 5.03.

### 3.15 Continuing Obligations

- (1) A Registered Person must not:
  - (a) cause, aid or abet a breach of these Rules or the Directives by a Participating Organisation; or
  - (b) permit, either knowingly or where the Registered Person had reasonable means of obtaining such knowledge, a Participating Organisation to commit a breach of these Rules or the Directives.
- (2) A Registered Person must exercise all such diligence to prevent the commission of the breach of these Rules or the Directives by the Participating Organisation as the Registered Person ought to have exercised, having regard to the nature of the Registered Person's functions in the Participating Organisation and to all relevant circumstances.

**3.16 Duty to manage conflicts of interest**

A Registered Person must identify and manage any potential or actual conflict of interests in relation to the discharge of obligations and functions under the Securities Laws, these Rules and the Directives.

**3.17 Notice of cessation**

A Participating Organisation must notify the Exchange within 14 days of the effective date of the Registered Person ceasing to hold the relevant office.

**3.18 Vacancy of Registered Person**

- (1) This Rule 3.18 only applies to a Head of Dealing, Head of Operations and Head of Compliance
- (2) If a vacancy occurs in the office of a person described in Rule 3.18(1), the Participating Organisation must fill the vacancy within 6 months from the date the vacancy occurs.
- (3) In the interim, the Participating Organisation must identify a person and require that person to temporarily assume the responsibility for the functions of the vacated office. The Participating Organisation must ensure that the person:
  - (a) has the relevant experience and seniority to undertake the relevant functions;
  - (b) complies with these Rules and the Directives except for the requirement for the Commission's approval to be appointed to the relevant vacated office; and
  - (c) undertakes only such functions for a period not exceeding 6 months.
- (4) The Participating Organisation must notify the Exchange of the person assuming responsibility for the functions of the vacated office.

**3.19 Striking Off the Register**

- (1) A Registered Person will summarily cease to be registered under these Rules if the Registered Person:
  - (a) becomes of unsound mind;
  - (b) is made bankrupt, whether in or out of Malaysia;
  - (c) no longer holds a Capital Markets Services Representative's Licence where the Registered Person is required to hold such licence under these Rules;
  - (d) is convicted, whether within or outside Malaysia, of an offence involving fraud or other dishonesty or violence or the conviction of which involved a finding that he acted fraudulently or dishonestly; or
  - (e) is convicted of an offence under the Securities Laws.
- (2) A Participating Organisation and a Registered Person must immediately notify the Exchange upon becoming aware of any of the above circumstances.

**3.20 Fees on registration**

A Participating Organisation must pay the Exchange all fees and charges the Exchange stipulates for the registration of a Registered Person in the manner and within the period the Exchange specifies.

*[Refer to Directive No. 3-001]*

**3.21 Continuing liability**

A former Registered Person remains subject to disciplinary action for any breach of these Rules and the Directives committed during the period while the person was a Registered Person and all provisions in these Rules continue to apply in respect of the former Registered Person to the extent required to give effect to this Rule 3.21.

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**PART C CHIEF EXECUTIVE OFFICER**

**3.22 Obligations**

- (1) Throughout the term of the Chief Executive Officer's registration, subject to Rule 3.22(2), the Chief Executive Officer must be responsible for:
  - (a) all the activities of the Participating Organisation in relation to the business of trading in securities on the stock market of the Exchange; and
  - (b) the compliance by the Participating Organisation with these Rules and the Directives.
- (2) Subject to these Rules, a Chief Executive Officer who is also registered as a Head of Dealing may only be responsible for activities of trading in securities while a CEO who is also registered as a Head of Operations must not be responsible for activities of trading in securities.

**3.23 Engagement in other business**

- (1) A Chief Executive Officer must not engage in or hold any interest in any other business unless:
  - (a) the directorship or appointment is non-executive in nature;
  - (b) there is no conflict of interests or duty with being a Chief Executive Officer of a Participating Organisation;
  - (c) the engagement or interest is not in breach of the conditions of Capital Markets Services Representative's Licence (if applicable); and
  - (d) the Chief Executive Officer has obtained the Participating Organisation's prior approval.
- (2) For the purpose of this Rule, 'engaging in any business' includes being a director or a debenture holder in any entity.

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**PART D HEADS**

**3.24 Minimum number of Heads**

A Participating Organisation must have at least 3 Heads, namely Head of Dealing, Head of Operations and Head of Compliance. No other person other than these Heads is permitted to discharge the respective functions of the Heads as prescribed in these Rules.

**3.25 Engagement in other business**

- (1) A Head of a Participating Organisation must not engage in or hold any interest in any other business unless:
  - (a) the directorship or appointment is non-executive in nature;
  - (b) there is no conflict of interests or duty with being a Head of a Participating Organisation;
  - (c) the engagement or interest is not in breach of conditions of the Capital Markets Services Representative's Licence (if applicable); and
  - (d) the Head has obtained the Participating Organisation's prior approval
- (2) For the purpose of this Rule, 'engaging in any business' includes being a director or a debenture holder in any entity.

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**PART E HEAD OF DEALING**

**3.26 Requirement**

- (1) A Participating Organisation must appoint at least 1 Head of Dealing.
- (2) A Participating Organisation that appoints more than 1 Head of Dealing must:
  - (a) clearly delineate and document the area and scope of responsibility of each Head of Dealing at the time of appointment of a Head of Dealing and if there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
  - (b) have every area of the Participating Organisation's business relating to trading in securities fall under the responsibility of at least 1 Head of Dealing.
- (3) All Heads of Dealing of a Participating Organisation are jointly responsible for any area relating to trading in securities that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Dealing.

**3.27 Qualification criteria**

A Head of Dealing appointed by a Participating Organisation must fulfil the following requirements:

- (a) is approved by the Commission as a Head of Dealing;
- (b) holds a Capital Markets Services Representative's Licence for dealing in securities; and
- (c) is registered with the Exchange as a Head of Dealing.

**3.28 Obligations**

Throughout the term of a Head of Dealing's registration, the Head of Dealing must:

- (a) continuously satisfy the qualification criteria stated in Rule 3.27;
- (b) be responsible for the activities of the Participating Organisation related to trading in securities; and
- (c) supervise and direct compliance with these Rules and the Directives by the Participating Organisation, Registered Persons, employees and agents on matters relating to trading in securities.

**3.29 Reporting**

- (1) A Head of Dealing must report directly to the Board of Directors of the Participating Organisation.
- (2) Rule 3.29(1) is not applicable to a Head of Dealing of an Investment Bank.

**PART F HEAD OF OPERATIONS**

**3.30 Requirement**

- (1) A Participating Organisation must appoint at least 1 Head of Operations.
- (2) A Participating Organisation that appoints more than 1 Head of Operations must:
  - (a) clearly delineate and document the area and scope of responsibility of each Head of Operations at the time of appointment of a Head of Operations and if there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
  - (b) have all the operational activities of the Participating Organisation relating to trading in securities (“operational activities”) fall under the responsibility of at least 1 Head of Operations.
- (3) All Heads of Operations of a Participating Organisation are jointly responsible for any operational activities of the Participating Organisation that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Operations.

**3.31 Qualification criteria**

A Head of Operations appointed by a Participating Organisation must fulfil the following requirements:

- (a) is approved by the Commission as a Head of Operations;
- (b) does not hold a Capital Markets Services Representative's Licence; and
- (c) is registered with the Exchange as a Head of Operations.

**3.32 Obligations**

Throughout the term of a Head of Operation's registration, the Head of Operations must:

- (a) continuously satisfy the qualification criteria stated on Rule 3.31;
- (b) be responsible for the Participating Organisation's operational activities relating to trading in securities; and
- (c) supervise and direct compliance with these Rules and the Directives by the Participating Organisation, Registered Persons, employees and agents on matters relating to the Participating Organisation's operational activities.

**3.33 Reporting**

- (1) A Head of Operations must report directly to the Board of Directors of the Participating Organisation.
- (2) Rule 3.33(1) is not applicable to a Head of Operations of an Investment Bank.

**PART G HEAD OF COMPLIANCE**

**3.34 Requirement**

- (1) A Participating Organisation must appoint at least 1 Head of Compliance.
- (2) A Participating Organisation that appoints more than 1 Head of Compliance must:
  - (a) clearly delineate and document the area and scope of responsibility of each Head of Compliance at the time of appointment of a Head of Compliance and if there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
  - (b) have every area relating to the compliance functions referred to in Rule 3.36(b) fall under the responsibility of at least 1 Head of Compliance.
- (3)
  - (a) Where a Participating Organisation outsources its compliance functions to the Group under Rule 5.17, the Participating Organisation must ensure that:
    - (i) the Group designates at least 1 dedicated compliance officer who must be responsible to ensure that the compliance functions of the Participating Organisation as stated in Rule 3.36 are carried out; and
    - (ii) the dedicated compliance officer is registered with the Exchange in accordance with this Part G of Chapter 3.
  - (b) Where a Participating Organisation has outsourced its compliance functions to the Group and has complied with Rule 3.34(3)(a), it may choose not to appoint a Head of Compliance.
  - (c) The provisions in this Part G of Chapter 3 are applicable to the dedicated compliance officer as though the dedicated compliance officer is the Head of Compliance unless stated otherwise.
- (4) All Heads of Compliance of a Participating Organisation are jointly responsible for any compliance function referred to in Rule 3.36(b) that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Compliance.

**3.35 Qualification criteria**

A Head of Compliance appointed by a Participating Organisation must fulfil the following requirements:

- (a) is approved by the Commission as a Head of Compliance;
- (b) does not hold a Capital Markets Services Representative's Licence; and
- (c) is registered with the Exchange as a Head of Compliance.

**3.36 Obligations**

Throughout the term of a Head of Compliance's registration, the Head of Compliance must:

- (a) continuously satisfy the qualification criteria stated in Rule 3.35;

- (b) supervise and carry out proper checks and reviews to monitor and ensure the overall compliance by the Participating Organisation, the Participating Organisation's Registered Persons, employees and agents with the Securities Laws, these Rules and the Directives; and

*[Refer to Directive No. 3.36-001]*

- (c) ensure matters pertaining to compliance by the Participating Organisation, the Participating Organisation's Registered Persons, employees and agents with the Securities Laws, these Rules and the Directives are highlighted to the Participating Organisation's Board of Directors or in the case of an Investment Bank, to the Board of Directors or committee to whom the Head of Compliance is required to report under the Guidelines on Investment Banks.

*[Refer to Directive No. 3.36-002 and Best Practice No. 3.36-001]*

### **3.37 Reporting**

*[Deleted]*

### **3.38 Reporting of breaches or irregularities**

*[Deleted]*

### **3.39 Reporting on compliance matters**

*[Deleted]*

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**PART H DIRECTORS**

**3.40 Requirement**

A Participating Organisation must register the Participating Organisation's Directors with the Exchange.

**3.41 Obligations**

Throughout the term of a Director's registration, the Director must be responsible for:

- (a) all the activities of the Participating Organisation;
- (b) compliance with these Rules, the Directives and Securities Laws by the Participating Organisation and the Participating Organisation's Registered Persons, employees and agents; and
- (c) satisfying the qualifications the Commission or the Central Bank (for a Director of an Investment Bank) prescribes.

**3.42 Engagement in Other business**

- (1) A Director of a Participating Organisation must not engage in or hold any interest in any other business unless:
  - (a) there is no conflict of interests and duty with being a Director of a Participating Organisation;
  - (b) the engagement or interest is not in breach of conditions of the Capital Markets Services Representative's Licence (if applicable); and
  - (c) the Director has obtained the Participating Organisation's prior approval.
- (2) In this Rule, "engaging in any business" includes being a director of or a debenture holder in any entity.

**3.43 Deeming provision**

- (1) A Director of a Participating Organisation who was, immediately prior to the Conversion Date, a member of the Exchange Holding Company is deemed a Registered Person after the Conversion Date(s) until the Director ceases to be a Registered Person(s) in accordance with these Rules and must continue to be bound by these Rules and the Directives.
- (2) A reference to a Director in the Director's former capacity as a member of the Exchange Holding Company in any undertaking, declaration, indemnity or other document will be construed as reference to the Director in the Director's capacity as a Registered Person.

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## PART I DEALER'S REPRESENTATIVES

### 3.44 Categories

The categories of Dealer's Representatives are:

- (a) Commissioned Dealer's Representatives;
- (b) Salaried Dealer's Representatives; and
- (c) Proprietary Day Traders.

### 3.45 Requirement

- (1) A Participating Organisation must register the Participating Organisation's Dealer's Representatives with the Exchange.
- (2) The registration of a Proprietary Day Trader is a privilege granted by the Exchange to the Participating Organisation and the Proprietary Day Trader. As such the Exchange may reject an application for registration of a Proprietary Day Trader without assigning any reason for the rejection.

### 3.46 Qualification criteria

- (1) A Dealer's Representative appointed by a Participating Organisation must fulfil the following requirements:
  - (a) holds a Capital Markets Services Representative's Licence for dealing in securities; and
  - (b) is registered with the Exchange as a Dealer's Representative based on the categories in Rule 3.44.
- (2) *[Deleted]*

### 3.47 Obligations of a Dealer's Representative

- (1) Throughout the term of a Dealer's Representative's registration with the Exchange, the Dealer's Representative must:
  - (a) continuously satisfy the qualification criteria stated in Rule 3.46;
  - (b) act for only 1 Participating Organisation;
  - (c) be employed or engaged on a full-time basis by a Participating Organisation;
  - (d) *[Deleted]*
  - (e) be of good character and act faithfully for and on behalf of the Participating Organisation in all the Dealer's Representative's dealings;
  - (f) not accept payment from Clients or hold any Client's assets in the Dealer's Representative's name and must ensure that Clients make payments and lodgement of assets directly to the Participating Organisation;

*[Refer to Directive No. 3.47(1)-001]*

- (g) not engage in or hold any interest in any other business unless:
  - (i) the directorship or appointment is non-executive in nature;
  - (ii) there is no conflict of interests or duty with being a Dealer's Representative of a Participating Organisation;
  - (iii) the engagement or interest is not in breach of conditions of the Capital Market Services Representative's licence; and
  - (iv) the Dealer's Representative has obtained the Participating Organisation's prior approval;
- (h) not carry on the business of dealing in securities outside the Principal Office or a Branch Office of the Participating Organisation unless the Dealer's Representative has obtained the Participating Organisation's prior approval;

*[Refer to Directive No. 3.47(1)-002]*

- (i) if the Dealer's Representative trades on Client's behalf, properly verify the Client's identity and the authenticity of the application;
  - (j) if the Dealer's Representative is a Proprietary Day Trader, only operate the Day Trading Activities Account and no other account, on such conditions as the Exchange may prescribe;
  - (k) not undertake trading for the Participating Organisation's Client or a client of a holder of a Capital Markets Services Licence for dealing in derivatives, if the Dealer's Representative undertakes proprietary trading for the Participating Organisation and vice versa;
  - (l) not, without proper authority, make use of another person's account particulars; and
  - (m) not apply any amount paid or securities deposited by a Client:
    - (i) to any person not entitled; or
    - (ii) for payment into an account other than the said Client's trading account.
- (2) In Rule 3.47(1):
- (a) "engaging in any business" includes being a director of or a debenture holder in any entity; and
  - (b) "Day Trading Activities Account" refers to trading account opened in the name of a Participating Organisation and used by the Participating Organisation for Day Trading.
- (3) A Dealer's Representative is liable for any loss arising from the Dealer's Representative failing to properly verify the Client's identity and the authenticity of the application under Rule 3.47(1)(i).

### **3.48 Scope of activities**

A Dealer's Representative must comply with the restrictions set out in Schedule 1 in respect of the scope of a Dealer's Representative's activities.

### 3.49 Remuneration

A Dealer's Representative must not share the remuneration or commission paid with any person except as provided in Rule 11.02(3A).

### 3.50 Segregation of assets

- (1) A Participating Organisation must segregate and safeguard the DR Security Deposit from:
  - (a) the Participating Organisation's assets and securities; and
  - (b) other securities the Participating Organisation holds on behalf of the Participating Organisation's Clients.
- (2) A Participating Organisation must place all cash DR Security Deposits the Participating Organisation receives in a trust account maintained with a licensed bank or licensed investment bank under the FSA.

### 3.51 Movement of Dealer's Representative

*[Deleted]*

### 3.52 Re-designation

- (1) A Participating Organisation must notify the Exchange of a Commissioned Dealer's Representative's re-designation to a Salaried Dealer's Representative or vice versa within 14 days from the effective date of the re-designation.
- (2) A Participating Organisation must apply to the Exchange in the manner the Exchange specifies for a Commissioned Dealer's Representative or a Salaried Dealer's Representative re-designation to a Proprietary Day Trader. The Exchange may disallow the re-designation as the Exchange deems fit.
- (3) A Participating Organisation must notify the Exchange of a Proprietary Day Trader's re-designation to either a Commissioned Dealer's Representative or Salaried Dealer's Representative at least 3 days prior to the effective date of the re-designation and make payment of any fees prescribed by the Exchange.

*[Refer to Directive No. 3-001]*

### 3.53 Transfer

- (1) A Participating Organisation must obtain the Exchange's approval to transfer the registration of a person it wishes to employ or engage as its Dealer's Representative who:
  - (a) is employed or engaged by another Participating Organisation as a Dealer's Representative; or
  - (b) was not more than 6 months prior to the intended date of employment or engagement, employed or engaged by another Participating Organisation as a Dealer's Representative.
- (2) To obtain approval to transfer the registration of a Dealer's Representative, a Participating Organisation must:

- (a) apply to the Exchange in the manner the Exchange prescribes;
  - (b) pay the transfer fee the Exchange prescribes; and
  - (c) in the circumstances stated in Rule 3.53(1)(a), submit a letter of release from the Participating Organisation that the Dealer's Representative is employed or engaged with.
- (3) A Participating Organisation must give a letter of release to a Dealer's Representative who requests for such letter within a reasonable timeframe unless the Dealer's Representative:
- (a) is in material breach of any of these Rules or the Directives; or
  - (b) has debt(s) owing of RM50,000 or more to the Participating Organisation.

If there is a dispute on whether a particular breach constitutes a material breach of these Rules or the Directives, the Exchange will decide on such dispute. The Exchange's decision on the matter is final and binding.

*[Refer to Directive No. 3-001]*

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**PART J PROTECTION OF PUBLIC, CLIENT AND EXCHANGE'S INTEREST**

**3.54 Powers of the Exchange**

*[Deleted]*

[End of Chapter]

## CHAPTER 4 MARKET MAKERS AND DERIVATIVES SPECIALISTS

### PART A REGISTRATION OF A MARKET MAKER

#### 4.01 Qualification Criteria

- (1) An applicant who intends to apply to be a Market Maker for a Specified Security must be an entity that fulfils any one of the following requirements:
- (a) a Participating Organisation;
  - (b) a licensed bank, or licensed investment bank under the FSA, in which the licensed investment bank is not also a Participating Organisation;
  - (c) a Related Corporation of (a) or (b) above, incorporated under the Companies Act and has:
    - (i) a minimum shareholders' fund of RM2,000,000.00; and
    - (ii) at least 2 personnel with at least 5 years' experience in the following:
      - (aa) trading in securities as a Dealer's Representative or dealing in derivatives as a Registered Representative;
      - (bb) trading in treasury related instruments of a financial institution;
      - (cc) trading in securities as a dealer on a Recognised Stock Exchange; or
      - (dd) trading in derivatives as a dealer on a Specified Exchange as defined in the Derivatives Exchange Rules;
  - (d) a foreign corporation which fulfils the following:
    - (i) has a minimum paid up capital equivalent to RM2,000,000.00;
    - (ii) has the relevant market making experience in securities or derivatives markets for at least 3 years; and
    - (iii) is regulated by either of the following:
      - (aa) a securities or derivatives exchange in a jurisdiction which regulator is a signatory to the IOSCO MMOU or the BOCA Declaration respectively; or
      - (bb) a regulator who is a signatory to the IOSCO MMOU or the BOCA Declaration respectively;
  - (e) a Related Corporation of (d) above, incorporated under the Companies Act and fulfils the following:
    - (i) has a minimum paid up capital of RM2,000,000.00;
    - (ii) has at least 2 personnel with at least 3 years' experience in market making; and
    - (iii) the foreign corporation which is its Related Corporation has at least 3 years' experience in market making.

- (2) In addition to the requirements in Rule 4.01(1), an applicant to be a Market Maker must also fulfil the following requirements:
- (a) has in place facilities and personnel adequate for the expeditious and orderly carrying out of its business of Market Making; and
  - (b) has in place a supervisory programme and system of internal controls in respect of:
    - (i) the business of Market Making;
    - (ii) undertaking of risk management;
    - (iii) management of conflict of interest; and
    - (iv) compliance with these Rules.

#### 4.02 Application Procedure

- (1) An applicant who intends to apply to be a Market Maker for a Specified Security must apply to the Exchange in accordance with the Exchange's requirements and comply with any requirements as may be imposed by the Exchange.

*[Refer to Directive No. 4-001]*

- (2) Notwithstanding the applicant meeting the qualification criteria set out in Part A of this Chapter 4, the Exchange may reject an application to register as a Market Maker in circumstances the Exchange deems fit.

#### 4.03 Continuing Obligations

Throughout the term of its registration as a Market Maker, it must:

- (a) continuously comply with the qualification criteria stated under Part A of this Chapter 4;
- (b) immediately notify the Exchange of:
  - (i) any change that will disqualify it as a Market Maker based on Part A of this Chapter 4 or upon becoming aware of any of the circumstances stated in Rule 4.13(2);
  - (ii) any change in the place of business of the Market Maker; and
  - (iii) change in name of the Market Maker; and
- (c) comply with and give effect to these Rules and Directives where relevant.

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**PART B OBLIGATIONS OF A MARKET MAKER**

**4.04 Bid and Offer Prices**

- (1) A Market Maker for a Specified Security must enter bid and offer prices into the order book in the ATS for the purpose of buying and selling of the Specified Security as follows:
  - (a) with a minimum presence as stipulated by the Exchange;
  - (b) within the maximum spread allowed by the Exchange; and
  - (c) in not less than the minimum quantity allowed by the Exchange.
- (2) A Market Maker may be exempted from entering bid and offer prices as required under Rule 4.04(1) in circumstances deemed fit or allowed by the Exchange.

*[Refer to Directive No. 4-001]*

**4.05 Designated Trading Account and Designated Securities Account**

A Market Maker must undertake all Market Making activities through trading accounts and Securities Accounts designated specifically for Market Making activities based on the terms prescribed by the Exchange and the Depository respectively.

*[Refer to Directive No. 4-001]*

**4.06 Conduct by Market Maker**

- (1) A Market Maker may only carry out its Market Making activities for its proprietary position and not for Clients or its Related Corporations.
- (2) A Market Maker may carry out Permitted Short Selling as prescribed under Part E of this Chapter 4 in the course of fulfilling its obligations under Rule 4.04(1).
- (3) If a Market Maker is not a Participating Organisation, the Market Maker must enter the bid and offer prices into the order book in the ATS through a Participating Organisation.
- (4) A Market Maker must notify the Exchange immediately if it is unable to fulfil its Market Making obligations for any reason whatsoever and later when it is able to resume its Market Making obligations under Rule 4.04(1).
- (5) A Market Maker must avoid any act or practice which is likely to:
  - (a) lead to a false or misleading appearance of active trading in any securities on the stock market of the Exchange or a false or misleading appearance with respect to the market for, or the price of, any such securities; or
  - (b) directly or indirectly be tantamount to stock market manipulations,and must not participate in any operation by others which might have the same result.

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**PART C      DERIVATIVES SPECIALIST**

**4.07      General**

- (1) A market maker appointed by the Derivatives Exchange in respect of Single Stock Futures Contract or Stock Option Contract may apply to the Exchange to be a Derivatives Specialist.
- (2) If the market maker in Rule 4.07(1) is a foreign corporation, it must be regulated by either of the following:
  - (a) a securities or derivatives exchange in a jurisdiction which regulator is a signatory to the IOSCO MMOU or the BOCA Declaration respectively; or
  - (b) a regulator who is a signatory to the IOSCO MMOU or the BOCA Declaration respectively.
- (3) A Derivatives Specialist may carry out Permitted Short Selling on the underlying securities of the Single Stock Futures Contract or Stock Option Contract which are Approved Securities as prescribed under Part E of this Chapter 4, as part of its market making activities.

**4.08      Application Procedure**

- (1) An applicant who intends to be a Derivatives Specialist must apply to the Exchange in accordance with the Exchange's requirements and comply with any requirements as may be imposed by the Exchange.

*[Refer to Directive No. 4-001]*

- (2) The Exchange may reject an application to register as a Derivatives Specialist in circumstances the Exchange deems fit.

**4.09      Continuing Obligations**

Throughout the term of its registration as a Derivatives Specialist, it must:

- (a) remain as a market maker with the Derivatives Exchange in respect of Single Stock Futures Contract or Stock Option Contract
- (b) immediately notify the Exchange of:
  - (i) upon becoming aware of any of the circumstances stated in Rule 4.13(2);
  - (ii) any change in the place of business of the Derivatives Specialist; and
  - (iii) change in name of the Derivatives Specialist; and
- (c) comply with and give effect to these Rules and Directives, where relevant.

**4.10      Designated trading account and Securities Account**

A Derivatives Specialist must open a designated trading account and Securities Account based on the terms prescribed by the Exchange and the Depository respectively.

*[Refer to Directive No. 4-001]*

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**4.11 Conduct by Derivatives Specialist**

- (1) If a Derivatives Specialist is not a Participating Organisation, the Derivatives Specialist must execute Permitted Short Selling through a Participating Organisation.
- (2) A Derivatives Specialist must avoid any act or practice which is likely to:
  - (a) lead to a false or misleading appearance of active trading in any securities on the stock market of the Exchange or a false or misleading appearance with respect to the market for, or the price of, any such securities; or
  - (b) directly or indirectly be tantamount to stock market manipulations,and must not participate in any operation by others which might have the same result.

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**PART D RESIGNATION**

**4.12 Resignation**

- (1) If a Market Maker or a Derivatives Specialist wishes to resign, it must give a written notice to the Exchange of its intention to resign not less than 30 days prior to the proposed date of resignation.
- (2) The Exchange may accept the Market Maker's or the Derivatives Specialist's resignation subject to any conditions.

**4.13 Termination, Suspension or Restriction of the Activities of a Market Maker or a Derivatives Specialist**

- (1) The Exchange may summarily suspend, terminate or restrict the activities of a Market Maker or a Derivatives Specialist if:
  - (a) the Market Maker or the Derivatives Specialist fails to fulfil any of the requirements in Part A or Part C respectively of this Chapter 4; or
  - (b) the Market Maker continuously breaches its obligations under Rule 4.04(1) for a period determined by the Exchange.
- (2) A Market Maker or a Derivatives Specialist will summarily cease to be registered under these Rules if:
  - (a) the Market Maker or the Derivatives Specialist has been wound up whether on a voluntary basis or otherwise;
  - (b) a nominee of a corporate voluntary arrangement, a judicial manager, a receiver and manager, or a liquidator (including interim liquidator) has been appointed for the Market Maker or the Derivatives Specialist;
  - (c) the Derivatives Specialist no longer fulfils the requirement in Rule 4.09(a); or
  - (d) the Market Maker or the Derivatives Specialist is convicted of any offence in or outside of Malaysia involving dishonesty or fraud or had disciplinary action taken against it for breaches involving dishonesty or fraud.

**4.14 Continuing Liability**

- (1) A Market Maker or a Derivatives Specialist who has resigned or whose registration is terminated by the Exchange, remains liable to disciplinary action for any breach of these Rules or Directives committed during the period while it was a Market Maker or a Derivatives Specialist.
- (2) All provisions in these Rules will continue to apply in respect of the former Market Maker or the former Derivatives Specialist to the extent required to give effect to Rule 4.14(1).

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**PART E PERMITTED SHORTSELLING**

**4.15 General**

- (1) A Market Maker or a Derivatives Specialist may carry out Permitted Short Selling on the following securities in the manner set out in Part E of this Chapter 4:
  - (a) a Market Maker for an ETF – the ETF and its Constituent Securities;
  - (b) a Market Maker for a structured warrant – the underlying securities of the structured warrant which are Approved Securities,
  - (c) a Derivatives Specialist – the underlying securities of the Single Stock Futures Contract or Stock Option Contract which are Approved Securities.
- (2) A Market Maker or Derivatives Specialist must execute a Permitted Short Selling pursuant to Rule 4.15(1) above by way of On-Market Transaction only.
- (3) Unless it is otherwise provided in Part E of this Chapter 4, all other provisions in these Rules apply to Permitted Short Selling, as if they were normal sales of securities.

**4.16 Commencement of Permitted Short Selling**

- (1) A Market Maker or a Derivatives Specialist may commence Permitted Short Selling only if the Market Maker or the Derivatives Specialist has:
  - (a) established Internal Guidelines for Permitted Short Selling;
  - (b) put in place systems and infrastructure that include front office and back office systems which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of Permitted Short Selling in accordance with Part E of this Chapter 4; and
  - (c) notified the Exchange that it intends to carry out Permitted Short Selling and submitted a written declaration in the form as prescribed by the Exchange, 2 Market Days prior to the commencement of Permitted Short Selling.

*[Refer to Directive No. 4-001]*

- (2) In relation to an ETF Market Maker intending to short sell ETF units or Constituent Securities pursuant to Permitted Short Selling, the ETF Market Maker must have entered into an agreement to borrow the ETF units or Constituent Securities for the settlement of Permitted Short Selling.

**4.17 Execution**

- (1) A Market Maker or a Derivatives Specialist intending to shortsell PSS Securities pursuant to Permitted Short Selling must comply with either of the following prior to execution of the order to shortsell –
  - (a) the PSS Securities to be short sold have been borrowed through SBL or purchased through ISSBNT, as the case may be; or
  - (b) a confirmation has been obtained from an Authorised SBL Participant or Authorised ISSBNT Participant, as the case may be, that the PSS Securities to be short sold are available for the Market Maker or the Derivatives Specialist to use to settle the sale.
- (2) Rule 4.17(1) does not apply to an order to shortsell ETF units or Constituent Securities pursuant to Permitted Short Selling.

- (3) All Permitted Short Selling must be executed in the designated trading accounts and Securities Accounts prescribed in Rule 4.05 or Rule 4.10.

*[Refer to Directive No. 4-001]*

- (4) A Market Maker or a Derivatives Specialist must procure and retain proper documents for at least 7 years for the purpose of satisfying the Exchange when requested, that the Market Maker or Derivatives Specialist has complied with the requirements of Rules 4.16(2), 4.17(1) and 4.17(3).
- (5) A Market Maker or a Derivatives Specialist must not execute Permitted Short Selling when expressly directed by the Exchange, during the period where the PSS Securities has been declared, and remains, as Designated Securities under Part C of Chapter 7.
- (6) Unless otherwise specified by the Exchange, in the event the underlying securities of a structured warrant, Single Stock Futures Contract or Stock Option Contract are no longer declared as Approved Securities, a Market Maker or Derivatives Specialist may continue to conduct Permitted Short Selling on the said underlying securities until the expiry date of the structured warrant, or until the last contract month listed for the trading of the Single Stock Futures Contract or Stock Option Contract, as the case may be.

#### **4.18 Suspension of Permitted Short Selling**

Without affecting Rule 4.20, the Exchange may suspend any order entry into the order book in the ATS for any further Permitted Short Selling of PSS Securities if the quantity of the total short position of a PSS Securities triggers such thresholds as may be prescribed by the Exchange.

*[Refer to Directive No. 8-002]*

#### **4.19 Delivery and Settlement**

The Rules relating to delivery and settlement under Chapter 9 apply to Permitted Short Selling in the same manner as they apply to normal sales.

#### **4.20 Action by the Exchange**

- (1) The Exchange may take any of the actions enumerated under Rule 4.20(2) summarily against a Market Maker, Derivatives Specialist or a Registered Person in relation to Permitted Short Selling if:
  - (a) there is a breach or likelihood of breach of any provisions in Part E of this Chapter 4; or
  - (b) the execution of Permitted Short Selling is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 4.20(1) the Exchange may take any one or more of the following actions:
  - (a) direct further Permitted Short Selling by the Market Maker, Derivatives Specialist, or Registered Person to be suspended or to cease;
  - (b) impose limits on the total short positions that may be held by the Market Maker, Derivatives Specialist or Registered Person;
  - (c) impose restrictions or conditions on Permitted Short Selling carried out by the Market Maker, Derivatives Specialist, or Registered Person; or
  - (d) any other action deemed fit by the Exchange.

**4.21 General**

Where the Exchange issues directives to modify the application of the Rules in Chapter 4, in so doing, the Exchange may impose terms and conditions for compliance by Market Makers or Derivatives Specialists, where deemed necessary or appropriate.

[End of Chapter]

**CHAPTER 5 CONDUCT OF BUSINESS**

**PART A GENERAL REQUIREMENTS**

**5.01 Standard of conduct**

A Participating Organisation and Registered Person must, in the conduct of the Participating Organisation's business:

- (a) adhere to just and equitable principles and act with due skill, care and diligence and with due regard for the integrity of the market; and
- (b) not through any act or omission, do anything which may result in or has the effect of the market not being orderly and fair.

*[Refer to Directive No. 5-001]*

**5.02 Conflicts of interest and risk management**

A Participating Organisation must have in place adequate arrangements to manage:

- (a) all conflicts of interests that may arise in the conduct of the Participating Organisation's business; and
- (b) all risks that may arise in the conduct of the Participating Organisation's business.

*[Refer to Directive No. 5-001]*

**5.03 Structures, internal controls, policies and procedures**

(1) A Participating Organisation must have in place structures, internal controls and written policies and procedures designed to:

- (a) facilitate the supervision of the Participating Organisation's business activities and the conduct of the Participating Organisation's Registered Persons, employees and agents;
- (b) identify, monitor and manage conflicts of interests and risks that may arise in the conduct of the Participating Organisation's business;
- (c) achieve compliance with these Rules, the Directives, and the Securities Laws; and
- (d) provide for investor protection,

(referred to collectively in this Rule as "Policies and Procedures").

*[Refer to Directive No. 5-001]*

(2) A Participating Organisation must consider all relevant factors in determining the adequacy and effectiveness of the Policies and Procedures including the:

- (a) size of the Participating Organisation's business;
- (b) Participating Organisation's financial position;

- (c) diversity of operations;
  - (d) volume, size and frequency of transactions;
  - (e) degree of risk associated with each area of operation; and
  - (f) amount of control by the Participating Organisation's senior management over day to day operations.
- (3) A Participating Organisation must properly document and regularly review and update the Participating Organisation's Policies and Procedures to take into account any changes that may occur in the regulatory requirements.
- (4) A Participating Organisation must properly disseminate and effectively implement and enforce within the Participating Organisation, the Policies and Procedures and any updates to such Policies and Procedures.

*[Refer to Directives No. 5-002 and 5.03-001]*

#### **5.04 Records**

- (1) A Participating Organisation must keep proper records to evidence compliance with the requirements in these Rules, and when expressly required under any provisions of these Rules or Directives.

*[Refer to Directive No. 5-001]*

- (2) The records specified under Rule 5.04(1) must be maintained by the Participating Organisation for a period as specified under the relevant laws in Malaysia or in the absence of such laws, for a period of not less than 7 years.

#### **5.05 Business premises**

A Participating Organisation must have:

- (a) business premises that are adequately and properly equipped for the conduct of the Participating Organisation's business; and
- (b) adequate security and emergency arrangements to provide continuous business operations with minimal disruptions.

*[Refer to Directive No. 5.05-001]*

#### **5.06 Advertising**

A Participating Organisation's advertising or publicity in relation to the Participating Organisation's business must:

- (a) be accurate and not misleading or ambiguous;
- (b) not contain claims that are not verifiable;
- (c) not tend to bring the Exchange or the Exchange's Related Corporations or any other Participating Organisation into disrepute; and
- (d) contain adequate risk disclosure statements.

**5.07 Communication within the Participating Organisation**

A Participating Organisation must immediately disseminate these Rules, Directives and requirements the Exchange and the Commission issue to all the Participating Organisation's Registered Persons and relevant employees.

**5.08 Disputes**

- (1) Any dispute between parties referred to in Rule 5.08(7) may be brought to the Exchange, by notice in writing by either party to the dispute ("Notice of Dispute").
- (2) The parties to a dispute notified to the Exchange under Rule 5.08(1) must not resort to any outside tribunal or a court of law for determination of such dispute for a period of 30 days from the Exchange's receipt of the Notice of Dispute.
- (3) If there is no response from the Exchange within 30 days from the Exchange's receipt of the Notice of Dispute, the parties to the dispute may resort to an outside tribunal or a court of law for determination of such dispute.
- (4) If the Exchange decides to act in any such dispute, the Exchange will so inform the party or parties to the dispute within the period of 30 days from the Exchange's receipt of the Notice of Dispute.
- (5) The Exchange when acting in any dispute may appoint either 1 or 3 arbitrators to adjudicate the dispute if the parties to the dispute fail to reach an agreement for settlement of the matter in dispute.
- (6) Any arbitrator(s) appointed by the Exchange under Rule 5.08(5) will arbitrate the matter in dispute in accordance with the provisions of the Arbitration Act 2005. The award of such arbitrator(s) is final and binding upon the parties to such dispute.
- (7) For the purposes of this Rule 5.08:
  - (a) "dispute" means a dispute arising out of any matter governed by these Rules or Directives between or involving:
    - (i) Market Participants; or
    - (ii) Market Participants and the Exchange.
  - (b) "Market Participants" means Participating Organisations, Dealer's Representatives or both.

**5.09 Statements, information and reports to the Exchange**

- (1) A Participating Organisation and Registered Person must ensure that any statement, information or document submitted to the Exchange whether before or after registration as a Participating Organisation or a Registered Person in relation to any matter under these Rules or Directives must:
  - (a) be clear, unambiguous and accurate;
  - (b) not contain any material omission; and
  - (c) not be false or misleading.

- (2) If any statement, information or document the Exchange receives from or on behalf of a Participating Organisation or Registered Person breaches the requirements in Rule 5.09(1), the Participating Organisation and the relevant Registered Person will be held responsible for such breach notwithstanding that the statement, information or document was signed or submitted by a person other than the relevant Registered Person.
- (3) A Participating Organisation or Registered Person does not commit a breach of Rule 5.09(1) above if a Participating Organisation or Registered Person can prove that:-
  - (a) all enquiries as were reasonable in the circumstances had been made; and
  - (b) after making such enquiries, the relevant Participating Organisation or Registered Person had reasonable grounds and did believe until the time of the presentation, submission or disclosure of the statement, information or document to the Exchange that the statement, information or document did fulfil the requirements of Rule 5.09(1).
- (4) A Participating Organisation or Registered Person must immediately notify the Exchange if the Participating Organisation or Registered Person becomes aware that any statement, information or document provided to the Exchange may not fulfil the requirements in Rule 5.09(1).

#### **5.10 Currency**

- (1) Unless stated otherwise, all Rules containing references to RM values which relate to transactions in securities, will also apply to all transactions in securities denominated in foreign currency. In order to apply the Rules, the foreign currency values must be converted to RM values.
- (2) Unless stated otherwise, all monies payable to the Participating Organisation from the Exchange or from the Participating Organisation to the Exchange pursuant to these Rules or the Directives will be in RM even where the monies payable relate to transactions in securities denominated in foreign currency.

#### **5.11 Segregation of Client's Securities**

A Participating Organisation must ensure that all Clients' securities in its possession which are held in safe custody pursuant to custodial services rendered by the Participating Organisation, are held by its nominee company which is a wholly-owned subsidiary and an Authorised Nominee pursuant to Depository Rules.

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**PART B      RESOURCES**

**5.12 Proper performance of business activities**

- (1) A Participating Organisation must have adequate and effective resources for the proper performance of the Participating Organisation's business activities.
- (2) A Participating Organisation is responsible for the quality, reliability and integrity of all systems the Participating Organisation uses in the Participating Organisation's business in trading in securities on the Exchange's stock market.

**5.13 Personnel**

A Participating Organisation must only employ or engage Registered Persons, employees and agents who are fit and proper with suitable skill and experience with regard to the position and responsibility they hold.

*[Refer to Directive No.5-001]*

**5.14 Trading Clerks**

- (1) A Participating Organisation or a Dealer's Representative may appoint a Trading Clerk to assist the Participating Organisation or Dealer's Representative in entering orders into the ATS and in carrying out administrative and clerical duties.
- (2) A Participating Organisation and the Dealer's Representative who appoints the Trading Clerk must ensure that the Trading Clerk:
  - (a) does not represent himself as a Dealer's Representative or carry out the functions of a Dealer's Representative;

*[Refer to Directive No. 5-001]*

- (b) observes professional conduct, standard of integrity and fair dealing;
  - (c) exercises proper skill, care and diligence; and
  - (d) acts honestly and in the best interest of the Client and the Participating Organisation.
- (3) A Participating Organisation must keep a record of each Trading Clerk, appointed or engaged by the Participating Organisation or the Dealer's Representative.
- (4) A Participating Organisation and the Dealer's Representative who appoint the Trading Clerk are liable for all acts and omissions of the Trading Clerk.

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**PART C      CLIENTS****5.15 Client information and opening of accounts with Clients**

- (1) Before a Participating Organisation opens a trading account for a Client, the Participating Organisation must:
- (a) obtain all essential information about the Client relevant to the services to be provided; and
  - (b) verify the Client's identity and the authenticity of the application to open a trading account with the Participating Organisation.

*[Refer to Directives No. 5-001 and 5.15-001]*

- (2) If the Client represents that the Client is trading on behalf of another person, the Participating Organisation may open a trading account for the Client only if:
- (a) the Client is an Authorised Nominee or Exempt Authorised Nominee; and
  - (b) the Participating Organisation brings to the notice of the Client, the Client's obligation under Rule 5.15(8).

*[Refer to Directive No. 5.15-001]*

- (3) A Participating Organisation must enter into a written agreement with a Client. The written agreement must set out the terms and conditions for the operation of the Client's trading account and must include the Client's obligation to comply with these Rules and Directives, whether these Rules and Directives apply directly or indirectly to the Client.
- (4) A Participating Organisation must record and maintain up-to-date relevant information on the Participating Organisation's Clients, their trading accounts and trades executed in their trading accounts. For the avoidance of doubt, trades executed in the Client's trading account in this Rule include the trades executed on the stock market of the Exchange or Recognised Stock Exchanges.

*[Refer to Directive No. 5-001]*

- (5) A Participating Organisation must clearly identify the Securities Account where the securities arising from all dealings in the trading account must be credited into or debited from.
- (6) A Participating Organisation must obtain the Client's confirmation and undertaking in writing that the Beneficial Owner of the securities in the trading account and the Securities Account is the same unless the Client is the Beneficial Owner of the securities in the trading account and the Securities Account.
- (7) If the Securities Account holder is not the Client, the Participating Organisation must obtain from the Client, a written authorisation and consent from the Securities Account holder permitting the following:
- (a) effecting any entry in the Securities Account arising from any trade executed in the Client's trading account; and
  - (b) the exercise of any rights by the Participating Organisation, Exchange or Clearing House over the securities held in the Securities Account arising from any trade executed in the Client's trading account.

- (8) If requested by the Exchange, a Participating Organisation must require a Client to disclose (and the Client must disclose) information and documents in relation to any dealing in securities in respect of the Client's trading account.
- (9) The information referred to in Rule 5.15(8) includes information whether any dealing in the Client's trading account is carried out on another person's behalf and in such instance, the name of, and particulars sufficient to identify such person. If that person is not the Beneficial Owner of the securities, the Client must also be required to procure the particulars of the Beneficial Owner of the securities.

#### **5.16 Doing business with Clients**

- (1) A Participating Organisation and Registered Person must act:
  - (a) with due skill, care and diligence;
  - (b) honestly and fairly; and
  - (c) in the best interests of the Participating Organisation's Clients.

*[Refer to Directives No. 4-001 and 5-001]*

- (2) A Participating Organisation and Registered Person must make adequate and accurate disclosure of the risks, benefits and conflicts of interests to the Clients in the Participating Organisation's and Registered Person's dealings with the Clients.

*[Refer to Directives No. 5-001 and 5-002]*

- (3) A Participating Organisation must forward all communication and documents relating to the affairs of the Client directly to the Client unless the Client has authorised in writing for such communication and documents to be sent to a third party.
- (4) A Participating Organisation must account for and adequately safeguard a Client's assets.

*[Refer to Directive No. 5-001]*

- (5) A Participating Organisation must, in relation to a complaint from a Client (whether written or otherwise) relating to the Participating Organisation's business:
  - (a) handle the complaint in a timely and appropriate manner; and
  - (b) take steps to investigate and respond immediately to the complainant.

*[Refer to Directive No. 5-001]*

- (6) A Participating Organisation and Registered Person must protect the secrecy of the Client's information in the Participating Organisation's possession unless:
  - (a) the Client authorises the disclosure of the information in writing;
  - (b) the law requires the disclosure of the information;
  - (c) the Exchange or any other relevant body or authority (whether in or outside of Malaysia) requires the disclosure of the information;
  - (d) the information is already publicly available; or

- (e) the information is in the form of a summary or collection of information set out in such manner as does not enable information relating to any particular Client to be ascertained from the information.
- (7) The Exchange may direct a Participating Organisation to refrain from trading for any Client in any of the following circumstances:
- (a) in relation to a request made under Rule 5.15(8), until the information and document requested is furnished by the Client or where the Client refuses to furnish the same; or
  - (b) where an act or omission by the Client in relation to or arising from any transaction in securities causes, aids or facilitates a breach of these Rules or Directives.

**5.16A Discretionary Account**

In operating a Discretionary Account, a Participating Organisation or a Dealer's Representative must comply with the following:

- (a) Guidelines on Market Conduct and Business Practices for Stockbroking Companies and Licensed Representatives; and
- (b) the requirements the Exchange prescribes in respect of Discretionary Accounts.

*[Refer to Directives No. 2.01(2)-006, 3.36-001 and 5-001]*

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**PART D            OUTSOURCING**

**5.17    Outsourcing Arrangements**

- (1)    A Participating Organisation which outsources its functions must comply with these Rules, the Commission's Licensing Handbook and any Directives that may be issued by the Exchange on this matter.
- (2)    A Participating Organisation must ensure that the service provider(s) comply with the Rules that are applicable to the outsourced functions in the same manner as the Participating Organisation is required to.
- (3)    A Participating Organisation remains accountable for all outsourced functions and will be held liable for any act or omission on the part of the service provider which results in a breach of these Rules.

**5.18    Investment Bank**

Rule 5.17 is not applicable to an Investment Bank.

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**PART E            INSURANCE REQUIREMENTS**

**5.19    Requirement to take up insurance policy**

- (1)    A Participating Organisation must take up and maintain at all times an insurance policy that is adequate having regard to:
  - (a)    the nature and extent of the Participating Organisation's business as permitted under the Capital Markets Services Licence and the Commission's policy on permitted activities for stockbroking companies contained in the Commission's Licensing Handbook; and
  - (b)    the responsibilities and risks assumed or which may be assumed by the Participating Organisation in connection with those activities.
- (2)    A Participating Organisation may maintain the above insurance policy at Group Level.
- (3)    A Participating Organisation must notify the Exchange that the insurance policy is in place.

*[Refer to Directive No. 5-001]*

**5.20    Notification of claims**

A Participating Organisation must notify the Exchange of any claim or potential claim against the insurance policy referred to in Rule 5.19(1) within 2 Market Days from when the Participating Organisation becomes aware of the claim or potential claim.

[End of Chapter]

**CHAPTER 6 ORGANISATION AND STRUCTURE OF  
PARTICIPATING ORGANISATIONS**

**PART A PERMITTED BUSINESS OF PARTICIPATING ORGANISATIONS**

**6.01 Permitted Business**

- (1) A Participating Organisation intending to carry out any other business apart from trading in securities on the stock market of the Exchange must comply with the relevant requirements imposed by the Commission or the Central Bank, as the case may be (“Permitted Business”).
- (2) A Participating Organisation must notify the Exchange prior to the commencement of the Permitted Businesses
- (3) The Exchange may require the Participating Organisation to take such steps as the Exchange thinks fit to manage the potential risks or conflicts of interests arising from carrying out both the Permitted Businesses and the Participating Organisation’s business of trading in securities on the stock market of the Exchange.

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**PART B      BRANCH OFFICE**

**6.02    Application**

A Participating Organisation's Branch Office form part of the Participating Organisation's business and as such, all the provisions in these Rules apply to the Branch Office.

**6.03    Establishment of Branch Office**

A Participating Organisation may establish and operate a Branch Office if it ensures:

- (a)    the proper segregation of duties at the Branch Office;
- (b)    the Branch Office carries signage indicating the name of the Participating Organisation;  
and
- (c)    it maintains an up-to-date record of the address of all Branch Offices.

**6.04    Permitted activities at the Branch Office and Electronic Access Facility**

*[Deleted]*

**6.05    Conversion**

*[Deleted]*

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**PART C      BACK OFFICE FUNCTIONS**

**6.06      Back office system and operations**

- (1) A Participating Organisation must operate its own back office system and operations whether at the Principal Office or any of the Branch Office unless the back office systems and operations have been outsourced in accordance with Part D of Chapter 5.
- (2) A Participating Organisation must have a back office system and operations that are capable of:
  - (a) timely reporting and transmission of data from a Branch Office to the Principal Office;
  - (b) daily reconciliation of all records of the Principal Office and the Branch Office; and
  - (c) reconciliation of all transactions undertaken by the Branch Office.
- (3) *[Deleted]*

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**PART D COMPLIANCE FUNCTION**

**6.07 Compliance function**

Every Participating Organisation must carry out the compliance function to monitor compliance with these Rules, Directives and the Securities Laws and to provide advice on all the relevant requirements that a Participating Organisation must comply with, in carrying out the Participating Organisation's business.

*[Refer to Directive No. 6.07(1)-001]*

**6.08 Accountability**

- (1) A Participating Organisation and the Participating Organisation's Board of Directors are responsible and accountable for compliance with these Rules, the Directives and Securities Laws by the Participating Organisation, the Participating Organisation's Registered Persons, employees and agents.
- (2) If there is a breach of these Rules, the Directives or Securities Laws, the Participating Organisation and the Participating Organisation's Board of Directors are liable for such breach whether or not such breach was by or caused by Participating Organisation's Registered Persons, employees or agents.

*[Refer to Directive No. 6.08-001]*

**6.09 Reporting**

- (1) A Participating Organisation must immediately report the following in writing to the Exchange, upon becoming aware or where the Participating Organisation has reason to believe such occurrence is taking or has taken place:
  - (a) any matter in Rule 3.38(1) that has not been reported to the Exchange; or any breach of any of these Rules or the Directives by a Registered Persons employed or engaged by the Participating Organisation;
  - (b) the Participating Organisation has breached any of these Rules or Directives;
  - (c) the Participating Organisation is subject to any enforcement or disciplinary action by the Commission or any other regulatory authority; or
  - (d) the Participating Organisation's ability to perform any of the Participating Organisation's obligations under these Rules or Directives may be adversely affected.
- (2) A Registered Person must immediately report the following in writing to the Exchange, upon becoming aware or where the Registered Person has reason to believe such occurrence is taking or has taken place:
  - (a) any matter in Rule 3.38(1) that has not been reported to the Exchange or any breach of any of these Rules or the Directives by the Participating Organisation by whom he is employed or engaged or by other Registered Person employed or engaged by the Participating Organisation;
  - (b) the Registered Person has breached any of these Rules or Directives;
  - (c) the Registered Person is subject to any enforcement or disciplinary action by the Commission or any other regulatory authority; or

**Chapter 6 – Organisation and Structure of  
Participating Organisations**

- (d) the Registered Person's ability to perform any of the Registered Person's obligations under these Rules or Directives may be adversely affected.

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**PART E RISK MANAGEMENT OF PARTICIPATING ORGANISATIONS**

**6.10 Risk management functions**

- (1) A Participating Organisation must ensure the proper discharge of the risk management functions for the purpose stipulated under Rule 5.03(1)(b) and take actions to mitigate such risks.
- (2) A Participating Organisation must establish a risk management committee whose function is to manage and monitor the discharge of the risk management functions of the Participating Organisation (“Risk Management Committee”).

*[Refer to Directive No. 6.10(2)-001]*

- (3) A Participating Organisation must ensure that the risk management functions are reported to the Risk Management Committee.
- (4) If the risk management functions are outsourced under Part D of Chapter 5 or where the Risk Management Committee is established or maintained at Group level in accordance with Part G of Chapter 6, the Participating Organisation must ensure that the outsourced function or Risk Management Committee established or maintained at Group level complies with all provisions in these Rules and the Directives relating to risk management functions and Risk Management Committee.

**6.11 Composition of the Risk Management Committee**

- (1) The Participating Organisation must ensure that the Risk Management Committee comprises persons who are competent, have no conflict of interest in the discharge of their functions as members of the Risk Management Committee and collectively have the relevant skills and experience to carry out the functions of the Risk Management Committee.
- (2) The Participating Organisation must ensure that the majority of the members of the Risk Management Committee are not persons who hold a Dealer’s Representative’s licence.

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**PART F INTERNAL AUDIT OF PARTICIPATING ORGANISATIONS**

**6.12 Internal audit functions**

- (1) A Participating Organisation must establish and maintain an internal audit function which is independent from all other functions of the Participating Organisation to:
- (a) examine, evaluate and advise the Participating Organisation of:
    - (i) the effectiveness and efficiency of the operations of the Participating Organisation, including its internal system and controls;
    - (ii) the reliability and integrity of the Participating Organisation's financial and operating information, including the reporting of such information;
    - (iii) the compliance with the rules and laws relating to the business of the Participating Organisation;
    - (iv) the compliance with the relevant policies and procedures established by the Participating Organisation; and
    - (v) the adequacy and effectiveness of all other areas in the business of the Participating Organisation that is relevant to the achievement, objectives and obligations of the Participating Organisation;
  - (b) report to the Board of Directors or a committee selected by the Board of Directors on the findings of its examinations and evaluations of the areas mentioned in Rule 6.12(1)(a);
  - (c) make appropriate recommendations on the corrective actions to be taken or improvements (if any) based on the findings above; and
  - (d) verify whether the recommendations made above have been implemented by the Participating Organisation.
- (2) A Participating Organisation must establish and maintain an audit committee, whether on its own or at the Group level in accordance with Part G of Chapter 6 ("Audit Committee"), and whose functions must include such functions as may be specified by the Exchange. The Audit Committee is responsible for monitoring and overseeing all matters relating to the discharge of the internal audit functions of the Participating Organisation.

*[Refer to Directive No. 6.12(2)-001]*

- (3) A Participating Organisation must ensure that all matters in relation to the internal audit are reported to the Audit Committee.
- (4) If the internal audit function is outsourced under Part D of Chapter 5 or where the Audit Committee is established or maintained at Group level in accordance with Part G of Chapter 6, the Participating Organisation must ensure that the outsourced function or Audit Committee established or maintained at Group level complies with all provisions in these Rules and Directives relating to internal audit functions and Audit Committee.

**6.13 Composition of Audit Committee**

The Participating Organisation must ensure that the Audit Committee comprises of persons who are competent, have no conflict of interest in the discharge of their functions as members of the Audit Committee and collectively have the relevant skills and experience in carrying out the functions of the Audit Committee.

**6.14 Scope of internal audit**

- (1) A Participating Organisation must clearly identify the areas in the business of the Participating Organisation that must be assessed for the purpose of discharging its internal audit functions under these Rules. These areas must correspond to the functions stated in Rule 6.12(1)(a) and must include:
  - (a) the performance of the management of the Participating Organisation;
  - (b) the efficiency and effectiveness of communication between personnel and supervisors;
  - (c) the clarity, efficiency and effectiveness of written policies and procedures on allocation of responsibilities and duties and lines of reporting;
  - (d) the adequacy of employee training policies and procedures;
  - (e) the efficiency and effectiveness of policies and procedures in relation to credit control and risk management;
  - (f) the financial and operational information generated and the means used to identify, measure, classify and report such information;
  - (g) the internal controls and procedures that are specifically designed to detect or prevent violations;
  - (h) the information system and other information technology-related matters;
  - (i) all operational aspects of the Participating Organisation's business;
  - (j) the financial and accounting records and reports of the Participating Organisation containing accurate, reliable, timely, complete and relevant information and prepared in compliance with approved accounting standards; and
  - (k) the conduct of the Participating Organisation in relation to its dealing activities.
- (2) A Participating Organisation may determine the scope of its internal audit based on a risk assessment undertaken by the Participating Organisation in the areas covered under Rule 6.14(1).
- (3) A Participating Organisation must, in relation to the risk assessment undertaken by it:
  - (a) formulate a clear written risk assessment methodology to be adopted when assessing the risks in the areas covered under Rule 6.14(1); and
  - (b) clearly identify and document the risk assessment results of the above areas.
- (4) A Participating Organisation must ensure internal audit(s) are conducted on itself at such times as it deems necessary, subject always to a minimum of 1 internal audit in each calendar year based on the assessment in Rules 6.14(2) and 6.14(3).
- (5) Upon completion of the internal audit, a Participating Organisation must ensure a written report on the findings of the internal audit is prepared and tabled to the Audit Committee. The written report must contain recommendations or corrective actions to be taken, if any.
- (6) A Participating Organisation must ensure any major finding or fraud uncovered in the course of the internal audit that may affect the Participating Organisation's financial position or its operations, is reported to the Board of Directors and management immediately.

**6.15 Reporting**

- (1) *[Deleted]*
- (2) The Audit Committee must present to the Board of Directors of the Participating Organisation, amongst others, the audit report, its course of action or any corrective measures taken, to address any non-compliance or irregularities stated in the audit report.
- (3) A Participating Organisation must submit a copy of the minutes of each meeting of the Audit Committee and a copy of the audit report, including its course of action or any corrective measures taken to address any non-compliance or irregularities stated in the audit report, to the Exchange within 30 days from the date the minutes were adopted by and the audit report was presented to the Board of Directors of the Participating Organisation.
- (4) The Audit Committee must report to the Board of Directors of the Participating Organisation on any matters set out under Rule 6.14(1) relating to the Participating Organisation on all matters in relation to the functions of the Audit Committee including such functions as may be specified by the Exchange.

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**PART G            PERFORMANCE OF RISK MANAGEMENT COMMITTEE AND AUDIT  
COMMITTEE FUNCTIONS AT GROUP LEVEL**

**6.16    Risk Management Committee and Audit Committee**

A Participating Organisation may have its Risk Management Committee or its Audit Committee established or maintained at Group level if the Participating Organisation is able to comply with Rule 2.01(2)(k) in so far as providing or procuring the provision to the Exchange of reports, information, Documents, Books and Records pertaining to the committees and the committees' decisions and deliberations upon the Exchange's request.

**6.17    Investment Bank**

Rule 6.16 is not applicable to an Investment Bank.

[End of Chapter]

**CHAPTER 7 DEALINGS IN SECURITIES**

**PART A DEALINGS IN SECURITIES**

**7.01 General**

- (1) The provisions in this Rule 7.01 are applicable to On-Market Transactions and Direct Business Transactions whether transacted in Board Lots or Odd Lots unless specifically stated otherwise.
- (2) A Participating Organisation's connection to the ATS for the purpose of trading in securities on the stock market of the Exchange must be through an access point approved by the Exchange.
- (3) A Participating Organisation must, at all times, take all reasonable security measures to prevent unauthorised access into the ATS.
- (4) A Participating Organisation must not, without the prior written approval of the Exchange:
  - (a) establish or permit the establishment of any form of electronic system capable of routing orders directly from its Clients into the ATS; or
  - (b) connect to:
    - (i) the ATS or any part of the ATS, directly or indirectly any device, equipment or facilities for any purpose; or
    - (ii) any device, equipment or facilities which have been approved by the Exchange to be connected to the ATS or any part of the ATS, any additional device, equipment or facilities.
- (5) A Participating Organisation must not carry out any transaction in securities on a "Forward Contract" basis.
- (6) All Records maintained by the Exchange in relation to any trade or any matter entered or reflected in the ATS will prevail as evidence of the truth of the matter over all other Records maintained by the Participating Organisation.

**7.02 Quotation and trading in securities**

- (1) All securities admitted for quotation on the stock market of the Exchange will be traded:
  - (a) based on board(s) and classification as determined by the Exchange;
  - (b) in the currency in which the securities are quoted in;
  - (c) in both Board Lots and Odd Lots;
  - (d) on the basis of the clearing and settlement of the securities being carried in accordance with FDSS as stipulated under Schedules 2 and 3; and
  - (e) on an "ex-entitlement basis" (ex dividend, ex bonus, ex interest, ex rights issue, ex all, ex offer) 1 clear Market Day before the Books Closing Date or such other period as determined by the Exchange.

- (2) A Participating Organisation who intends to buy or sell securities that are traded on the stock market of the Exchange whether for the Participating Organisation's own account or for a Client, must execute the transaction:
- (a) as an On-Market Transaction;
  - (b) a Direct Business Transaction; or
  - (c) an ISSBNT.
- (2A) *[Deleted]*
- (3) The delivery and settlement of securities arising from an On-Market Transaction or Direct Business Transaction will be carried out in accordance with the requirements of the Clearing House by way of book entries in the Securities Account.
- (4) A Participating Organisation may only sell securities in Odd Lots if the securities are designated as "free securities" in the seller's Securities Account maintained with the Participating Organisation prior to the entry of the order into the ATS.

### **7.03 Acting as principal**

- (1) A Participating Organisation is deemed to act as a principal for all orders and trades entered and executed in the ATS even if the orders or trades were entered for the accounts of their Clients.
- (2) A Participating Organisation, must not trade in securities as a principal as defined in Section 97(2) of the Capital Markets and Services Act with a Client without so informing the Client.

### **7.04 Proprietary trading**

- (1) A Participating Organisation must not allow a Dealer's Representative who undertakes proprietary trading for the Participating Organisation to also deal for the Participating Organisation's Clients or a client of a holder of a Capital Markets Services Licence for dealing in derivatives.
- (2) A Participating Organisation may allow a Dealer's Representative who undertakes proprietary trading for the Participating Organisation but who is not a Proprietary Day Trader to conduct proprietary trading for the Participating Organisation's Related Corporation.
- (3) *[Deleted]*

### **7.05 Trading accounts**

- (1) A Participating Organisation may only open and operate the following types of trading accounts:
- (a) Proprietary Account in the name of the Participating Organisation;
  - (b) Authorised Nominee account in the name of the Participating Organisation or its wholly owned nominee company; and
  - (c) Client's account in the name of the respective Client.

*[Refer to Directives No. 7.05(1)-001 and 7.05(1)-002]*

- (2) A Participating Organisation must comply with such requirements as the Exchange may stipulate with regard to the trading accounts it operates.

*[Refer to Directives No. 7.05(2)-001 and 7.05(2)-002]*

#### **7.06 Breakdown or malfunction**

- (1) A Participating Organisation and its Dealer's Representatives must not take advantage of a situation which arises as a result of a breakdown, malfunction or error in the ATS (committed by the Exchange or by other Participating Organisations) or in any other system, service or facility of the Exchange ("Systems Malfunction or Error").
- (2) A Participating Organisation who encounters a Systems Malfunction or Error must immediately notify the Exchange.
- (3) A Participating Organisation must take all necessary and appropriate actions to mitigate any potential losses arising from the Systems Malfunction or Error immediately after the Participating Organisation becomes aware or should have known that there is a Systems Malfunction or Error.

*[Refer to Directive No. 7.06-001]*

#### **7.07 Lien on securities**

- (1) A Participating Organisation may, for monies owing to the Participating Organisation by a Client for any purchase of securities, have a lien on all other securities for the time being standing to the credit of accounts (including trading accounts, Securities Accounts and any other accounts, as the case may be) of the Client maintained with the Participating Organisation, if the Client agrees to the terms in writing.
- (2) The requirement for Client's agreement as stipulated in Rule 7.07(1) is not applicable in the circumstances stipulated in Rule 7.07(3).
- (3) Pursuant to section 35(3) of the Securities Industry (Central Depositories) Act, a Participating Organisation has a lien over the securities purchased by a Client which have not been paid for.

#### **7.08 Reporting of trade dispute**

A Participating Organisation must immediately report to the Exchange all trade disputes in respect of any securities transactions or other transactions relating to dealings in securities it enters into, including inter-broker transactions, involving RM1,000,000 or more (whether the amount is a single or an aggregated amount). Such report must contain details of the trade dispute, the amount in question and the parties involved in the dispute.

#### **7.09 Recognised Stock Exchange**

A Participating Organisation may trade on a Recognised Stock Exchange whether for the Participating Organisation's proprietary position or the Clients' accounts.

*[Refer to Directive No. 7.09-001]*

**7.10 Dealing with or creation of other market**

- (1) A Participating Organisation must not in any manner deal with or create any other market for transactions in securities or interests in securities which are quoted on the Official List of the Exchange, other than on the stock market of the Exchange.
- (2) A Participating Organisation must not permit dealings in securities which are quoted on the Official List of the Exchange, whether for the Participating Organisation's own account or a Client, if the dealings facilitate dealings in such securities or interest in securities outside the stock market of the Exchange, unless expressly permitted by the Exchange.

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**PART B      OFF-BALANCE SHEET TRANSACTIONS**

7.11 *[Deleted]*

7.12 *[Deleted]*

7.13 *[Deleted]*

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**PART C                      DESIGNATED SECURITIES**

**7.14      Designated Securities**

- (1)      The Exchange may declare any listed securities to be Designated Securities for such period as the Exchange thinks fit if:
  - (a)      there has been manipulation or excessive speculation on such listed securities; or
  - (b)      it is so directed by the Commission.
- (2)      The Exchange will notify the Commission of its intention to declare listed securities as Designated Securities under Rule 7.14(1)(a).
- (3)      The Exchange may impose any one or more of the following conditions on the dealings of Designated Securities:
  - (a)      a margin of cover for purchases;
  - (b)      the outstanding Contracts of a Participating Organisation for the Designated Securities at any one time do not exceed 5% of the paid-up capital of the Issuer of the Designated Securities or such other percentage as the Exchange may from time to time direct;
  - (c)      a prohibition on any sale of the Designated Securities unless, prior to the sale, the seller has the Designated Securities designated as “free securities” in the Securities Account to be used for the sale at the time of entering into the Contract;
  - (d)      a prohibition on the use of Margin Financing to purchase the Designated Securities; or
  - (e)      any other condition deemed fit by the Exchange.
- (4)      Any condition imposed by the Exchange under Rule 7.14(3) applies to all outstanding Contracts entered into before or after the date when such securities were declared as Designated Securities as from the date of such declaration.
- (5)      The Exchange will make the declaration made under Rule 7.14(1) known to the public in such manner as the Exchange decides.

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**PART D      CORNER**

**7.15 Declaration**

- (1) The Exchange may declare a corner situation in any listed security for such period as the Exchange thinks fit (“the Affected Securities”) if:
  - (a) it is of the opinion that a single interest or group has acquired such control of the securities that the same cannot be obtained for delivery except at prices and on terms dictated by such interest or group;
  - (b) it is otherwise desirable in the interest of an orderly and fair market; or
  - (c) it is so directed by the Commission.
- (2) Upon such declaration, the Exchange may impose any one or more of the following conditions on the Affected Securities:
  - (a) postpone the time for delivery of the Affected Securities to such time as fixed by the Exchange or until further action by the Exchange;
  - (b) extend the time for delivery of the Affected Securities;
  - (c) declare that if the Affected Securities are not delivered on any Contract at or before the time which has been fixed by the Exchange for such delivery, such Contract must be settled not by delivery but by payment:
    - (i) in the case of a seller who contracted to sell to the buyer at the price lower than the fair settlement price, by the seller to the buyer, of the difference between the fair settlement price and the Contract price;
    - (ii) in the case of a seller who contracted to sell at a higher price than the fair settlement price, by the buyer to the seller, of the difference between the Contract price and the fair settlement price;
    - (iii) in the case of a buyer who contracted to buy from the seller at a price higher than the fair settlement price, by the buyer to the seller, of the difference between the contract price and the fair settlement price;
    - (iv) in the case of a buyer who contracted to buy from the seller at a price lower than the fair settlement price, by the seller to the buyer, of the difference between the fair settlement price and the contract price.
- (3) The fair settlement price is determined by the Exchange and is binding and conclusive on all parties to any outstanding Contract.
- (4) The Exchange must, before fixing the fair settlement price, hear evidence from such persons as it shall in its absolute discretion deem necessary and proper.

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**PART E ISLAMIC STOCKBROKING ACTIVITIES**

**7.16 Approval of the Exchange**

- (1) A Participating Organisation must obtain the Exchange's prior approval before carrying out any trading activities based on Islamic Shariah principles.
- (2) The Exchange may grant approval after consulting the Commission.

*[Refer to Best Practice No. 7.16-001]*

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**PART F SECURITIES BORROWING AND LENDING**

**7.17 Definitions**

For the purposes of this Part F of Chapter 7, the following terms have the following meanings unless the context requires otherwise:

Clearing House Requirements	The Clearing House’s requirements as contained in the Clearing House Rules and any other documents by whatever name called in relation to securities borrowing and lending; and
SBL Negotiated Transaction	Same meaning as assigned to that expression in the Clearing House Rules.

**7.18 General**

- (1) A Participating Organisation may only carry out the activities of borrowing or lending of securities if:
  - (a) the Participating Organisation is approved to undertake the borrowing and lending activities by the Clearing House;
  - (b) the securities are Eligible Securities; and
  - (c) the borrowing and lending is undertaken in accordance with the Clearing House Requirements and this Part F of Chapter 7.
- (2) A Participating Organisation may only undertake Securities Borrowing and Lending, whether for the Participating Organisation itself or its Client, for purposes allowed by the Clearing House.
- (3) Any sale trade executed by a Participating Organisation which is to be settled with securities from a borrowing made in breach of Rule 7.18(2) is deemed a short sale which is not executed in accordance with these Rules.
- (4) A Participating Organisation must ensure that where the Securities Borrowing and Lending involves a Client:
  - (a) the Participating Organisation must, in relation to a Securities Borrowing and Lending that is other than a SBL Negotiated Transaction:
    - (i) execute a written agreement with its Client in respect of the Securities Borrowing and Lending where the terms of the written agreement comply with the requirements as stipulated by the Exchange; and
    - (ii) ensure that collateral is lodged in accordance with the requirements as stipulated by the Exchange;

*[Refer to Directive No. 7-001]*

- (b) the lending of Margin Securities of a Margin Account Client complies with the requirements as stipulated by the Exchange;

*[Refer to Directive No. 7.18-001]*

- (c) the lending of Eligible Securities held in its custody for its Client, complies with the requirements as stipulated by the Exchange; and

*[Refer to Directive No. 7.18-001]*

- (d) a copy of the risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for borrowing by the Client of Eligible Securities.

#### **7.19 Internal Guidelines and Systems**

- (1) A Participating Organisation which intends to engage in Securities Borrowing and Lending activities must formulate a set of internal guidelines for Securities Borrowing and Lending as required by the Exchange.
- (2) The Participating Organisation must establish, implement and maintain:
  - (a) systems and infrastructure including 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 Lending in accordance with Part F of Chapter 7 and the Clearing House requirements; and
  - (b) all the policies, procedures, controls and all other requirements set out in the internal guidelines for Securities Borrowing and Lending.

*[Refer to Directive No. 5-001]*

#### **7.20 Commencement of Securities Borrowing and Lending Activities**

A Participating Organisation may only commence its Securities Borrowing and Lending activities if it has submitted a written declaration in the form as prescribed by the Exchange of its compliance with Rule 7.19 at least 2 Market Days before commencing its Securities Borrowing and Lending activities.

*[Refer to Directive No. 7-001]*

#### **7.21 Inspection or Audit by the Exchange**

*[Deleted]*

#### **7.22 Designated Account**

- (1) A Participating Organisation must hold all Eligible Securities borrowed or lent pursuant to Securities Borrowing and Lending in the Securities Account(s) prescribed in the Clearing House Requirements and in no other Securities Account(s).
- (2) Where the Eligible Securities borrowed are held in a Securities Account maintained in the name of a Participating Organisation in the Participating Organisation's capacity as an Authorised Nominee or Exempt Authorised Nominee, the Participating Organisation can only hold the Eligible Securities in that Securities Account for a maximum period of 2 Market Days from the date the Eligible Securities are credited into the Securities Account.

#### **7.23 *[Deleted]***

#### **7.24 Actions By the Exchange**

- (1) The Exchange may take any of the actions enumerated under Rule 7.24(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all Eligible Securities if:
  - (a) there is a breach or likelihood of breach of any provisions in this Part F; or
  - (b) the Securities Borrowing and Lending activities may lead or is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 7.24(1), the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all Eligible Securities:
  - (a) directing further Securities Borrowing and Lending of Eligible Securities by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients to be suspended or ceased;
  - (b) imposing limits on the total number or the type of Eligible Securities that may be borrowed or lent by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients; or
  - (c) imposing restrictions or conditions on the Securities Borrowing and Lending activities carried out by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients.

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**PART G        TRANSACTIONS BY EMPLOYEES, DEALER'S REPRESENTATIVES,  
TRADING REPRESENTATIVES AND DIRECTORS**

**7.25**    *[Deleted]*

**7.26    Notification**

- (1)    Subject to compliance with the provisions on conflicts of interests as set out in Rules 3.16 and 5.02, an employee, Dealer's Representative, Trading Representative or Director of a Participating Organisation who trades in securities for his own account must notify the Participating Organisation of such trades in writing or by electronic means. For purposes of this Rule 7.26, a Director's account will include an account in which such a Director has a direct or indirect interest.
  
- (2)    Upon receipt of the notifications, a Participating Organisation must take the necessary steps to ensure compliance with its obligations to manage conflicts of interests and risks under Rule 5.02.

**7.27**    *[Deleted]*

**7.28    Definition**

For the purposes of this Part G of Chapter 7, the words "transaction" or "trade" whenever appearing shall include transactions or trades in securities executed on the stock market of the Exchange or on a Recognised Stock Exchange.

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**PART H FINANCING**

**7.29 Types of Financing Allowed**

- (1) A Participating Organisation may only provide financing to:
  - (a) Clients, for subscription or purchase of securities as stated under Rule 7.29(2); and
  - (b) Related Corporations as stated in Rule 7.33.
- (2) A Participating Organisation can provide the following types of financing for subscription or purchase of securities:
  - (a) margin financing, as provided in Rule 7.30;
  - (b) discretionary financing, as provided in Rule 7.31; and
  - (c) any other type of financing subject to the terms and conditions prescribed in Rule 7.32.
- (3) In this Part H of Chapter 7, unless otherwise prescribed by the Exchange, 'securities' means:
  - (a) the new issue of securities to be issued by an Issuer for the purpose of seeking listing on the Official List of the Exchange; and
  - (b) the securities quoted and traded on the Exchange; and
  - (c) for the purposes of Margin Financing under Rule 7.30, in addition to (a) and (b) above, the new issue of securities to be issued by an Issuer for the purpose of seeking listing on a Recognised Stock Exchange, and the securities quoted and traded on a Recognised Stock Exchange.

**7.30 Margin financing**

- (1) A Participating Organisation may extend Margin Financing to its Clients for:
  - (a) subscription and purchase of securities; or
  - (b) redemption of all or any Outstanding Balance in Margin Accounts of Clients held with other Participating Organisations or persons or entities approved or licensed to provide financing under any written law in Malaysia and the subsequent transfers of the Margin Accounts to the Participating Organisation.
- (2) A Participating Organisation may extend Margin Financing to its Clients for the purpose stipulated under Rule 7.30(1) for a period of 3 months only, with rollover, if necessary.
- (3) *[Deleted]*
- (4) The amount of Margin Financing that a Participating Organisation may extend to any single Client must not be more than 20% of its Effective Shareholders' Funds.
- (5) The following applies for computing the total amount of Margin Financing given to any single Client:
  - (a) Where such single Client is an individual, any Margin Financing given to the individual, spouse of the individual, the partnership of which he is a partner, any partner of the individual, the spouse of the partner and all the companies or

corporations over which the individual exercises control, are deemed to be Margin Financing extended to a single Client. For this paragraph (a), an individual is deemed to exercise “control” over a company or corporation if the individual or the individual’s spouse, severally or jointly –

- (i) holds, directly or indirectly, more than 50% of the shares of the company or corporation;
  - (ii) has the power to appoint, or cause to be appointed, a majority of the directors of the company or corporation; or
  - (iii) has the power to make, or cause to be made, decisions in respect of the business or administration of the company or corporation, and to give effect to such decisions, or cause them to be given effect to.
- (b) Where such single Client is a company or corporation, any Margin Financing extended to the company or corporation, its Related Corporation and its Associated Corporation is deemed to be Margin Financing extended to a single Client.
- (6) *[Deleted]*
- (7) A Participating Organisation must value any collateral that a Client deposits into the Client’s Margin Account and any securities purchased and carried in the Margin Account in the manner determined by the Exchange.

*[Refer to Directive No. 7.30-001]*

- (8) A Participating Organisation must enter into a written agreement with its Client for any Margin Financing extended to a Client.
- (9) A Participating Organisation may mortgage, pledge, charge, hypothecate or grant security arrangements over the Client’s securities and collateral in the Margin Account with no obligations on the Participating Organisation to retain in its possession or control securities of like character if:
- (i) the aggregate Mark to Market (as defined in Rule 13.02) value of the securities and collateral of that Client which are mortgaged, pledged, charged, hypothecated or security arrangements granted does not at any time exceed the Outstanding Balance of that Client’s Margin Account; and
  - (ii) the Participating Organisation has entered into an agreement with the Client allowing the Participating Organisation to do so.
- (10) A Participating Organisation may, utilise any securities in a Client’s Margin Account for Securities Borrowing and Lending as provided in Part F of Chapter 7.
- (11) A Participating Organisation must not allow the Equity in any Client’s Margin Account to fall below 130% of the Outstanding Balance.

*[Refer to Directive No. 7.30-001]*

- (12) If the Equity in a Client’s Margin Account falls below 130% of the Outstanding Balance, the Participating Organisation must liquidate the Client’s Margin Account, including the securities purchased and carried in such account, so that the Equity is not less than 130% of the Outstanding Balance unless the Participating Organisation has agreed to the Client’s request or proposal under Rule 7.30(13).
- (13) A Participating Organisation must not liquidate the Client’s Margin Account under Rule 7.30(12) if the Participating Organisation agrees to:

- (a) a request made in writing by the Client not to liquidate his Margin Account; and
  - (b) a proposal made by the Client in writing to settle the Outstanding Balance upon terms and conditions agreed to by the Participating Organisation.
- (14) No further Margin Financing can be extended to the Client following the events stated in Rule 7.30(13).
- (15) A Participating Organisation may impose a higher Equity amount than that prescribed in Rule 7.30(11) if prior written notice is given to the Client.
- (16) A Participating Organisation must not extend credit facilities to a Client beyond the approved limit that is set out in the written agreement between the Participating Organisation and its Client.
- (17) In assessing whether the credit facilities exceed the approved limit, the Participating Organisation must include all charges, rollover fees, interest and other charges incurred by the Client for which no actual payment has been made by the Client where such expenses are debited towards the Outstanding Balance of the Client and financed by the Participating Organisation, until actual payment by the Client.
- (18) To compute the value of Equity in a Margin Account, the securities and other collaterals in such account must be valued based on the valuation determined by the Exchange in Rule 7.30(7). All transactions done on the same day must be combined on a transaction date basis and the total cost of purchase or the net proceeds of sale, including any commission charges, interest expenses and all other related expenses, must be taken into account for computing Margin requirements.
- (19) (a) A Participating Organisation must request for additional Margin and impose Haircuts on any collateral and securities purchased and carried in Margin accounts on the occurrence of:
- (i) unusually rapid or volatile changes in value of the securities;
  - (ii) non-existence of an active market for the securities;
  - (iii) suspension of the securities from trading on a market; or
  - (iv) no possibility of immediate liquidation for the securities.
- (b) If the suspension stated in Rule 7.30(19)(a)(iii) is more than 2 Market Days, the Haircut must be 100%.
- (20) A Client may only withdraw from his Margin Account cash and any collateral for the time being deposited into his Margin Account provided that the value of the Equity in the said Margin Account does not fall below 130% of the Outstanding Balance.
- (21) A Participating Organisation must notify the Exchange of the Margin Financing extended to the Clients on a monthly basis in accordance with the form as prescribed by the Exchange not later than the 10th day of each month.

*[Refer to Directive No. 7.30-002]*

### **7.31 Discretionary Financing**

- (1) Notwithstanding Part E of Chapter 9, a Participating Organisation may allow a buying Client to effect payment of its outstanding purchase position for an On-Market Transaction between T+3 and T+7 (“Discretionary Financing”) if:
  - (a) a Participating Organisation has allowed the Client to open and operate a DF Account after evaluating the suitability of the Client to be provided the Discretionary Financing facility;
  - (b) the Client is a Retail Client (with or without a Margin Account);
  - (c) the terms and conditions for the opening and operation of a DF Account are in writing and consented to by the Client; and
  - (d) the Client has notified the Participating Organisation not later than T+2 that Discretionary Financing is required in relation to the particular On-Market Transaction and the Participating Organisation accepts the utilisation of the Discretionary Financing for that transaction.
- (2) If a Participating Organisation does not receive any notification in accordance with Rule 7.31(1)(d) the Participating Organisation can deem that the timing for payment of the outstanding purchase position in relation to an On-Market Transaction done on a Contract Date by a DF Account Holder is in accordance with Part E of Chapter 9.
- (3) A DF Account Holder who utilises the Discretionary Financing must effect settlement of the outstanding purchase position of an On-Market Transaction not later than 12.30 p.m. on T+7.
- (4) If a DF Account Holder fails to effect settlement as required under Rule 7.31(3), the Participating Organisation must institute a selling-out at any time after 12.30 p.m. on T+7 but not later than T+8 without giving notice to the Client. However a Participating Organisation may still accept payment from the Client at any time prior to a selling-out being carried out.
- (5) A Participating Organisation may permit a DF Account Holder to sell any securities bought on T, at any time after the time of purchase but prior to 12.30 p.m. on T+7. Such sale is deemed to be a sale to close-off the purchase position and such close-off is referred to as “contra”. Accordingly all provisions in Rule 9.10 on contra (except provisions relating to the timing for contra) are applicable to the Participating Organisation.
- (6) A Participating Organisation may charge a DF Account Holder a fee for providing Discretionary Financing (“DF Fees”). The rate of DF Fees is on a fully negotiable basis between the Participating Organisation and the DF Account Holder. The Participating Organisation can share DF Fees with the Dealer’s Representative.
- (7) A Participating Organisation must ensure that the back office system of the Participating Organisation is capable of identifying all DF Accounts opened and all Discretionary Financing granted to Clients.
- (8) The Exchange may prescribe such other conditions for Discretionary Financing as the Exchange sees fit.

*[Refer to Directive No. 7.31-001]*

### **7.32 Other types of financing**

A Participating Organisation may extend to its Clients other types of financing as stated in Rule 7.29(2)(c) if:

- (a) the terms of financing are not similar to the terms of Margin Financing or Discretionary Financing;
- (b) the financing complies with other relevant laws, guidelines or directives regulating such financing, where applicable; and
- (c) the Participating Organisation submits information on such financing when requested by the Exchange.

**7.33 Financing to Related Corporation**

- (1) Subject to any restriction or prohibition under any law, a Participating Organisation may extend financing to any Related Corporation of the Participating Organisation if:
  - (a) the Participating Organisation has an effective implementation of policies and procedures to control and manage the risk exposure when carrying out such financing activities;
  - (b) the Participating Organisation manages any potential conflict of interest that may arise between the Participating Organisation and its Related Corporation, where the interest of the Participating Organisation must always prevail; and
  - (c) the Participating Organisation has ensured that the policies and procedures in Rule 7.33(1)(a):
    - (i) are duly endorsed by the Participating Organisation's Board of Directors;
    - (ii) include the authority and limits for the granting of financing to Related Corporations; and
    - (iii) prohibit any individual persons from being able to exercise an overriding authority over the provision of financing to Related Corporations.
- (2) This Rule 7.33 is not applicable to an Investment Bank.

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**PART I ISLAMIC SECURITIES SELLING AND BUYING – NEGOTIATED TRANSACTION**

**7.34 Definitions**

For the purposes of this Part I of Chapter 7, the following term has the following meaning unless the context requires otherwise:

Clearing House's Requirements	ISSBNT	The Clearing House's requirements as contained in the Clearing House Rules and any other documents by whatever name called, in relation to ISSBNT.
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**7.35 General**

- (1) A Participating Organisation may only undertake an ISSBNT if:
  - (a) the Participating Organisation is approved by the Clearing House to undertake an ISSBNT;
  - (b) the securities are ISSBNT Eligible Securities; and
  - (c) the ISSBNT is undertaken in accordance with the Clearing House Requirements and this Part I of Chapter 7.
- (2) A Participating Organisation may only undertake ISSBNT, whether for the Participating Organisation itself or its Client, for purposes allowed by the Clearing House.
- (3) Any sale trade executed by a Participating Organisation which is to be settled with securities from a purchase made in breach of Rule 7.35(2) is deemed a short sale which is not executed in accordance with these Rules.
- (4) A Participating Organisation must ensure that where the ISSBNT involves a Client:
  - (a) the sale of ISSBNT Eligible Securities held in its custody for its Clients, pursuant to a ISSBNT, complies with the requirements as stipulated by the Exchange; and
  - (b) a copy of a risk disclosure statement as prescribed by the Exchange is given to and acknowledged by its Client prior to the execution of any written agreement for a purchase under ISSBNT.

*[Refer to Directive No. 7-001]*

**7.36 Internal Guidelines and Systems**

- (1) A Participating Organisation which intends to engage in ISSBNT activities must formulate a set of internal guidelines for ISSBNT as required by the Exchange.
- (2) The Participating Organisation must establish, implement and maintain:
  - (a) systems and infrastructure including back office systems and infrastructure, which are operative and have all the relevant functionalities, requirements and controls in place for the carrying out of ISSBNT in accordance with Part I of Chapter 7 and the Clearing House requirements; and

- (b) all the policies, procedures, controls and all other requirements set out in the internal guidelines for the ISSBNT.

*[Refer to Directive No. 5-001]*

### **7.37 Commencement of ISSBNT Activities**

A Participating Organisation may only commence its ISSBNT activities if it has submitted a written declaration in the form as prescribed by the Exchange of its compliance with Rule 7.36 at least 2 Market Days before commencing its ISSBNT activities.

*[Refer to Directive No. 7-001]*

### **7.38 Designated Account**

- (1) A Participating Organisation must hold all ISSBNT Eligible Securities sold or purchased pursuant to ISSBNT in the Securities Account(s) prescribed in the Clearing House Requirements and in no other Securities Account(s).
- (2) Where the ISSBNT Eligible Securities purchased pursuant to ISSBNT are held in a Securities Account maintained in the name of a Participating Organisation in its capacity as an Authorised Nominee or Exempt Authorised Nominee, the Participating Organisation can only hold the ISSBNT Eligible Securities in that Securities Account for a maximum period of 2 Market Days from the date the ISSBNT Eligible Securities are credited into the Securities Account.

### **7.39 Actions by the Exchange**

- (1) The Exchange may take any of the actions enumerated under Rule 7.39(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all ISSBNT Eligible Securities if:
  - (a) there is a breach or likelihood of breach of any provisions in this Part I; or
  - (b) the ISSBNT activities may lead or is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 7.39(1), the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all ISSBNT Eligible Securities:
  - (a) directing further sale or purchase of ISSBNT Eligible Securities pursuant to ISSBNT by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients to be suspended or ceased;
  - (b) imposing limits on the total number or the type of ISSBNT Eligible Securities that may be purchased or sold by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients; or
  - (c) imposing restrictions or conditions on the ISSBNT activities carried out by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients.

**PART J            LEVERAGED AND INVERSE EXCHANGE TRADED FUNDS**

**7.40    Trading in leveraged and inverse Exchange Traded Funds**

- (1) Leveraged ETFs or Inverse ETFs (referred to collectively in this Rule as “L&I ETFs”) are only intended for trading by investors who satisfy such qualifying criteria as may be prescribed by the Exchange.
- (2) A Participating Organisation must not allow a Client to undertake trading in L&I ETFs units unless the Client fulfils all such conditions as prescribed by the Exchange for trading in L&I ETFs units.

*[Refer to Directive No. 7.40-001]*

[End of Chapter]

**CHAPTER 8 TRADING****PART A AUTOMATED TRADING SYSTEM****8.01 General**

All the provisions in this Chapter are only applicable to On-Market Transactions whether traded in Board Lots or Odd Lots.

**8.02 Trading days, trading sessions and trading hours**

Trading of securities will be carried out in trading sessions, trading hours and trading phases as prescribed by the Exchange.

**8.03 Trading status**

- (1) The Exchange may prescribe when orders in respect of securities may be entered, modified or cancelled (“the Trading Status”).
- (2) Participating Organisations must give effect to the Trading Status.

**8.04 Keying-In of Orders**

- (1) A Participating Organisation must not allow any person other than an ATS Operator or a DMA Client to enter, modify or cancel orders into the order book in the ATS.
- (2) A Participating Organisation is responsible for all orders entered, modified or cancelled into the order book in the ATS by its ATS Operators or DMA Clients.

**8.05 Orders**

- (1) A Participating Organisation and an ATS Operator must comply with the following for orders entered into the order book in the ATS:
  - (a) all orders entered must contain such particulars or information as specified by the Exchange;
  - (b) for Board Lots, the quantity for a single order of securities entered must not exceed the amount prescribed by the Exchange;
  - (c) the price of an order entered must be based on the Tick size or multiples of the Tick size; and
  - (d) any order entered except in relation to an On-Market Married Transaction, may be modified or cancelled if the modification or cancellation is prior to the matching of the order and not with the intention to create a misleading impression of market activity;
- (2) A Participating Organisation and an ATS Operator must enter orders into the order book in the ATS correctly and accurately, particularly in relation to the stock code, price and volume of the orders.
- (3) A Participating Organisation must ensure that all trades executed and matched in accordance with Part A of Chapter 8 are delivered and settled in accordance with Chapter 9 of these Rules.

**8.06 Types of orders**

The Exchange will prescribe the types of orders that may be entered by Participating Organisations into the ATS.

**8.07 Validity condition**

- (1) The Exchange will prescribe the duration for which any order entered into the system remains valid (“Validity Condition”).
- (2) A Participating Organisation must specify the Validity Condition when entering any order into the ATS.

**8.08 Order matching**

- (1) An order will be matched based on the matching algorithm prescribed by the Exchange.
- (2) An order entered into the ATS and matched in accordance with Rule 8.08(1) is deemed executed except if:
  - (a) the matching of the order results in a breach of the price limits referred to in Rules 8.13 and 8.13A; and
  - (b) in such circumstances as may be stipulated in these Rules or Directives.
- (3) A Participating Organisation is deemed to have entered into a firm and binding contract once the order is matched and executed in the ATS in accordance with Rule 8.08(1). The Contract cannot be -
  - (a) amended except as provided under Rule 8.09;
  - (b) price adjusted except as provided under Rule 8.12A; or
  - (c) cancelled except in the circumstances provided under Rule 8.10.

**8.09 Contract Amendment**

A Participating Organisation and its Dealer’s Representative may amend a Contract only if:

- (a) the amendment is on the Securities Account number;
- (b) the amendment is as a result of an error;
- (c) the amendment will not result in a change of the original party who placed the order and for whom the order was supposed to be executed for, if not for the error; and
- (d) the amendment is made within the time determined by the Exchange.

**8.10 Cancellation of Contract**

- (1) The Exchange may cancel a Contract or part of a Contract in any of the following circumstances:
  - (a) erroneous execution of a Contract, where the buying and selling Participating Organisations and their respective Clients, where applicable agree to the cancellation

of such Contract and the Exchange has received a request for such cancellation by both the buying and selling Participating Organisations;

- (b) erroneous execution of a Contract arising from:
    - (i) a system failure or malfunction in the ATS or in any other system, service or facility of the Exchange; or
    - (ii) a mistake in the entries made by the Exchange in the ATS;
  - (c) erroneous execution of a Contract arising from:
    - (i) a system failure or malfunction in the trading system, service or facility of the Participating Organisation; or
    - (ii) the unauthorised entry of an order; and
  - (d) if in the opinion of the Exchange, there is an erroneous execution of a Contract which may pose a systemic risk to the Clearing House if the Contract is not cancelled by the Exchange.
- (2) Upon the occurrence of any of the circumstances set out in Rule 8.10(1), the Exchange may suspend trading on the ATS or take any other action the Exchange deems fit or both.
  - (3) Any cancellation of a Contract or part of the Contract in accordance with Rule 8.10(1) will be effected on the day on which the Contract is executed and will be irrevocable.
  - (4) If a Participating Organisation is not satisfied with the cancellation made pursuant to Rule 8.10(1), the Participating Organisation may apply to the Exchange for a review of the cancellation. The application for review must be made on the same Market Day cancellation.
  - (5) Without prejudice to the rights of the Exchange under these Rules and the law, the Exchange may take any action it deems fit arising from the review in Rule 8.10(4) except an action to revoke the cancellation done in accordance with Rule 8.10(1).
  - (6) For the purposes of Rules 8.10(1)(b) and (d) and Rule 8.11 below, a “Contract” may include any other Contracts that may have been executed arising from the Contract that was erroneously executed.
  - (7) For the purposes of Rule 8.10(1)(c) and Rule 8.12 below, the following phrases have the following meanings –
    - (a) “system failure or malfunction in the trading system, service or facility of the Participating Organisation” refers to any one or more of the following circumstances:
      - (i) power outage that caused the order management system to be down;
      - (ii) hardware failure of the order management system (including application server, database server and network equipment);
      - (iii) computer virus or malware being introduced to the order management system that incapacitates the order management system or a denial of service attack (DDOS) that floods the network traffic; and
      - (iv) such other circumstances as the Exchange may prescribe; and
    - (b) “unauthorised entry of an order” refers to an order entered or caused to be entered into the Participating Organisation’s order management system by a person who had secured unauthorised access to that system through compromising its security features, or such other circumstances as the Exchange may prescribe.

**8.11 Procedure in respect of a cancellation of Contract under Rule 8.10(1)(b) or (d)**

- (1) The Exchange may exercise any one or more of the following powers upon the occurrence of any of the circumstances set out in Rule 8.10(1)(b) or (d):
  - (a) immediately notify the market of the Contract or part of the Contract which may be cancelled;
  - (b) cancel the Contract if the Exchange is satisfied that it is in the interest of an orderly and fair market to do so; and
  - (c) in respect of the occurrence of the circumstance set out in Rule 8.10(1)(d),
    - (i) cancel the Contract or part of the Contract; and
    - (ii) require the counterparty Participating Organisation to pay to the Participating Organisation any net gains arising from the sale of such securities in order to facilitate the settlement of the Contract, if the counterparty Participating Organisation had onward sold any of the securities purchased under the Contract and the Exchange decides not to cancel the Contract or any part of the Contract.
- (2) The Exchange will immediately notify the market of the details of the Contract or part of the Contract cancelled and the reasons for the cancellation.

**8.12 Procedure in respect of a cancellation of Contract under Rule 8.10(1)(c)**

- (1) A Participating Organisation may request the Exchange to cancel a Contract upon the occurrence of any of the circumstances set out in Rule 8.10(1)(c) (such Contract is referred to as “the PO’s Erroneous Contract”) if:
  - (a) the order entered for the PO’s Erroneous Contract is for Board Lot(s) and is of a type prescribed by the Exchange;
  - (b) the order entered for the PO’s Erroneous Contract is executed during the trading phase(s) prescribed by the Exchange;
  - (c) the Participating Organisation makes the request to the Exchange within such timeframe as prescribed by the Exchange;
  - (d) the potential trading loss if the PO’s Erroneous Contract is not cancelled is not less than such amount as prescribed by the Exchange; and
  - (e) the PO’s Erroneous Contract or the Participating Organisation fulfils such other terms as the Exchange may stipulate.
- (2) The Exchange may exercise any one or more of the following powers, upon receipt of a request to cancel a PO’s Erroneous Contract:
  - (a) immediately notify the counterparty Participating Organisation of the PO’s Erroneous Contract of the request;
  - (b) cancel the PO’s Erroneous Contract or part of the PO’s Erroneous Contract;
  - (c) require the counterparty Participating Organisation to pay to the Participating Organisation any net gains arising from the sale of such securities in order to facilitate the settlement of the PO’s Erroneous Contract, if the counterparty Participating Organisation had onward sold any of the securities purchased under the PO’s

Erroneous Contract and the Exchange decides not to cancel the Erroneous Contract or any part of the PO's Erroneous Contract; and

- (d) take any other action it deems fit in lieu of cancellation.
- (3) The Exchange will immediately notify the Participating Organisation and the counterparty Participating Organisation of its decision and the details of the Contract or part of the Contract which will be cancelled, if applicable.
- (4) If the Exchange decides to cancel the Contract or part of the Contract, the Exchange may notify the market of such decision.

#### **8.12A Price Adjustment of a Contract**

- (1) A Participating Organisation may request the Exchange to adjust the price of a Contract in the event of an erroneous execution of the Contract if:
  - (a) the order entered for such Contract is for Board Lot(s) and is of a type prescribed by the Exchange;
  - (b) the order entered for such Contract is executed during the trading phase(s) prescribed by the Exchange;
  - (c) the price at which the Contract is executed falls outside the range prescribed by the Exchange as the No Adjustment Range;
  - (d) the Participating Organisation makes the request to the Exchange within such timeframe as prescribed by the Exchange;
  - (e) the potential trading loss if the price of the Contract is not adjusted is not less than such amount as prescribed by the Exchange; and
  - (f) the Contract or the Participating Organisation fulfils such other terms as the Exchange may stipulate.
- (2) The Exchange may exercise any one or more of the following powers, upon receipt of a request to adjust the price of a Contract:
  - (a) notify the counterparty Participating Organisation of the Contract of such request;
  - (b) notify the Clearing House of such request; and
  - (c) adjust the price of the Contract to the nearest price within the No Adjustment Range or take any other action it deems fit in lieu of adjusting the price of the Contract.
- (3) For the avoidance of doubt, any price adjustment of the erroneous Contract made under this Rule 8.12A will not be performed in relation to any other Contracts that may have been executed arising from such erroneous Contract executed by the Participating Organisation.
- (4) A decision by the Exchange on whether to adjust the price of a Contract will be made on the day on which the Contract is executed.
- (5) The Exchange will immediately notify the Participating Organisation, the counterparty Participating Organisation of the Contract and the Clearing House of its decision and the details of the Contract which will be price adjusted, if applicable.
- (6) If the Exchange decides to adjust the price of a Contract, the Exchange may notify the market of such decision.

### **8.12B Action against the Participating Organisation**

The Exchange may take any action against the Participating Organisation or the ATS Operator for any breaches of these Rules, even if the Contract or part of the Contract has been cancelled under Rule 8.10 or price adjusted under Rule 8.12A respectively.

### **8.12C Indemnity**

The Participating Organisation shall indemnify and hold indemnified the Exchange for or against any loss, damage, cost, expense, liability or claim suffered or incurred by the Exchange, whether directly or otherwise arising from or in connection with a request for cancellation or price adjustment made under Rule 8.12 and Rule 8.12A respectively.

### **8.13 Static price limits**

- (1) If a Participating Organisation enters orders for Board Lots at a price above the Upper Limit Price or below the Lower Limit Price, the orders will not be accepted by the ATS.
- (2) If a Participating Organisation enters orders for Odd Lots at a price above the Upper Limit Price or below the Lower Limit Price for Board Lots as stipulated in Rule 8.13(1), the orders will not be accepted by the ATS.
- (3) The Exchange may take any action it deems appropriate if a matching of an order for Board Lots or Odd Lots in the ATS results in a breach of the Upper Limit Price or Lower Limit Price.
- (4) The Exchange may change the Upper Limit Price and the Lower Limit Price.
- (5) If an Upper Limit Price or Lower Limit Price is reached on a Market Day and is followed by another Upper Limit Price or Lower Limit Price, as the case may be on the next Market Day, the Exchange may use the Upper Limit Price or the Lower Limit Price as the case may be of the last trading day as the Upper Limit Price or the Lower Limit Price for the next trading day or for such period as specified by the Exchange.
- (6) If the trading price for Board Lots of a particular securities has been maintained at the Upper Limit Price or the Lower Limit Price pursuant to Rule 8.13(5), the trading price for Odd Lots of that securities will also be maintained at the said price for such period as specified by the Exchange.

### **8.13A Dynamic price limits**

- (1) The Exchange may prescribe upper and lower price limits at and within which the securities can be traded, to be applicable in such circumstances as may be stipulated by the Exchange (“Dynamic Limits”).
- (2) Any order for a Board Lot entered at a price outside of the Dynamic Limits will be executed where possible at prices equal to or within the Dynamic Limits, and the remaining unmatched quantity, if any, will be automatically cancelled by the ATS.
- (3) The Exchange may take any action it deems appropriate if a matching of an order for Board Lots in the ATS results in a breach of the Dynamic Limits.
- (4) The Exchange may change the Dynamic Limits.

**8.13B Last Price Limits**

- (1) The Exchange may prescribe upper and lower price limits at and within which orders may be entered during the pre-closing phase, to be applicable in such circumstances as may be stipulated by the Exchange (“Last Price Limits”).
- (2) Any order for a Board Lot entered at a price outside the Last Price Limits during the pre-closing phase, will not be accepted by the ATS.
- (3) The theoretical closing price during the pre-closing phase will be at or within the Last Price Limits.
- (4) The Exchange may take any action it deems appropriate if the theoretical closing price is erroneously calculated during the pre-closing phase due to any reasons whatsoever including orders being entered in breach of the Last Price Limits.
- (5) The Exchange may change the Last Price Limits.

**8.14 On-Market Married Transaction**

A Participating Organisation wishing to execute an On-Market Married Transaction must:

- (a) only allow buy and sell orders from within the same branch of the same Participating Organisation to be matched;
- (b) ensure that both the buy and sell orders are entered into the ATS by the same Dealer’s Representative;
- (c) only execute the On-Market Married Transaction during the trading phases specified by the Exchange;
- (d) only enter the type of orders for On-Market Married Transaction specified by the Exchange;
- (e) ensure that the On-Market Married Transaction is executed within the price limits determined by the Exchange;
- (f) not execute the On-Market Married Transaction for Regulated Short Selling, Permitted Short Selling, Intraday Short Selling and Day Trading;
- (g) not execute the On-Market Married Transaction in Odd Lots;
- (h) not amend or request for the cancellation of the On-Market Married Transaction unless as permitted under Rules 8.09 and 8.10; and
- (i) not execute the On-Market Married Transaction to close off the short position of an Intraday Short Selling.

*[Refer to Directive No. 8.14-001]*

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## PART B      DIRECT MARKET ACCESS

### 8.15      Definition

For the purpose of this Part B of Chapter 8, “DMA Order” means a Direct Market Access order.

### 8.16      General

(1)      A Participating Organisation may provide Direct Market Access if:

- (a)      the Direct Market Access complies with the requirements stipulated by the Exchange; and

*[Refer to Directive No. 8-001]*

- (b)      the Direct Market Access is only provided to persons who comply with the requirements stipulated in Rule 8.18.

(2)      For the avoidance of doubt, in addition to the provisions in this Part B of Chapter 8, all other provisions in these Rules will also apply to Participating Organisations and Registered Persons when providing Direct Market Access.

(3)      Direct Market Access must only be made available for execution of On-Market Transactions and not Direct Business Transactions.

*[Refer to Best Practice No. 8.16-001]*

### 8.17      Automatic Risk Filters

A Participating Organisation must have appropriate automated risk filters to check or screen a DMA Order before the DMA Order is executed in the ATS, for the purpose of ensuring that the DMA Order does not affect the orderliness and fair functioning of the stock market of the Exchange.

*[Refer to Directive No. 8-001]*

### 8.18      Clients

(1)      A Participating Organisation must only make Direct Market Access available to a Client and a person authorised by the Client to act on behalf of the Client who has:

- (a)      knowledge of the process of entering DMA Orders;
- (b)      knowledge of the requirements in these Rules in relation to trading on the stock market of the Exchange; and
- (c)      knowledge of the relevant laws pertaining to trading on the stock market of the Exchange.

(2)      A Participating Organisation must execute a written agreement with the Client to whom the Participating Organisation intends to provide Direct Market Access which addresses:

- (a)      the duties, obligations and rights of the Participating Organisation and Client in relation to the Direct Market Access; and
- (b)      the Client’s compliance with these Rules.

**8.19 DMA Orders**

- (1) A Participating Organisation is deemed to be the principal in relation to all trades effected through Direct Market Access and the Exchange will not recognise the interest of any third party.
- (2) All DMA Orders are deemed as orders submitted for execution in the ATS by a Dealer's Representative on behalf of a Client.

*[Refer to Directive No. 8-001]*

**8.20 Actions by the Exchange**

- (1) The Exchange may take any of the actions enumerated under Rule 8.20(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all Direct Market Access if:
  - (a) there is a breach or likelihood of breach of any provision in Part B of Chapter 8; or
  - (b) the Direct Market Access may lead or is likely to lead to the commission of any offence under the Capital Markets and Services Act.
- (2) Pursuant to Rule 8.20(1), the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all Direct Market Access:
  - (a) directing further Direct Market Access provided by a Participating Organisation to any or all of its Clients and the persons authorised by the Clients to be suspended or ceased; or
  - (b) imposing restrictions or conditions on the Direct Market Access provided by a Participating Organisation to any or all of its Clients and the persons authorised by the Clients.

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## PART C      REGULATED SHORT SELLING

### 8.21 Definitions

For the purpose of this Part C of Chapter 8 the word 'Client' includes the Participating Organisation where the Participating Organisation is executing Regulated Short Selling for itself.

### 8.22 Regulated short selling

- (1) A Participating Organisation may execute short selling if the same is carried out in accordance with this Part C of Chapter 8.
- (2) *[Deleted]*
- (3) All other provisions in these Rules apply to Regulated Short Sales as if they were normal sales of securities.
- (4) Regulated Short Selling can only be carried out for Approved Securities by way of On-Market Transaction only.
- (5) The Exchange may declare any securities that meet with such criteria as prescribed by the Exchange as Approved Securities.

*[Refer to Directives No. 8.22(5)-001 and 8.22(5)-002]*

- (6) The Exchange may declare any securities as being no longer Approved Securities at any time if:
  - (a) the securities no longer meet the criteria for Approved Securities; or
  - (b) in any other circumstance it deems fit.
- (7) The Exchange may determine not to declare any securities as Approved Securities although the securities fulfil the criteria for Approved Securities.
- (8) The Exchange may vary the criteria for Approved Securities, with the prior approval of the Commission.

### 8.23 Commencement of Regulated Short Selling

A Participating Organisation may only commence its Regulated Short Selling activities if it:

- (a) has established internal guidelines for Regulated Short Selling as required by the Exchange;
- (b) has put in place systems and infrastructure including front office and back office systems which are operative and have all the relevant functionalities, requirements and controls for the carrying out of Regulated Short Selling in accordance with this Part C of Chapter 8; and
- (c) submits a written declaration in the form as prescribed by the Exchange of its compliance with Rules 8.23(a) and 8.23(b) at least 2 Market Days before commencing its Regulated Short Selling activities.

*[Refer to Directive No. 8-002]*

*[Refer to Directive No. 8-002]*

**8.24** *[Deleted]*

**8.25 Designated trading account and Securities Account**

- (1) A Participating Organisation must open a separate trading account designated as 'RSS', in the name of the Participating Organisation if it is executing Regulated Short Selling for itself or in the name of each Client if it is executing Regulated Short Selling for its Clients ("RSS Account").
- (2) A Participating Organisation must only execute Regulated Short Selling and transactions permitted under Rule 8.25(5) in the RSS Account.
- (3) A Participating Organisation intending to execute Regulated Short Selling in a Clearing Account must open a separate Clearing Account for that purpose and designate that account as 'RSS' together with the designation requirements as the Exchange may prescribe. Any reference in these Rules to 'RSS Account' is read to include a Clearing Account opened to execute Regulated Short Selling.
- (4) A Participating Organisation must, prior to opening a RSS Account:
  - (a) obtain confirmation in writing from the Client that the Client has a SBL Agreement or an ISSBNT Agreement in place; and
  - (b) bring to the notice of the Client that a copy of the SBL Agreement or the ISSBNT Agreement must be furnished when requested by the Exchange and that where there is a failure to do so, the Exchange may take appropriate action including directing the Participating Organisation to suspend trading for the Client; or
  - (c) if the RSS Account is to be opened in the name of the Participating Organisation, execute a SBL Agreement or an ISSBNT Agreement.
- (5) A Participating Organisation may execute purchases or make use of the purchases of securities in the RSS Account only for the following purposes:
  - (a) to contra in full or in part any Regulated Short Sale of an Approved Securities executed in the RSS Account;
  - (b) for redelivery under a SBL Agreement or an ISSBNT Agreement ("Approved Securities for Redelivery"); or
  - (c) to use the Approved Securities for Redelivery:
    - (i) to execute another Regulated Short Sale; or
    - (ii) for lending under a SBL Agreement or sale under an ISSBNT Agreement.

*[Refer to Directive No. 8-002]*

- (6) A Participating Organisation must open a separate Securities Account for each trading account opened pursuant to Rule 8.25(1) and Rule 8.25(3). This Securities Account must be designated in accordance with the Depository Rules or any directives issued by the Depository. A Participating Organisation can only utilize this Securities Account for the following purposes:
  - (a) for settlement of Regulated Short Selling;
  - (b) for settlement of purchases as permitted under Rule 8.25(5);

- (c) to hold securities for redelivery under a SBL Agreement or an ISSBNT Agreement; or
  - (d) to hold Approved Securities for executing the Regulated Short Sale, if the Securities Account is maintained in the name of a Participating Organisation, in its capacity as Authorised Nominee or Exempt Authorised Nominee, provided Rule 7.22(2) or 7.38(2) is complied with.
- (7) Where a Participating Organisation executes a purchase of securities in the RSS Account other than for the purposes stipulated in Rule 8.25(5) by reason of mistake, the Participating Organisation may sell the securities so purchased but the Head of Dealing must:
- (a) report the sale made to the Exchange not later than the end of the next Market Day from the date of the sale; and
  - (b) provide an explanation as to the cause of the mistake in the report.
- (8) Even though the Participating Organisation may sell the securities purchased by mistake as stipulated under Rule 8.25(7), this does not prejudice the Exchange’s right to take action against the Participating Organisation for a breach of Rule 8.25(5).
- (9) The Exchange reserves its right to take action against a Participating Organisation for breach of Rule 8.25(5) if:
- (a) the Exchange is not satisfied that the purchase of securities as stipulated in Rule 8.25(7) arose from a mistake made by the Participating Organisation; or
  - (b) the mistake was caused by reason of a breach of the internal guidelines for short selling as required to be established under Rule 8.23(a).

## 8.26 Execution

- (1) A Participating Organisation must ensure the following conditions are met before entering an order for a Regulated Short Sale whether for itself or a Client:
- (a) the Approved Securities to be short sold have been borrowed through SBL or purchased through ISSBNT, as the case may be; or
  - (b) a confirmation has been obtained from an Authorised SBL Participant or Authorised ISSBNT Participant, as the case may be, that the Approved Securities to be short sold are available to settle the sale;
  - (c) *[Deleted]*
  - (d) the order price of the Approved Securities to be entered into the ATS is in compliance with all requirements as may be prescribed by the Exchange; and
  - (e) the order is entered into ATS through the screen designated in the ATS for Regulated Short Sale.
- (2) *[Deleted]*
- (3) A Participating Organisation must execute all orders for Regulated Short Sale in a Clearing Account on the same Market Day that the Client instructs for the order to be executed and cannot carry forward any order to the next Market Day even though the order remains unexecuted, whether fully or partially.

- (4) A Participating Organisation must keep documents relating to the requirements on Rules 8.26(1)(a), (b) and (d) for at least 7 years. The documents must be either in writing, tape recording or electronic form.
- (5) The Head of Dealing is responsible to ensure that no Regulated Short Sale is executed in the ATS through a screen other than the screen designated in the ATS for Regulated Short Sale. If any Regulated Short Sale is executed through the screen not designated in the ATS for Regulated Short Sale, the Head of Dealing must report the same by the next Market Day to the Exchange.
- (6) No Regulated Short Sale can be executed by a Participating Organisation during the period where the Approved Securities have been declared as Designated Securities under Rule 7.14 when expressly directed by the Exchange.

#### **8.27 Contract note for Regulated Short Sale**

A Participating Organisation must 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.

#### **8.28 Prohibition on amendments of contracts**

- (1) Notwithstanding Rule 8.09, a Participating Organisation may not effect any amendment of Contract from a trading account or a Securities Account opened not for execution of a Regulated Short Sale to a trading account or Securities Account opened under Rule 8.25 for execution of a Regulated Short Sale.
- (2) A Head of Dealing is 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 Rule 8.09 are not in breach of Rule 8.28(1).

#### **8.29 Delivery and settlement**

The Rules relating to delivery and settlement under Chapter 9 apply to Regulated Short Sales in the same manner as they apply to normal sales.

#### **8.30 Reporting by Participating Organisation**

Participating Organisations must 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 any other information in relation to the Net Short Position as may be required by the Exchange from time to time.

*[Refer to Directive No. 8-002]*

#### **8.31 Suspension of regulated short selling**

Without affecting Rule 8.32, the Exchange may suspend any order entry into the order book in the ATS for any further Regulated Short Selling of Approved Securities, if the quantity of the total short position of an Approved Securities triggers such thresholds as may be prescribed by the Exchange.

*[Refer to Directive No. 8-002]*

- (2) *[Deleted]*

(3) *[Deleted]*

(4) *[Deleted]*

(5) *[Deleted]*

### **8.32 Action by the Exchange**

(1) The Exchange may take any of the actions enumerated under Rule 8.32(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all Approved Securities if:

- (a) there is a breach or likelihood of breach of any provisions in this Part C of Chapter 8; or
- (b) the execution of a Regulated Short Sale may lead or is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.

(2) Pursuant to Rule 8.32(1) the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all Approved Securities:

- (a) directing further Regulated Short Selling by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients to be suspended or ceased;
- (b) imposing limits on the Net Short Positions or total short positions that may be held by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients; or
- (c) imposing restrictions or conditions on Regulated Short Selling carried out by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients.

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## PART D      INTRADAY SHORT SELLING

### 8.33 Definitions

For the purposes of this Part D of Chapter 8

the word “Client” includes the Participating Organisation where the Participating Organisation is executing Intraday Short Selling for itself.

### 8.34 Intraday Short Selling

- (1) A Participating Organisation may execute short selling with a view to closing off the short position within the same day, if the same is carried out in accordance with this Part D of Chapter 8.
- (2) A Participating Organisation must not allow a Client to execute Intraday Short Selling unless it is satisfied that the Client fulfils all such conditions prescribed by the Exchange for executing Intraday Short Selling.

*[Refer to Directive No. 8-003]*

- (3) Intraday Short Selling can only be carried out for Approved Securities by way of On-Market Transaction only.
- (4) The short selling of Approved Securities carried out under this Part D must be closed off with a buy position on the same day as the selling by way of On-Market Transaction only.
- (5) *[Deleted]*

### 8.35 Commencement of Intraday Short Selling

A Participating Organisation may only commence its Intraday Short Selling activities if it:

- (a) has established adequate and effective written policies and internal guidelines for Intraday Short Selling as required by the Exchange;

*[Refer to Directive No. 5-001]*

- (b) has put in place systems and infrastructure including front office and back office systems which are operative and have all the relevant functionalities, requirements and controls for the carrying out of Intraday Short Selling; and
- (c) submits a written declaration in the form as prescribed by the Exchange of its compliance with Rules 8.35(a) and 8.35(b) at least 2 Market Days before commencing its Intraday Short Selling activities.

*[Refer to Directive No. 8-003]*

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### 8.36 Execution

- (1) A Participating Organisation must execute all orders for Intraday Short Selling on the same Market Day that the Client instructs for the order to be executed and cannot carry forward any order to the next Market Day even though the order remains unexecuted, whether fully or partially.

- (2) No Intraday Short Selling can be executed by a Participating Organisation during the period where the Approved Securities have been declared as Designated Securities under Rule 7.14 when expressly directed by the Exchange.
- (3) A Participating Organisation must not execute any Intraday Short Selling through a Client's Margin Account.

### **8.37 Suspension of Intraday Short Selling**

- (1) Without affecting Rule 8.41, the Exchange may suspend any order entry into the order book in the ATS for any further Intraday Short Selling of Approved Securities, if a suspension is imposed against the carrying out of Regulated Short Selling on an Approved Securities in accordance with Part C of Chapter 8.

*[Refer to Directive No. 8-002]*

- (2) Unless directed otherwise by the Exchange, the suspension imposed on Intraday Short Selling pursuant to Rule 8.37(1) may only be removed when the suspension imposed against the carrying out of Regulated Short Selling is uplifted.

### **8.38 Suspension Following a Price Drop**

The Exchange may suspend the Intraday Short Selling of any Approved Securities for the remaining Market Day from the time the suspension is instituted on that Market Day, if the Last Done Price of the Approved Securities significantly drops in such manner as may be prescribed by the Exchange.

### **8.39 Delivery and Settlement**

The Rules relating to delivery and settlement under Chapter 9 apply to Intraday Short Selling in the same manner as they apply to normal sales.

### **8.40 Reporting by Participating Organisation**

With reference to Rules 8.34(3) and 8.34(4), a Participating Organisation must report to the Exchange the net sell positions which have not been closed off on T day and any positions which are carried for securities which are not Approved Securities, in such frequency and manner as may be prescribed by the Exchange.

*[Refer to Directive No. 8-003]*

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### **8.41 Actions by the Exchange**

- (1) The Exchange may take any of the actions enumerated under Rule 8.41(2) summarily against any or all Participating Organisations or Registered Persons or in relation to any or all Approved Securities if:

- (a) there is a breach or likelihood of breach of any provisions in this Part D of Chapter 8;  
or
  - (b) Intraday Short Selling may lead or is likely to lead to the commission of any of the offences under the Capital Markets and Services Act.
- (2) Pursuant to Rule 8.41(1) the following actions may be taken by the Exchange against any or all Participating Organisations or Registered Persons or in relation to any or all Approved Securities:
- (a) directing further Intraday Short Selling by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients to be suspended or ceased;
  - (b) imposing limits on the total short positions that may be held by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients; or
  - (c) imposing restrictions or conditions on Intraday Short Selling carried out by a Participating Organisation or Registered Person whether for the Participating Organisation or any or all of its Clients.

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**PART E      TRADING SUSPENSION**

**8.42    Trading Suspension**

The Exchange may suspend trading of all or any of the securities quoted on the stock market of the Exchange if:

- (a)    there is a significant drop in the Exchange’s benchmark composite index; or
- (b)    a suspension from trading is imposed pursuant to these Rules or the Listing Requirements.

[End of Chapter]

**CHAPTER 9 DELIVERY AND SETTLEMENT**

**PART A GENERAL**

**9.01 Scope**

The provisions in this Chapter are applicable to On-Market Transactions.

**9.02 Clearing House**

- (1) The Exchange may, from time to time, upon approval of the Commission, designate any clearing house for the clearing and settlement of transactions in securities listed on the stock market maintained by the Exchange which are effected through the trading facilities established by the Exchange or otherwise.
- (2) The Exchange will notify all Participating Organisations of the designation of a clearing house pursuant to Rule 9.02(1) not less than 14 days prior to the date the designated clearing house will clear and settle transactions.

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**PART B DELIVERY OF SECURITIES**

**9.03 Ready Basis Contracts**

- (1) If a Participating Organisation is a seller in a Contract, the Participating Organisation must have the quantity of securities sold in the Contract as Tradeable Balance in the Securities Account used for the sale not later than the day and time prescribed in Schedule 2.
- (2) If a Participating Organisation is a buyer in a Contract, the securities in the Contract will be delivered by the Clearing House on the day and at the time prescribed in Schedule 2 but only if the Participating Organisation who is the seller in the Contract complies with the requirements of the Clearing House Rules in relation to delivery and settlement of the Contract.
- (3) A Participating Organisation may make partial delivery of securities but only in respect of sale of Board Lots only. In this case, the Participating Organisation's delivery obligation is fulfilled only to the extent of the number of securities that are actually delivered.

*[Refer to Directive No. 9-001]*

**9.04 Securities with Multiple Quotations**

A Participating Organisation is not allowed to do cross delivery of securities for securities with separate quotations.

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**PART C            FAILED CONTRACTS OF BOARD LOTS**

**9.05    Buying-In Without Notice**

- (1) If a Participating Organisation fails to deliver securities traded in Board Lots in accordance with Rule 9.03(1), the Exchange will commence buying-in against the Participating Organisation without giving any notice to the Participating Organisation, on the date and at the time as instructed by the Clearing House. The Exchange will conduct the buying-in in accordance with the procedures set in Rule 9.06 and the bidding price for such buying-in will be as instructed by the Clearing House.
- (2) For the avoidance of doubt, the buyer in the failed Contract is not prohibited from selling the securities and any person who further buys the same securities is also not prohibited from selling the securities, subject to Rule 9.07(1) and Rule 9.08.
- (3) The Exchange may only withdraw or suspend any buying-in if instructed by the Clearing House.
- (4) Where buying-in is withdrawn under Rule 9.05(3), the settlement obligations of the defaulting Participating Organisation will be as stated in the Clearing House Rules.

**9.06    Buying-In Procedures**

- (1) The Exchange will publish the name, quantity and bidding price of the securities for buying-in in the ATS before the commencement of the buying-in.
- (2) *[Deleted]*
- (3) A Participating Organisation can only enter an order to sell to the buying-in if the relevant securities are designated as "free securities" in the Securities Account of the seller.
- (4) The Exchange will match orders entered into the ATS to sell to the buying-in on a "first come first served" basis.
- (5) The Exchange may proceed with buying-in even if a trading suspension is imposed on securities of a listed Issuer pursuant to these Rules or the Listing Requirements.
- (6) A selling Participating Organisation in a buying-in contract must ensure that the selling Client in the buying-in contract is paid for the securities sold not later than 12.30 p.m. on the next Market Day following the date of the buying-in contract.
- (7) The securities obtained pursuant to a buying-in will be delivered to the following Securities Account on the date of the buying-in itself:
  - (a) the buyer in the failed Contract; or
  - (b) if the buyer in the failed Contract has sold the securities, to the ultimate buyer of the securities.
- (8) Securities sold by a seller to any buying-in between the period the securities were traded on "ex entitlement" basis up to the Books Closing Date (inclusive) will be on a "cum entitlement" basis.
- (9) A defaulting Participating Organisation against whom buying-in is carried out must not charge brokerage for the buying-in against the selling Client in the failed Contract.
- (10) The selling client in the failed Contract must make payment for the buying-in as determined by the Clearing House to the defaulting Participating Organisation against whom buying-in is

carried out not later than 12.30 p.m. on the next Market Day following the date of the buying-in contract.

(11) *[Deleted]*

**9.07 Cash Settlement**

- (1) If buying-in is not successful on T+2 or within such period as may be prescribed by the Clearing House, the buying-in will be withdrawn if instructed by the Clearing House. The Contract will then be settled by payment of cash for the quantity not done through the buying-in, in accordance with the Clearing House Rules, to the person below based on the cash settlement amount determined by the Clearing House:
  - (a) the buyer in the failed Contract; or
  - (b) if the buyer in the failed Contract has further sold the securities subsequent to the purchase, the ultimate buyer of the securities.
- (2) In order to facilitate the settlement of cash to the buyer as stated in Rule 9.07(1), the buying Participating Organisation may be directed by the Clearing House not to further sell the securities and the Participating Organisation must ensure that it gives effect to such direction.

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**PART D      FAILED CONTRACTS OF ODD LOTS**

**9.08      Cash settlement**

- (1) If a Participating Organisation fails to deliver securities traded in Odd Lots in accordance with the Clearing House Rules, the Contract will be settled by payment of cash to the person below based on the cash settlement amount determined by the Clearing House:
  - (a) the buyer in the failed Contract; or
  - (b) if the buyer in the failed Contract has further sold the securities subsequent to the purchase, the ultimate buyer of the securities.
- (2) In order to facilitate the settlement of cash to the buyers as stated in Rule 9.08(1) the buying Participating Organisation may be directed by the Clearing House to not further sell the securities and the Participating Organisation must ensure that it gives effect to such direction.

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**PART E SETTLEMENT OF PAYMENT**

**9.09 Settlement between a Participating Organisation and Client**

- (1) If a Participating Organisation is a seller in a Contract, the Participating Organisation must pay the selling Client for the securities sold on the day and not later than the time prescribed in Schedule 2.

*[Refer to Directives No. 9-001 and 9.09(1)-001]*

- (2) If a Participating Organisation is a buyer in a Contract, the buying Client must pay the Participating Organisation by the day and time prescribed in Schedule 2.
- (3) Notwithstanding Rule 9.09(2), a buying Client may sell securities for which he has not paid, at any time before 2.00 p.m. on the 2<sup>nd</sup> Market Day following the Contract Date (T+2) and such sale will be deemed to be a sale to close-off the buying Client's purchase position in respect of that securities and such close-off is referred to as "contra".

**9.10 Contra**

- (1) A Participating Organisation may permit a Client to "contra" its buy Contracts if:
  - (a) a Participating Organisation has guidelines for "contra":
  - (b) a Participating Organisation notifies the Clients of the guidelines prior to doing the "contra";
  - (c) in allowing for a Client to contra, a Participating Organisation takes into account the Client's financial ability to pay for losses (if any) arising from the contra; and
  - (d) the contra is effected not later than the time and date prescribed under Rule 9.09(3);
- (2) Any sale of securities that is made pursuant to a selling out under Part F is not considered to be a "contra".
- (3) A Participating Organisation may impose charges on its Client for a "contra".
- (4) Any difference resulting from a "contra" must be settled between the Participating Organisation and its Client not later than the 5<sup>th</sup> Market Day following the date of such "contra".

**9.11 Set-off**

Other than a "contra" as provided under Rule 9.10, a selling Participating Organisation must not set-off the payment due to a selling Client arising from a sale of Contract against the Client's outstanding purchase position, whether due for payment or not, unless the Client has agreed in writing with the Participating Organisation to allow for such set-off to be carried out.

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**PART F          SELLING-OUT**

**9.12    Default in payment**

- (1)    A Participating Organisation must institute a selling-out within the day and time prescribed in Schedule 2 against a Client who fails to pay for the Client's purchases by the time prescribed in Schedule 2.
- (2)    A Participating Organisation may still accept payment from a Client who fails to pay for the Client's purchases at any time prior to a selling-out being carried out.

**9.13    Notice not required**

A Participating Organisation need not give prior notice of a selling-out to a defaulting Client.

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**PART G CLAIMS AND ENTITLEMENTS ARISING OUT OF FAILURE TO DELIVER**

**9.14 Securities transacted on “Cum Entitlements” basis**

- (1) A buying Participating Organisation may claim on the entitlements arising from purchased securities in accordance with the Clearing House Rules if:
  - (a) the securities are bought "cum entitlements" by a buyer;
  - (b) there are insufficient or no Tradeable Balance of such securities in the seller's Securities Account by such time and day prescribed in Rule 9.03(1); and
  - (c) as a result of which, the buyer is not registered in the Record of Depositors as at Books Closing Date.
- (2) A buying Participating Organisation must inform the buying Client of the claims on the entitlements that are allowed by the Clearing House and the procedures for the claims.
- (3) A buying Participating Organisation must submit any claims requested by the Client within the time frame prescribed by the Clearing House.

**9.15 Securities transacted on “Ex Entitlement” basis**

- (1) If a buying Participating Organisation who transacted on “ex entitlement” basis obtains the entitlement, the Clearing House will, upon receipt of a claim referred to in Rules 9.16(3), undertake appropriate actions to reinstate the entitlements to the seller who sold the securities on “ex entitlement” basis.
- (2) A selling Participating Organisation must inform the selling Client of the claims on the entitlements that are allowed by the Clearing House and the procedures for the claims.
- (3) A selling Participating Organisation must submit any claims requested by the Client in the manner and within the time frame prescribed by the Clearing House.

**9.16 Sale of rights**

- (1) The claims on rights may be made by the buying Participating Organisation in accordance with the Clearing House Rules if:
  - (a) there are insufficient or no Tradeable Balance of such rights in the seller's Securities Account by such time and day prescribed in Rule 9.03(1);
  - (b) as a result of which the buyer is not registered in the Register of Depositors as at Books Closing Date; and
  - (c) the rights have expired.
- (2) The buying Participating Organisation must inform the buying Client of the claims on the rights that are allowed by the Clearing House and the procedures for the claims.
- (3) The buying Participating Organisation must submit any claims requested by the Client in the manner and within the time frame prescribed by the Clearing House.

**PART H BUYING-IN UPON REQUEST**

**9.17 Buying-In Upon Request**

In addition to the buying-in referred to in Rules 9.05 and 9.06, the Exchange may, upon a request made by a Participating Organisation or the Clearing House, conduct buying-in in respect of any security under circumstances as may be prescribed by the Exchange or the Clearing House.

[End of Chapter]

CHAPTER 10 DIRECT BUSINESS TRANSACTIONS

PART A GENERAL

10.01 General

- (1) A Direct Business Transaction is permitted if:
- (a) the Direct Business Transaction is reported to the Exchange in accordance with Rule 10.06;
  - (b) the delivery and settlement of securities arising from Direct Business Transaction is executed by way of book entries in the Securities Account in accordance with the requirements of the Clearing House and based on FDSS as stipulated in Schedule 3 or such requirements as may be specified by the Exchange;
  - (c) the Direct Business Transaction results in a change of the beneficial owner of the securities; and
  - (d) the prior approval of the Exchange is obtained for a Direct Business Transaction that meets the following criteria:
    - (i) quantity of the transaction is less than 50,000 units; and
    - (ii) at the time of reporting of the Direct Business Transaction pursuant to Rule 10.06, the price of the transaction triggers the obligations stated in Rules 10.09(2) and Rule 10.10(2),

except where the transaction is executed to fulfil an order that cannot be completed through an On-Market Transaction or to rectify an On-Market Transaction that has been erroneously executed.

*[Refer to Directive No. 10.01(1)-001]*

- (2) A Participating Organisation must apply to the Exchange for the prior approval as stated in Rule 10.01(1)(d) in the following manner:
- (a) at least 3 markets days prior to the reporting of the Direct Business Transaction under Rule 10.06; and
  - (b) by providing the information as stated in Rule 10.09(2)(a) and the document as stated in Rule 10.09(2)(b).
- (3) If an approval has been given for the Direct Business Transaction under Rule 10.01(1)(d), the Participating Organisation will not be subjected to the requirements in Rule 10.09(2) except in relation to the retention period of documents as stated in Rule 10.09(2)(c).
- (4) The computation of VWAP, where VWAP is referred to in this Chapter 10, will not include On-Market Married Transactions.

10.02 Prohibition

No Direct Business Transaction can be reported to the Exchange in relation to securities where a trading halt is imposed pursuant to the release of a material announcement by an Issuer under the Listing Requirements (“trading halt”) or

suspension from trading is imposed pursuant to these Rules or the Listing Requirements (“**suspension**”).

**10.03 Delivery and settlement**

- (1) Notwithstanding any provisions in the Clearing House Rules, a Participating Organisation must ensure that a Direct Business Transaction reported under Rule 10.06 is delivered and settled in full based on the day and time stipulated in this Rule 10.03.
- (2) If a Participating Organisation is a seller in a Direct Business Transaction, the Participating Organisation must deliver the securities in full by having the quantity of securities sold in the Direct Business Transaction as Tradeable Balance in the Securities Account of the seller not later than the day and time stipulated in Schedule 3.
- (3) If a Participating Organisation is a buyer in a Direct Business Transaction, the securities in the Direct Business Transaction will be delivered to the buyer’s Securities Account by the Clearing House by the day and time stipulated in Schedule 3, if both the selling and the buying Participating Organisation comply with the requirements in the Clearing House Rules on delivery and settlement of Direct Business Transactions.
- (4) If a Participating Organisation is a seller in a Direct Business Transaction, the Participating Organisation must settle the payment received for the Direct Business Transaction to the selling Client by the day and time stipulated in Schedule 3.
- (5) If a Participating Organisation is a buyer in a Direct Business Transaction, the Participating Organisation must receive the payment in full from the buying Client by the day and time stipulated in Schedule 3, if securities are delivered in accordance with Rule 10.03(2).
- (6) A Participating Organisation’s obligation to deliver and settle in full as stipulated in Rule 10.03(2) and Rule 10.03(5) is not waived even if the Clearing House clears and settles a Direct Business Transaction partially.

**10.04 Selling Out**

- (1) If a buying Client fails to pay a Participating Organisation in accordance with Rule 10.03, the Participating Organisation must institute a selling-out within the day and time stipulated in Schedule 3 against the Client.
- (2) A Participating Organisation may still accept payment from a Client who fails to pay for the Client’s purchases at any time prior to a selling-out being carried out.

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**PART B            MODE OF DIRECT BUSINESS TRANSACTIONS**

**10.05 Conduct of Direct Business Transactions**

A Participating Organisation is deemed to act as a principal in respect of a Direct Business Transaction reported to the Exchange and the Exchange does not recognise the interest of any third party.

**10.06 Reporting of Direct Business Transactions**

- (1) The Participating Organisations who are parties to a Direct Business Transaction must enter the details of the Direct Business Transaction as required by the Exchange into the ATS.
- (2) The reporting of a Direct Business Transaction to the Exchange will not be accepted if one Participating Organisation fails to enter the exact corresponding information of the Direct Business Transaction.
- (3) The reporting of a Direct Business Transaction to the Exchange will be confirmed on the ATS as soon as the second Participating Organisation enters the corresponding information of the Direct Business Transaction into the ATS within the time frame stipulated by the Exchange.

**10.07 Accuracy of reports**

A Participating Organisation is responsible for the accuracy and correctness of all information on Direct Business Transactions reported to the Exchange.

**10.08 Trading days, trading session and trading hours**

The reporting of all Direct Business Transactions by a Participating Organisation to the Exchange is from 8.30 a.m. to 5.15 p.m. every day from Monday to Friday, except on any day that has been gazetted as a public holiday and other day on which the stock market of the Exchange is officially closed by the Exchange.

**10.09 Price of Securities**

- (1) A Direct Business Transaction can be transacted at any price as agreed between parties.
- (2) If the price of a Direct Business Transaction reported to the Exchange falls within the prices prescribed in Schedule 4, a Participating Organisation must comply with the following:
  - (a) submit the following information to the Exchange in writing by 12.30 p.m. on the next Market Day after Direct Business Transaction was reported to the Exchange:
    - (i) the details of the buyer and seller;
    - (ii) the number of securities involved and the price;
    - (iii) the basis on which the price of the Direct Business Transaction was agreed; and

- (iv) the reason for the Direct Business Transaction;
- (b) ensure that the Client executes the declaration in the form as prescribed by the Exchange; and

*[Refer to Directive No. 10.01(1)-001]*

- (c) maintain the following documents for at least 7 years:
  - (i) the declaration executed by the Client in the form as prescribed by the Exchange;
  - (ii) the written agreement evidencing the Direct Business Transaction; and
  - (iii) any other relevant documents in relation to the information referred to in Rule 10.09(2)(a).

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**PART C THE FIRST DAY OF TRADING OF SECURITIES UPLIFTED FROM TRADING HALT OR SUSPENSION, LISTED AND QUOTED AND TRADING EX-ENTITLEMENT OR AFTER A CORPORATE ACTION**

**10.10 Reporting of Direct Business Transaction**

- (1) No Direct Business Transaction can be reported under Rule 10.06 during the first hour on the first day of the trading or listing of the following securities:
  - (a) securities that have just been uplifted from a trading halt or suspension;
  - (b) securities that have just been listed and quoted on the Exchange, including securities quoted pursuant to a corporate action; and
  - (c) securities quoted on ex-entitlement basis
- (2) The Participating Organisation must comply with the obligations in Rule 10.09(2) for a Direct Business Transaction transacted on the securities mentioned in Rule 10.10(1) if the Direct Business Transaction was transacted at the prices stipulated in Schedule 5.
- (3) In relation to a Direct Business Transaction involving securities which are imposed with a trading halt, reporting under Rule 10.06 and the VWAP to be used to discharge the obligations mentioned in Rule 10.10(2) are set in the table below:

	Time of Release of Material Announcement	Trading Halt Period	When Direct Business Transactions can be reported under Rule 10.06	VWAP to be used to discharge the obligations under Rule 10.10(2)
(1)	Before the commencement of trading at 9.00am	9.00am to 10.00am	After 11.00am	VWAP of On-Market Trading ("OMT") session from 10.00am to 11.00am
(2)	9.00am until 10.30am	1 hour from the time the material announcement is released	1 hour after OMT session commences	VWAP of 1 hour of OMT Session
(3)	10.31am until 11.00am	1 hour from the time the material announcement is released	} <div style="border: 1px solid black; padding: 5px; display: inline-block;">After 3.30pm</div>	} <div style="border: 1px solid black; padding: 5px; display: inline-block;">VWAP of OMT session from 2.30p.m.to 3.30pm</div>
(4)	11.01 am and before 12.30 pm	From the time the material announcement is released until 12.30 pm		
(5)	12.30pm until 1.30pm	No trading halt will be Imposed		
(6)	1.31pm until 2.30pm	2.30pm to 3.30pm	After 4.30pm	VWAP of OMT session from 3.30pm to 4.30pm

(7)	2.31pm until 3.00pm	1 hour from the time the material announcement is released	1 hour after OMT session commences	VWAP of 1 hour of OMT Session
(8)	3.01pm until 3.30pm	1 hour from the time the material announcement is released	} Next Market Day 1 hour after OMT session commences	} Next Market Day VWAP of OMT session from 9.00am to 10.00am
(9)	3.31pm and before 5.00pm	From the time the material announcement is released until 5.00pm		

- (4) The Participating Organisation must ensure that it complies with the obligations in Rule 10.09(2) for a Direct Business Transaction involving the securities mentioned in Rule 10.10(3), in the following circumstances:
- (a) if the price at which the Direct Business Transaction is transacted is either 15% or more above the VWAP or 15% or more below the VWAP referred to in Rule 10.10(3) (“OMT VWAP”); or
  - (b) if the price at which the Direct Business Transaction is transacted is either 15% or more above the Reference Price or 15% or more below the Reference Price, where there is no OMT VWAP.

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**PART D**

**AMENDMENTS AND CANCELLATION OF DIRECT  
BUSINESS TRANSACTIONS**

**10.11 Amendments and Cancellation**

- (1) A Direct Business Transaction that is reported to the Exchange in accordance with Rule 10.06(1) is a firm contract and cannot be cancelled.
- (2) A Participating Organisation may only amend details of a Direct Business Transaction reported to the Exchange in accordance with Rule 10.06(1) if the amendment is:
  - (a) arising from a keying-in error by a Participating Organisation; and
  - (b) effected not later than 5.15 p.m. on the day the Direct Business Transaction is reported.
- (3) The Participating Organisation must submit a report of the amendments effected under Rule 10.11(2) to the Exchange before the commencement of trading on the next Market Day.

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**PART E**

**FAILURE TO DELIVER OR TO MAKE PAYMENT  
FOR A DIRECT BUSINESS TRANSACTION**

**10.12 Action by the Exchange**

- (1) Even if the Clearing House allows for partial delivery and settlement of a Direct Business Transaction, this does not prejudice the rights of the Exchange to take action against the selling Participating Organisation for any failure to deliver securities in full in accordance with Rule 10.03(2).
- (2) The Exchange may take action against the buying Participating Organisation for any failure to settle the amount due for a Direct Business Transaction in accordance with the Clearing House Rules.

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**PART F            SECURITIES COMMISSION LEVY**

**10.13 Claim**

A Participating Organisation must pay to, or claim from, the Commission the difference on the levy imposed by the Commission arising from the failure of a buying or selling Participating Organisation in accordance with Part E of Chapter 10.

[End of Chapter]

CHAPTER 11 COMMISSION AND OTHER FEES AND CHARGES

PART A DEFINITIONS

11.01 Definitions

In this Chapter, unless the context otherwise requires:

- Contract Value
- (a) The total value of securities of the same counter a Client purchases or sells in a Market Day; or
  - (b) if the Client instructs for the transaction described in paragraph (a) above to be reflected in more than one contract, the value of securities for each contract.

The value of securities is determined with reference to the price at which the securities were purchased or sold.

- Intraday Trade
- The buying and subsequent selling (whether or not of the entire amount bought) of securities of the same counter within the same Market Day.

- Retail Trade
- Trades or transactions other than trades or transactions by or on behalf of:
- (a) life insurance companies;
  - (b) general insurance companies;
  - (c) superannuation or employees provident funds;
  - (d) banks, including investment banks which are not also Participating Organisations and co-operative banks established or licensed to operate in Malaysia under the laws of Malaysia or elsewhere under the laws of the jurisdiction concerned;
  - (e) a wholly-owned subsidiary of the institutions under paragraph (d) above;
  - (f) *[Deleted]*;
  - (g) asset management companies and unit trust management companies;
  - (h) trust companies or institutions;
  - (i) co-operatives established under statute;
  - (j) central, state or local government-owned or linked funds;
  - (k) members or member companies of recognised stock exchanges;
  - (l) securities dealers who are not members of such recognised stock exchanges but who are authorised to carry out the

## Chapter 11 - Commission and Other Fees and Charges

business of dealing in securities by the relevant authorities in jurisdictions of the recognised stock exchange; and

- (m) any other institutions or types of companies as determined from time to time by the Exchange.

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**PART B      COMMISSION**

**11.02 Rates**

- (1) A Participating Organisation must charge the Participating Organisation's Client, commission for every buy and sell trade executed for the Client on the stock market of the Exchange, at the rate set out in Schedule 6.
- (2) If a Participating Organisation acts for both the seller and the buyer in a transaction, the Participating Organisation must charge both the seller and the buyer commission at the rate set out in Schedule 6.
- (3) A Participating Organisation must not share any commission it receives in connection with a trade executed for a Client with any person except its Dealer's Representatives, Trading Representatives, Marketing Representatives or such other persons as permitted under the Guidelines for Marketing Representatives.
- (3A) A Dealer's Representative must not share any commission the Dealer's Representative receives in connection with a trade executed by a Client with any person except the Dealer's Representative's Participating Organisation or any of the Participating Organisation's Dealer's Representatives, Trading Representatives, Marketing Representatives or such other persons as permitted under the Guidelines for Marketing Representatives.
- (3B) A Participating Organisation and its Dealer's Representatives must not give any rebate on the commission that results in the Client paying less than the minimum commission set out in Schedule 6.
- (4) A Participating Organisation must charge commission on trades executed for Clients in the Recognised Stock Exchanges at the rates stated in Schedule 6 or the rates applied by the Recognised Stock Exchanges whichever is higher.
- (5) A Participating Organisation is permitted to give discounts on the commission payable in this Rule 11.02 to their employees, Dealer's Representatives and Trading Representatives, provided that, the amount of commission after the discount is not less than the minimum commission set out in Schedule 6.

**11.03 Net contracts prohibited**

A Participating Organisation must not set off a Client's buy Contract against the same Client's sell Contract or vice versa for the purpose of calculating the Contract Value set out in Schedule 6.

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**PART C      OTHER FEES AND CHARGES**

**11.04 Levy by Commission**

- (1) In this Rule 11.04, a “Transaction” means a purchase or sale of:
  - (a) securities recorded on the Exchange; or
  - (b) securities notified to the Exchange in accordance with these Rules.
- (2) Pursuant to the Securities Commission (Levy on Securities Transactions) Order 1995, every selling Participating Organisation and buying Participating Organisation must pay to the Exchange, for the account of the Commission, a levy on a Transaction as stipulated in Schedule 7.
- (3) For the avoidance of doubt, the requirement in Rule 11.04(2) does not apply to an ISSBNT transaction.

**11.05 Clearing fees**

A Participating Organisation must pay to the Clearing House, clearing fees as the Clearing House determines.

[End of Chapter]

**CHAPTER 12 ACCOUNTING, AUDIT AND FINANCIAL REPORTING  
REQUIREMENTS**

**PART A ACCOUNTS AND FINANCIAL REPORTING**

**12.01 Accounts**

A Participating Organisation must keep up-to-date accounting and other books and records. The accounting and other books and records must:

- (a) comply with the Exchange's requirements; and
- (b) be kept for a period of not less than 7 years from the date the records are first prepared.

*[Refer to Directive No. 12-002]*

**12.02 Financial statements**

A Participating Organisation must submit to the Exchange all financial statements the Exchange specifies within the period stipulated. The financial statements must comply with the Exchange's requirements.

*[Refer to Directive No. 12-002]*

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**PART B            STATUTORY AUDIT**

**12.03    Annual statutory audit**

- (1)    A Participating Organisation must submit to the Exchange the accounts audited by a statutory auditor annually (“Annual Audited Accounts”) within 3 months after the close of the financial year.
- (2)    *[Deleted]*
- (3)    A Participating Organisation must, within 2 months from commencing business as a Participating Organisation, notify the Exchange of:
  - (a)    the date of the Participating Organisation’s financial year end; and
  - (b)    the name of the statutory auditor who will furnish the Annual Audited Accounts.
- (4)    A Participating Organisation must inform the Exchange in writing prior to any change to the financial year end or the statutory auditor of the Participating Organisation.

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**PART C           SUSPENSION OF INTEREST AND  
PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

**12.04 Directives**

A Participating Organisation must comply with the Exchange's Directives which sets out the minimum requirements on:

- (a) the treatment of interest charged by the Participating Organisation to a Client; and
- (b) the impairment provisions for bad and doubtful debts irrespective of whether such debts have been assigned.

*[Refer to Directive No. 12-001 and Best Practices No. 12.04-001 and 12.04-002]*

**12.05 [Deleted]**

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**PART D            OFF-BALANCE SHEET TRANSACTIONS**

**12.06   Investment Banks**

All provisions in this Part D of this Chapter 12 do not apply to a Participating Organisation that is an Investment Bank.

**12.07   Records of Off-Balance Sheet transactions**

A Participating Organisation must maintain a Record that sufficiently explains the Off-Balance Sheet transactions entered by it.

*[Refer to Directive No. 12-003]*

**12.08   Reporting of Off-Balance Sheet transactions**

A Participating Organisation must lodge with the Exchange a monthly report in the form as prescribed by the Exchange.

*[Refer to Directive No. 12-003]*

[End of Chapter]

CHAPTER 13 CAPITAL REQUIREMENTS

PART A GENERAL

13.01 Investment Banks

An Investment Bank must comply with the capital adequacy requirements the Central Bank stipulates. In relation to the capital requirements stipulated in Chapter 13, only Rules 13.03 and 13.05 are applicable to an Investment Bank.

13.02 Definitions

The following terms have the following meanings in this Chapter unless the context requires otherwise.

<b>Term</b>	<b>Meaning</b>
Capital Adequacy Ratio	The ratio linking the Participating Organisation’s Liquid Capital to total risks faced, calculated as follows:  $\frac{\text{Liquid Capital}}{\text{Total Risk Requirement}}$
Core Capital	The level of financial resources or capital maintained in a readily realisable form to meet the Participating Organisation’s Operational Risk Requirement, calculated in the manner the Exchange determines.
Counterparty Risk	The risk of a Counterparty defaulting on the Counterparty’s financial obligation to a Participating Organisation.
Counterparty Risk Requirement or CRR	The amount necessary to accommodate a given level of the Participating Organisation’s Counterparty Risk, calculated in the manner the Exchange determines.
Debt Securities	Debentures, loan stocks or other similar instruments representing or evidencing indebtedness, whether secured or unsecured, whether convertible or not, and includes FI Securities.
Exchange Traded Derivative	An instrument evidencing rights, futures or Options, Debt Securities or securities which are Exchange Traded where the value of the instrument is dependent on the sum of its underlying investment.
Equity Securities	Securities other than Debt Securities.
Exchange Traded	Traded or listed on a Recognised Stock Exchange.
FI Securities	Fixed income securities including Malaysian Government Securities, Malaysian Treasury Bills, Government Investment Issues, Cagamas instruments, commercial papers, medium term notes and private debt securities but excludes Debt Securities that are listed on the Exchange.
Hybrid Securities	A combination of conventional securities and embedded derivatives that may consist of virtually any combination of 2 or

more financial instruments building blocks. For example, bond or note, swap, forward or future, or Option.

<p>ISSBNT Purchased or Securities Sold</p>	<p>Securities ISSBNT</p>	<p>Any securities purchased or securities sold under ISSBNT. If the securities purchased or securities sold consist of securities that have been subdivided or consolidated or made the subject of a bonus issue or an event similar to any of the events mentioned, the expression ISSBNT Securities Purchased or ISSBNT Securities Sold means:</p> <ul style="list-style-type: none"> <li>(a) in the case of a subdivision or consolidation, the securities into which the securities purchased or securities sold have been subdivided or consolidated;</li> <li>(b) in the case of a bonus issue, the securities purchased or securities sold (as applicable) together with the securities allotted by way of the bonus issue; and</li> <li>(c) in the case of any event similar to any of the events mentioned, the securities purchased or securities sold, together with or replaced by a sum of money or securities (or both) equivalent to the value or amount arising or due in relation to the securities purchased or securities sold resulting from such event.</li> </ul>
<p>Large Exposure Risk</p>		<p>The risks a Participating Organisation is exposed to from a proportionally large exposure to:</p> <ul style="list-style-type: none"> <li>(a) a particular Client or Counterparty;</li> <li>(b) a single Issuer of Debt Securities;</li> <li>(c) a single equity.</li> </ul>
<p>Large Exposure Risk Requirement</p>		<p>The amount necessary to accommodate a given level of the Participating Organisation's Large Exposure Risk, calculated in the manner the Exchange determines.</p>
<p>Liquid Capital</p>		<p>The Participating Organisation's financial resources or liquid capital maintained in a readily realisable form to meet the Participating Organisation's Total Risk Requirement, calculated in the manner the Exchange determines.</p>
<p>Liquid Margin</p>		<p>The amount in excess of a Participating Organisation's Liquid Capital after deducting the Total Risk Requirement.</p>
<p>Margin Financing Facility or MFF</p>		<p>A facility that a Participating Organisation provides to a Client under Rule 7.30.</p>
<p>Margin Financing On-Pledged Risk</p>		<p>The risks a Participating Organisation is exposed to from Onward Pledged MFF Collateral.</p>
<p>Mark to Market</p>		<p>In relation to securities, to value the securities based on the closing price of the securities on a Market Day.</p>
<p>Minimum Operational Risk Requirement</p>		<p>The absolute minimum amount necessary to accommodate the Operational Risk of a Participating Organisation set out in Rule 13.10.</p>
<p>Onward Lent Margin Securities</p>		<p>Margin Securities that a Participating Organisation onward lends to a third party under Securities Borrowing and Lending.</p>

Onward Pledged MFF Collateral	Securities the Participating Organisation holds as collateral under a Margin Financing Facility that the Participating Organisation onward pledges to a third party as security for a debt the Participating Organisation owes to the third party.
Operational Risk	The risks a Participating Organisation is exposed to from inadequate management of operational risk and includes risk of fraud, operational or settlement failure and shortage of liquid resources.
Operational Risk Requirement	The amount necessary to accommodate a given level of the Participating Organisation's Operational Risk set out in Rule 13.09(1).
Position Risk	The risks a Participating Organisation is exposed to from securities held by the Participating Organisation as principal and includes Margin Financing On-Pledged Risk.
Position Risk Requirement or PRR	The amount necessary to accommodate a given level of the Participating Organisation's Position Risk, calculated in the manner the Exchange determines.
Related or Associated Person	<ul style="list-style-type: none"> <li>(a) A Participating Organisation's Related Corporations;</li> <li>(b) the Participating Organisation's Associated Corporations; and</li> <li>(c) a director of the Participating Organisation or person considered connected with the director under Section 197 of the Companies Act.</li> </ul>
Risk Weighted Capital Ratio	Same meaning as in the guidelines on Investment Banks issued by the Central Bank and Commission.
Securities Borrowed or Securities Lent	<p>Any securities borrowed or securities lent under Securities Borrowing and Lending. If the securities borrowed or securities lent consist of securities that have been subdivided or consolidated or made the subject of a bonus issue or an event similar to any of the events mentioned, the expression Securities Borrowed or Securities Lent means:</p> <ul style="list-style-type: none"> <li>(a) in the case of a subdivision or consolidation, the securities into which the securities borrowed or securities lent have been subdivided or consolidated;</li> <li>(b) in the case of a bonus issue, the securities borrowed or securities lent (as applicable) together with the securities allotted by way of the bonus issue; and</li> <li>(c) in the case of any event similar to any of the events mentioned, the securities borrowed or securities lent, together with or replaced by a sum of money or securities (or both) equivalent to the value or amount arising or due in relation to the securities borrowed or securities lent resulting from such event.</li> </ul>
Total Risk Requirement	<p>The sum of the Participating Organisation's:</p> <ul style="list-style-type: none"> <li>(a) Operational Risk Requirement;</li> <li>(b) Position Risk Requirement</li> </ul>

- (c) Counterparty Risk Requirement;
- (d) Large Exposure Risk Requirement; and
- (e) Underwriting Risk Requirement.

Underwriting Risk                      The risks a Participating Organisation is exposed to from the Participating Organisation’s contingent binding commitment to acquire securities at a certain price and time.

Underwriting Risk Requirement or URR                      The amount necessary to accommodate a given level of the Participating Organisation’s Underwriting Risk, calculated in the manner the Exchange determines.

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**PART B CAPITAL REQUIREMENTS**

**13.03 Minimum paid-up capital and minimum shareholders' funds unimpaired by losses**

A Participating Organisation must maintain its paid-up capital and shareholders' funds unimpaired by losses, at a level not less than the minimum set out below:

- (a) for an Investment Bank, as the Central Bank and the Commission may stipulate;
- (b) for a Universal Broker, RM100,000,000; and
- (c) for any other Participating Organisation, RM20,000,000.

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## PART C CAPITAL ADEQUACY REQUIREMENTS

### 13.04 Obligations of a Participating Organisation

- (1) A Participating Organisation must ensure that its Capital Adequacy Ratio is at all times more than 1.2.
- (2) A Participating Organisation must ensure that its Core Capital is at all times more than its Operational Risk Requirement.
- (3) If a Participating Organisation does not comply with Rule 13.04(1) or (2), the Participating Organisation must:
  - (a) immediately inform the Exchange;
  - (b) immediately devise and take corrective measures to increase the Participating Organisation's Capital Adequacy Ratio to more than 1.2;
  - (c) as soon as reasonably practicable or immediately upon the Exchange's request, inform the Exchange of the corrective measures intended to be taken or that have been taken; and
  - (d) inform the Exchange immediately after all corrective measures have been taken.
- (4) A Participating Organisation must:
  - (a) calculate and monitor the Participating Organisation's Capital Adequacy Ratio on a daily basis; and
  - (b) submit to the Exchange the relevant information and records relating to the Participating Organisation's Capital Adequacy Ratio in accordance with the requirements of the Exchange.

*[Refer to Directives No. 13-001 and 13.04(4)-001]*

- (5) A Participating Organisation must submit to the Exchange a return on the Participating Organisation's Liquid Capital, Total Risk Requirement, Liquid Margin and Capital Adequacy Ratio in the form the Exchange requires.

*[Refer to Directive No. 13-001]*

### 13.05 Obligations of an Investment Bank

- (1) An Investment Bank must ensure that its Risk Weighted Capital Ratio is at all times more than the minimum level as the Central Bank may stipulate.
- (2) An Investment Bank must calculate and monitor its Risk Weighted Capital Ratio in accordance with the stipulation by the Central Bank.
- (3) If an Investment Bank does not comply with Rule 13.05(1) it must:
  - (a) immediately inform the Exchange;
  - (b) immediately devise and take corrective measures to increase the Investment Bank's Risk Weighted Capital Ratio to above the minimum level;
  - (c) as soon as reasonably practicable or immediately upon the Exchange's request inform the Exchange of the corrective measures intended to be taken or that have been taken; and

- (d) inform the Exchange immediately after all corrective measures have been taken.

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**PART D      LIQUID CAPITAL**

**13.06    General principle**

A Participating Organisation must, in calculating the Participating Organisation's Liquid Capital, deduct all fixed or non-liquid assets. In this Rule:

- (a) "liquid assets" means securities or other current assets that have a ready market, or that are capable of realisation within 30 days;
- (b) in relation to an asset, "ready market" means a market where the asset can be realised without materially and adversely affecting that asset's value.

**13.07    Computation of Liquid Capital**

A Participating Organisation must calculate the Participating Organisation's Liquid Capital in the manner the Exchange determines.

*[Refer to Directive No. 13-001]*

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## PART E OPERATIONAL RISK

### 13.08 General principle

A Participating Organisation must ensure that its Operational Risk Requirement is less than the Participating Organisation's Core Capital.

### 13.09 Computation of Operational Risk Requirement

- (1) A Participating Organisation's Operational Risk Requirement must be the greater of:
  - (a) the applicable Minimum Operational Risk Requirement; or
  - (b) 25% of the Participating Organisation's annual expenditure requirement based on the last auditor's report lodged with the Exchange for the preceding 12 months.

*[Refer to Directive No. 13-001]*

- (2) The Exchange may require a Participating Organisation to increase its Operational Risk Requirement if the Exchange is not satisfied that the internal controls of the Participating Organisation are adequate.

### 13.10 Minimum Operational Risk Requirement

- (1) A Universal Broker must maintain a Minimum Operational Risk Requirement of RM10,000,000.00.
- (2) A Non-Universal Broker must maintain a Minimum Operational Risk Requirement of RM5,000,000.00.

### 13.11 Annual Expenditure Requirement

A Participating Organisation must calculate the Participating Organisation's annual expenditure requirement in the manner the Exchange determines.

*[Refer to Directive No. 13-001]*

### 13.12 Adjustment

The Exchange may require a Participating Organisation to adjust its annual expenditure requirement if:

- (a) there has been a significant change in the circumstances or activities of the Participating Organisation; or
- (b) a material proportion of an expenditure was incurred or accrued by third parties where such expenditure is known by the Participating Organisation but was not fully charged to the Participating Organisation.

*[Refer to Directive No. 13-001]*

**PART F            POSITION RISK**

**13.13 General Principle**

A Participating Organisation must calculate its Position Risk Requirement for the securities listed below:

- (a) securities held by the Participating Organisation as principal, including those held pursuant to its intra-day activities;
- (b) Securities Borrowed or Securities Lent and ISSBNT Securities Purchased or ISSBNT Securities Sold for the Participating Organisation as principal;
- (c) securities other than Margin Securities held by the Participating Organisation that have been onward lent by it as principal for the purpose of Securities Borrowing and Lending or onward sold by it as principal for the purpose of ISSBNT;
- (d) Onward Pledged MFF Collateral; and
- (e) Onward Lent Margin Securities.

*[Refer to Directive No. 13-001]*

**13.14 Position Risk Requirement for equity and Exchange Traded Derivatives instruments**

A Participating Organisation must calculate the Position Risk Requirement for its equity and Exchange Traded Derivative positions in the manner the Exchange determines.

*[Refer to Directive No. 13-001]*

**13.15 Position Risk Requirement for Debt Securities**

A Participating Organisation must calculate the Position Risk Requirement for Debt Securities in the manner the Exchange determines.

*[Refer to Directive No. 13-001]*

**13.16 Position Risk Requirement for other instruments**

- (1) A Participating Organisation intending to take a position in an instrument for which no treatment is specified under this Chapter must, seek the Exchange's direction on the calculation applicable to the instrument at least 15 Market Days before the implementation or effective date of the instrument.
- (2) A Participating Organisation must, for that instrument, apply a Position Risk Requirement of 100% of the Mark to Market value of the instrument until the Exchange determines the appropriate calculation.

*[Refer to Directive No. 13-001]*

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## PART G COUNTERPARTY RISK

### 13.17 General Principle

A Participating Organisation must calculate its Counterparty Risk Requirement for all Counterparty exposures arising from:

- (a) unsettled agency (including those under DF Accounts);
- (b) debt, contra losses and other amounts due;
- (c) free deliveries;
- (d) Securities Borrowing and Lending or ISSBNT transactions;
- (e) derivatives transactions;
- (f) sub-underwriting arrangements;
- (g) Margin Financing Facilities; and
- (h) other exposures the Exchange determines.

*[Refer to Directive No. 13-001]*

### 13.18 Computation of Counterparty Risk Requirement

A Participating Organisation must calculate its Counterparty Risk Requirement in the manner the Exchange determines.

*[Refer to Directive No. 13-001]*

### 13.19 Exceptional instruments

- (1) A Participating Organisation must seek the Exchange's direction on the calculation applicable to an item or product, at least 15 Market Days before the effective date of the item or product if the Participating Organisation:
  - (a) cannot classify or is in doubt as to the classification of an item or product under any of the items in Rule 13.17; or
  - (b) is of the opinion that the item or product is not of a standard form.
- (2) Subject to the Exchange's direction, a Participating Organisation must, for that item or product, apply a Counterparty Risk Requirement of 100% of the Mark to Market value of the item or product net of any collateral held.
- (3) The Participating Organisation must ensure that the collateral the Participating Organisation holds satisfies the conditions the Exchange specifies and deduct the applicable discounts.

### 13.20 Collateral

- (1) A Participating Organisation may use collateral or security including collateral placed by the Participating Organisation's Commissioned Dealer's Representative to reduce the Participating Organisation's Counterparty exposure in the manner the Exchange determines.

- (2) A Participating Organisation must discount the value of collateral held in the following forms in the manner the Exchange determines:
  - (a) a form other than a RM cash deposit; and
  - (b) the form of Debt Securities.
- (3) A Participating Organisation must reconcile all collateral held by the Participating Organisation at least once a month.

*[Refer to Directive No. 13-001]*

### **13.21 Hedging**

- (1) A Participating Organisation may hedge the Counter Party Risk Requirement of an equity position against a derivative position as determined by the Exchange.
- (2) The hedging may only be used to the extent that the value of the equity underlying the derivative position matches the value of the equity position.
- (3) The Counterparty Risk Requirement for hedging positions shall, where applicable, be determined in the manner the Exchange stipulates.

### **13.22 Additional Counterparty Risk Requirement**

- (1) The Exchange may require a Participating Organisation to provide acceptable evidence of its Client's commitment to meet the Client's obligations on the due date of that commitment if the Exchange is of the view that the Participating Organisation may be exposed to a potential material loss in relation to an unsettled transaction.
- (2) Acceptable evidence of a Client's commitment to meet the Client's obligations on the due date may take the form of a documentary confirmation of the transactions concerned supported by:
  - (a) acceptable evidence of financial standing;
  - (b) the provision of adequate security; or
  - (c) the provision of acceptable guarantees.
- (3) In the absence of acceptable evidence, the Exchange may amongst other things, require a Participating Organisation to increase the Participating Organisation's Counterparty Risk Requirement by an amount not exceeding its exposure to loss. The Participating Organisation's exposure to loss is the difference between the amount of the Client's obligations and the amount of any assets available to meet the obligations.

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## PART H LARGE EXPOSURE RISK

### 13.23 General principles

- (1) A Participating Organisation must calculate its Large Exposure Risk Requirement for the Participating Organisation's:
  - (a) exposure to a single Client or Counterparty;
  - (b) direct exposure to Debt Securities; and
  - (c) direct exposure to a single equity,for all amounts arising in the normal course of trading in Equity Securities, Debt Securities or Exchange Traded Derivatives in accordance with the provisions set out under this Rule 13.23.
- (2) A Participating Organisation must calculate its Large Exposure Risk to a Hybrid Security or such other instrument for which no treatment is specified under this Rule 13.23 in the manner the Exchange determines.

*[Refer to Directive No. 13-001]*

### 13.24 Exposure to a single Client or Counterparty

- (1) A Participating Organisation has a Large Exposure Risk in relation to a single Client or Counterparty if the sum of the Participating Organisation's Counterparty exposure to the Client or Counterparty calculated in the manner the Exchange determines exceeds 10% of the Participating Organisation's Effective Shareholders' Funds.
- (2) A Participating Organisation's Large Exposure Risk Requirement to a single Client or Counterparty is equal to the amount calculated to be the Counterparty Risk Requirement for the Client or Counterparty.
- (3) A Participating Organisation's Large Exposure Risk Requirement to a single Client as to the Participating Organisation's activities in Debt Securities must be calculated in the manner the Exchange determines.
- (4) A Participating Organisation must not bear a Large Exposure Risk to any one particular Client or Counterparty of more than 30% of the Participating Organisation's Effective Shareholders' Funds.
- (5) A Participating Organisation must report to the Exchange immediately all the Participating Organisation's Large Exposure Risk relating to a Client or Counterparty.
- (6) In this Rule 13.24:
  - (a) "single Client or Counterparty" includes:
    - (i) if the single Client or Counterparty is an individual, the individual, the spouse of the individual, the partnership of which the individual is a partner, any partner of the individual, the spouse of the partner and all the companies or corporations over which the individual exercises control; and
    - (ii) if the single Client or Counterparty is a corporation, the corporation and the corporation's Related Corporations and Associated Corporations.
  - (b) an individual exercises "control" over a company or corporation if the individual or the individual's spouse, severally or jointly:

- (i) holds, directly or indirectly, more than 50% of the issued share capital of the corporation,
- (ii) has the power to appoint, or cause to be appointed, a majority of the directors of the company or corporation; or
- (iii) has the power to make, cause to be made, decisions in respect of the business or administration of the company or corporation, and to give effect to such decisions, or cause them to be given effect to.

### 13.25 Direct exposure to Debt Securities

- (1) A Participating Organisation has a Large Exposure Risk as to an Issuer of Debt Securities if the total amount of Debt Securities held against the Issuer exceeds 15% of the Participating Organisation's Effective Shareholders' Funds.
- (2) A Participating Organisation's Large Exposure Risk Requirement for the exposure to Debt Securities is equal to the Position Risk Requirement for Debt Securities calculated in the manner the Exchange determines.
- (3) A Participating Organisation must not bear a Large Exposure Risk to a Debt Securities of more than 30% of the Participating Organisation's Effective Shareholders' Funds.

*[Refer to Directive No. 13-001]*

- (4) A Participating Organisation must report to the Exchange immediately all the Participating Organisation's Large Exposure Risk relating to Debt Securities.

### 13.26 Exposure to a single equity

- (1) A Participating Organisation has a Large Exposure Risk to a single equity if the Participating Organisation has:
  - (a) a net position or exposure (either long or short) that exceeds 10% of the total issue of the equity; or
  - (b) a net position or exposure that exceeds 15% of the Participating Organisation's Effective Shareholders' Funds.
- (2) A Participating Organisation must calculate the Participating Organisation's net position or exposure to a single equity in the manner the Exchange determines.
- (3) A Participating Organisation must aggregate the Participating Organisation's exposures to a single equity referred to in Rule 13.26(5). A Participating Organisation's aggregated Large Exposure Risk to a single equity must not exceed 250% of the Participating Organisation's Effective Shareholders' Funds.
- (4) A Participating Organisation must report to the Exchange immediately all the Participating Organisation's Large Exposure Risk relating to a single equity.
- (5) In this Rule 13.26, "single equity" includes:
  - (a) 30% of the value of the collateral pledged by debtors or Margin Accounts (including interest) if the collateral is used to secure the exposure;
  - (b) 30% of the value of the collateral underlying loans and advances if the collateral is used to secure the exposure;
  - (c) investment in the stock accounts or proprietary positions;

- (d) the net purchase contract value of single equity aggregated from Clients' accounts arising from transactions under a Ready or Immediate Basis Contract, if the transaction has not been paid for; and
- (e) the net purchase contract value of single equity underlying Clients' accounts arising from transactions under a DF Account if the transaction has not been paid for.

*[Refer to Directive No. 13-001]*

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## PART I UNDERWRITING RISK

### 13.27 General principle

A Participating Organisation has an Underwriting Risk if the Participating Organisation enters into a binding commitment to take up securities at a predetermined price and time.

*[Refer to Directive No. 13-001]*

### 13.28 Computation

A Participating Organisation must calculate its Underwriting Risk Requirement in the manner the Exchange determines.

*[Refer to Directive No. 13-001]*

### 13.29 Register of underwriting commitments

A Participating Organisation must maintain a register of all the Participating Organisation's underwriting commitments. The register must contain the following information:

- (a) the description of the securities;
- (b) the quantity and price of the Participating Organisation's underwriting commitment;
- (c) the quantity and price of the Participating Organisation's underwriting commitment that has been sub-underwritten; and
- (d) the date the underwritten commitment is discharged.

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**PART J            GEARING RATIO**

**13.30 Definition**

The following terms have the following meanings in this Part J unless the context requires otherwise.

<b>Term</b>	<b>Meaning</b>
Gearing Ratio	<p>The ratio linking a Participating Organisation’s Utilised Level and the Participating Organisation’s Effective Shareholders’ Funds, calculated as follows:</p> $\frac{\text{Utilised Level}}{\text{Effective Shareholders' Funds}}$
Subordinated Debt	The approved subordinated debt that fulfils the requirements the Exchange determines.
Utilised Level	The aggregate amount of borrowings a Participating Organisation has already utilised.

**13.31 Gearing Ratio**

- (1) A Participating Organisation must ensure that its Gearing Ratio does not exceed 2.5 times.
- (2) A Participating Organisation’s Subordinated Debt is excluded from the Gearing Ratio if the Subordinated Debt does not exceed 50% of the Participating Organisation’s paid up capital unimpaired by losses.
- (3) The Gearing Ratio stipulated above does not apply to:
  - (a) a Universal Broker if the Universal Broker maintains at all times a Core Capital of not less than RM500,000,000.00; and
  - (b) an Investment Bank if the Investment Bank maintains at all times the Investment Bank’s minimum capital funds unimpaired by losses of not less than RM2,000,000,000.00 on a banking group basis or, for an Investment Bank which does not form part of a banking group, minimum capital funds of RM500,000,000.00, as referred to in the Guidelines on Investment Banks.

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**PART K      LIQUIDITY RISK**

**13.32 Compliance**

- (1) A Participating Organisation must at all times maintain a cumulative net liquid asset surplus at least at the minimum level(s) as prescribed by the Exchange (“Net Surplus Requirements”).
- (2) In this Rule 13.32, “liquid assets” has the same meaning assigned to that expression in Rule 13.06(a).

*[Refer to Directive No. 13.32-001 and Best Practice No. 13.32-001]*

**13.33 Investment Banks**

The liquidity risk requirements in Rule 13.32 are not be applicable to an Investment Bank.

[End of Chapter]

**CHAPTER 14 INSPECTION AND INVESTIGATION**

**PART A DEFINITION**

**14.01 Definition**

*[Deleted]*

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**PART B      INSPECTION**

**14.02 Exchange's right to inspection**

- (1) The Exchange may conduct an inspection on a Participating Organisation or Registered Person at any time on any matter in relation to the Depository Rules, Clearing House Rules, these Rules, the Participating Organisation's internal policies and procedures and any other rules and regulations related to its business in dealing in securities.
- (2) *[Deleted]*
- (3) A Participating Organisation and a Relevant Person must:
  - (a) not hinder or obstruct the Exchange during the inspection;
  - (b) give the Exchange all assistance the Exchange reasonably requires to conduct the inspection; and
  - (c) provide such information relevant to the inspection, comply and give effect to any Directive the Exchange issued pursuant to Rule 2.01(2)(k).

**14.03 *[Deleted]***

**14.04 Reporting**

- (1) The Exchange will notify the Participating Organisation of the findings from the Exchange's inspection.
- (2) A Participating Organisation must table the Exchange's findings to the Participating Organisation's Board of Directors as soon as possible.
- (3) A Participating Organisation must, within such time as may be prescribed by the Exchange:
  - (a) take corrective measures to address the Exchange's findings; and
  - (b) notify the Exchange of the Participating Organisation's Board of Director's decided course of action and corrective measures taken (if any) to address the Exchange's findings.

**14.05 *[Deleted]***

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**PART C INVESTIGATION**

**14.06 Power of investigation**

- (1) The Exchange may conduct an investigation on a Participating Organisation or a Registered Person at any time on any matter in relation to the Depository Rules, Clearing House Rules, these Rules, the Participating Organisation's internal policies and procedures and any other rules and regulations related to its business in dealing in securities.
- (2) *[Deleted]*
- (3) A Participating Organisation and a Relevant Person must:
  - (a) not hinder or obstruct the Exchange during the investigation;
  - (b) give the Exchange all assistance the Exchange reasonably requires to conduct the investigation; and
  - (c) provide such information relevant to the investigation, comply and give effect to any Directives the Exchange issues in exercising the powers under Rule 2.01(2)(k).

**14.07 *[Deleted]***

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**PART D      CONFIDENTIALITY**

**14.08 Confidentiality of findings**

*[Deleted]*

[End of Chapter]

## CHAPTER 15 DISCIPLINARY ACTIONS

### PART A DISCIPLINARY POWERS

#### 15.01 General

- (1) In this Chapter,
- (a) “Participant” includes a Participating Organisation and Registered Person(s) of the Participating Organisation, Market Maker and Derivatives Specialist;
  - (b) “disciplinary proceedings” where the context permits includes appeal proceedings under Part E of this Chapter 15; and
- (2) Where the acts or omissions of a Registered Person(s), employee or agent of a Participating Organisation, Market Maker or Derivatives Specialist would have been subject to these Rules had such acts or omissions been committed by the Participating Organisation, Market Maker or Derivatives Specialist, as the case may be, then such acts or omissions are deemed to be committed by that Participating Organisation, Market Maker or Derivatives Specialist, as the case may be, and disciplinary action may be taken against it.

#### 15.02 Disciplinary powers

The Exchange may exercise its disciplinary powers under Part A of this Chapter 15 against a Participant if the Participant is found to have breached any of these Rules and Directives. The Exchange’s disciplinary powers include the taking of one or more of the following actions:

- (a) reprimanding (publicly or privately) a Participant;
- (b) imposing a fine not exceeding RM1 million on a Participant;
- (c) suspending a Participant in accordance with the terms prescribed by the Exchange;
- (d) striking a Participant off the Register where the Participant will immediately cease to enjoy the privileges of Participantship;
- (e) imposing any restrictions or conditions in relation to the breach committed or on activities that a Participant undertakes;
- (f) imposing one or more conditions for compliance including issuing a directive to take such steps to remedy or mitigate the breach, other than a directive to make restitution;
- (g) directing a Participant to take appropriate action against any of the Participant’s employees or agents if such a person caused the Participant to commit the breach;
- (h) mandating education, training or such other types of programme as may be determined by the Exchange to be undertaken or implemented by the Participant for its employees;
- (i) *[Deleted]*
- (j) any other action the Exchange considers appropriate, subject to consultation with the Commission; or
- (k) in respect of a breach of these Rules that relates to a function that has been outsourced, imposing any restriction or condition in relation to the breach committed or on the activities that a Participant undertakes.

**15.03 Procedures**

- (1) The Exchange will determine the procedures applicable to any disciplinary proceedings taken under this Chapter. Such procedures may vary to adapt to the circumstances of any particular case.
- (2) The Exchange is not bound by legal rules of evidence and procedure in any disciplinary proceedings under this Chapter.

**15.04 Agreed settlement**

- (1) A Participant may, at any time before the Exchange makes a decision under Rule 15.12, propose a settlement of the disciplinary action by agreeing to a set of facts, liability or penalty with the Exchange.
- (2) The Exchange may reject, accept or vary the proposed settlement based on terms that the Exchange deems fit.
- (3) Where the Exchange accepts the proposed settlement, the agreed settlement will be recorded as a decision of the Exchange.
- (4) If the Exchange is not agreeable to the proposed settlement, the proceedings under Part C of this Chapter 15 will apply.

**15.05 Request for oral representations**

- (1) A Participant may request for an oral representation to make submissions or to procure the attendance of witnesses or legal representation at such oral representation for proceedings commenced against the Participant. Any such request must be submitted with the Response provided under Rule 15.11 or the Notice of Appeal stated in Rule 15.17.
- (2) The Exchange may, in its absolute discretion, allow or disallow any request made pursuant to Rule 15.05(1), upon such terms and conditions as the Exchange deems appropriate.

**15.06 Standard of proof**

The Exchange will not find an allegation proven unless the Exchange is satisfied that the allegation is proven on the balance of probabilities.

**15.07 Cumulative actions or penalties**

*[Deleted]*

**15.08 Other rights**

The exercise of powers in Rule 15.02 does not in any way prejudice the other rights of the Exchange against a Participant, or any other person to whom these Rules are directed.

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**PART B VIOLATIONS**

**15.09 Violation by Participants**

Any Participant ("Defaulting Participant") who, in any circumstances, directly or indirectly –

- (a) commits a breach of or violates any of these Rules;
- (b) has failed to comply with any of the Exchange's decisions, directives, rulings or guidelines (other than those guidelines which are expressed to be non-binding) made under these Rules and/or by the Exchange;
- (c) violates any provision of the Clearing House Rules or Depository Rules;
- (d) is found by the Exchange to be guilty of misconduct;
- (e) fails to pay, when due, any debt incurred by it to another Participant in respect of any dealing in securities;
- (f) becomes insolvent;
- (g) fails to perform his duties efficiently, honestly or fairly;
- (h) being a Participating Organisation:
  - (i) after becoming aware of any inability on its part to comply with the minimum financial requirements as contained in these Rules, fails to notify the Exchange of such inability;
  - (ii) fails to submit its financial reporting statements or annual audited accounts as required by these Rules within the time prescribed for submission;
  - (iii) provides false representation(s) to the Exchange and/or omits to provide any material information to the Exchange;
- (i) being a Dealer's Representative:
  - (i) without prejudice to the generality of the foregoing –
    - (aa) falsely declares authentication of an account opening application; or
    - (bb) without proper authority, makes use of another person's particulars of an account;
  - (ii) falsifies particulars of an account;
  - (iii) falsifies signature of a Client or any other forms of authorisation by the Client;
  - (iv) unlawfully transacts on another person's account;
  - (v) commits any act in breach of his fiduciary position in respect of the foregoing matters;
  - (vi) unlawfully delegates powers or assigns duties properly vested in him to unauthorised person or persons; or
  - (vii) applies any amount paid or securities deposited by a Client to any person not entitled thereto or for payment other than the said Client's trading account;

will be in breach of these Rules and be dealt with in accordance with the provisions of these Rules relating to the disciplinary proceedings.

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**PART C            DISCIPLINARY PROCEEDINGS**

**15.10 Requisite Notice**

The Exchange will serve on a Defaulting Participant against whom disciplinary action is proposed to be taken a written notice specifying the nature and particulars of the breach the Defaulting Participant is alleged to have committed ("**Requisite Notice**").

**15.11 Response to Requisite Notice**

The Defaulting Participant may submit to the Exchange a written response to the Requisite Notice ("**Response**") within the time stipulated in the Requisite Notice.

**15.12 Notification of decision**

After the conclusion of the disciplinary proceedings, the Exchange will notify the Defaulting Participant of the decision including the penalty imposed (if any).

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**PART D EXPEDITED PROCEEDINGS**

**15.13 Scope**

The Exchange may initiate expedited proceedings under this Rule 15.13 against a Defaulting Participant against whom disciplinary action is proposed to be taken instead of the proceedings under Part C of this Chapter 15 in circumstances the Exchange deems fit, such as in respect of a breach of the Rules which does not typically attract a penalty beyond:

- (a) a reprimand;
- (b) a fine of RM10,000.00; or
- (c) both of the above.

**15.14 Procedure**

- (1) The Exchange will notify the Defaulting Participant that the matter will be proceeded with by way of expedited proceedings. The notice will specify the breach and penalty imposed for the breach ("**Determination**").
- (2) The Defaulting Participant must, within the time prescribed in the Determination, inform the Exchange whether or not the Defaulting Participant agrees with the Determination. A Defaulting Participant is deemed to have agreed with the Determination if the Defaulting Participant does not respond within the prescribed time.
- (3) If the Defaulting Participant agrees or is deemed to have agreed with the Determination, disciplinary action will be recorded as having been taken against the Defaulting Participant on the date of the Defaulting Participant's agreement or upon expiry of the prescribed time.
- (4) If the Defaulting Participant agrees or is deemed to have agreed with the Determination, any fine imposed as a penalty for the breach must be paid:
  - (a) upon the Defaulting Participant informing the Exchange in writing of his agreement with the Determination; or
  - (b) within the time prescribed in the Determination;as the case may be.
- (5) If the Defaulting Participant does not agree with the Determination, the matter will proceed under Part C of this Chapter 15. The Defaulting Participant may, within the time prescribed in the Determination, submit a written response to the Determination as if the Determination is a Requisite Notice under Rule 15.10. In deliberating the matter under Part C of this Chapter 15, the Exchange is not bound by the Determination and may impose a higher penalty based on the facts or evidence presented during the proceedings under Part C of this Chapter 15.

**15.15 No limitation**

Nothing in Part D of this Chapter 15 prevents the Exchange from proceeding with disciplinary proceedings under Part C of this Chapter 15 for any breach of a Rule.

**PART E APPEAL**

**15.16 Right of appeal**

- (1) In amplification of Rule 2.05, any party to the disciplinary proceedings taken under Part C of this Chapter 15 and Rule 15.14(5) who is dissatisfied with a decision resulting from the disciplinary proceedings, may appeal against such decision in the manner prescribed in Rule 15.17 unless the decision was recorded pursuant to an agreed settlement under Rule 15.04(3) (“**the Appellant**”).
- (2) The Exchange may suspend the enforcement of any action taken under Rule 15.02 that is the subject of the appeal until the disposal of the appeal.

**15.17 Notice of appeal**

The Appellant must, within the time stated in the notification of decision given under Rule 15.12, give to the Exchange a notice (“Notice of Appeal”) that:

- (a) identifies the decision against which the appeal is made; and
- (b) sets out the ground(s) of the appeal together with the representations to justify the ground(s) relied upon.

**15.18 Deliberation of appeal**

- (1) An Appellant may produce evidence that was not presented at the initial disciplinary proceedings if:
  - (a) the evidence was not available at the time of the initial disciplinary proceedings; and
  - (b) the evidence would have been likely to have had a determining influence upon the decision appealed against.
- (2) The Appellant must produce the new evidence as stated in Rule 15.18(1) when submitting the Notice of Appeal.
- (3) The Exchange may exercise its powers under Part C of Chapter 14 and produce new evidence arising from the Notice of Appeal submitted by a Defaulting Participant.
- (4) The Exchange may affirm, vary or set aside the decision appealed against.

**15.19 Notification of decision on appeal**

After the conclusion of an appeal, the Exchange will notify the Defaulting Participant of the decision of the appeal and such decision is final.

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**PART F EFFECT OF DISCIPLINARY ACTION**

**15.20 General**

- (1) A Defaulting Participant must give effect to a decision made under Part C or Part D of this Chapter 15 or a decision affirmed or varied under Part E of this Chapter 15 within the time stipulated by the Exchange.
- (2) If a Defaulting Participant fails to give effect to such decision made, affirmed or varied within the stipulated time, the Defaulting Participant is deemed to have committed a breach of these Rules and the Exchange may take further action as stated under Rule 15.02.

**15.21 Period of payment and effect of non-payment of fine**

- (1) Without prejudice to Rule 15.20(2), a fine imposed by the Exchange must be paid by the Defaulting Participant within the time prescribed in the notice under Rule 15.12 or Rule 15.19
- (2) Pursuant to Rule 15.21(1) and Rule 15.14(4), a Defaulting Participant who fails to make payment within the stipulated time frame will be summarily suspended from further trading, or as the case may be, from its functions and activities.
- (3) Where the fine remains unpaid 7 days after the suspension under Rule 15.21(2), the Exchange may at any time thereafter summarily strike the Defaulting Participant off the Register.
- (4) A fine or any portion of a fine remaining unpaid by a Defaulting Participant is a debt owing by the Defaulting Participant to the Exchange.

**15.22 Effect of suspension**

- (1) A suspension imposed by the Exchange upon the Defaulting Participant:
  - (a) takes effect on the date prescribed in the notice under Rule 15.12 or Rule 15.19 ("**the said notice**"); and
  - (b) remains for such period as prescribed in the said notice but the period may be extended by the Exchange for such period as it considers appropriate.
- (2) A Defaulting Participant with access to trade on or through the stock market of the Exchange who has been suspended for any reason must immediately cease to trade on the Exchange but nothing is to be construed as releasing or discharging such Defaulting Participant from remaining liable in all respects to fulfil all its obligations pursuant to or under these Rules.

[End of Chapter]

**CHAPTER 16 LEAP MARKET**

**PART A GENERAL**

**16.01 Introduction**

A Participating Organisation and its Registered Persons must comply with this Chapter in addition to other provisions of these Rules in relation to trading on the LEAP Market.

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**PART B            REQUIREMENTS FOR THE LEAP MARKET**

**16.02 Sophisticated Investor**

- (1) The LEAP Market is intended for trading by Sophisticated Investors only, except as specified in Rule 16.02(2)(b) and 16.02(3).
- (2) A Participating Organisation must not allow a Client to trade or undertake transactions on the LEAP Market unless it is satisfied that the Client is either —
  - (a) qualified as a Sophisticated Investor; or
  - (b) not qualified as a Sophisticated Investor but is a current securities holder of a corporation listed on the LEAP Market and the trade is solely for selling the Client's existing securities in the corporation.
- (3) A Participating Organisation may only undertake proprietary trading in securities listed on the LEAP Market, in such circumstances as may be prescribed by the Exchange.

**16.03 Risk disclosure statement**

A Participating Organisation may only execute a Sophisticated Investor's first instruction to trade or carry out a transaction on the LEAP Market after receipt of a duly executed risk disclosure statement in the form provided by the Participating Organisation.

**16.04 Financing**

A Participating Organisation is not permitted to provide margin financing pursuant to Rule 7.30 for the purpose of the subscription to or purchase of LEAP Market securities.

**16.05 Direct Business Transactions**

A Participating Organisation need not apply to the Exchange for prior approval in relation to a Direct Business Transaction undertaken on the LEAP Market, even though the Direct Business Transaction meets the criteria prescribed in Rule 10.01(1)(d).

[End of Chapter]

**APPENDIX 1 - RISK DISCLOSURE STATEMENT ON SECURITIES BORROWING**

*[Deleted]*

## APPENDIX 2

*[Deleted]*

**APPENDIX 3  
[RULE 7.30(21)]**

**MONTHLY RETURNS ON CREDIT FACILITIES  
EXTENDED IN RELATION TO MARGIN ACCOUNT**

*[Deleted]*

**APPENDIX 4 – DECLARATION ON COMPLIANCE FOR REGULATED SHORT SELLING AND  
SECURITIES BORROWING AND LENDING  
[Rules 8.23(c) and 7.20(c)]**

*[Deleted]*

**APPENDIX 5 – NOTIFICATION REQUIRED IN ORDER TO CARRY OUT MARKET MAKING AND PERMITTED SHORT SELLING AND DECLARATION REQUIRED FOR PERMITTED SHORT SELLING**

*[Deleted]*

**APPENDIX 6 – DECLARATION ON DIRECT BUSINESS TRANSACTION  
[RULE 10.09(2)(b)]**

*[Deleted]*

**SCHEDULE 1**  
**[Rule 3.48]**

**DEALER'S REPRESENTATIVE'S SCOPE OF ACTIVITIES**

	<b>Activities</b>
(a) Commissioned Dealer's Representative	<ul style="list-style-type: none"> <li>▪ A Commissioned Dealer's Representative can trade on behalf of Clients only and cannot execute proprietary trading for the Commissioned Dealer's Representative's Participating Organisation</li> <li>▪ A Commissioned Dealer's Representative can execute any other trading activity the Commission permits except Day Trading</li> </ul>
(b) Salaried Dealer's Representative	<ul style="list-style-type: none"> <li>▪ A Salaried Dealer's Representative can execute proprietary trading for the Salaried Dealer's Representative's Participating Organisation (only if not trading on behalf of Clients or a client of a holder of a Capital Markets Services Licence for dealing in derivatives) including trades executed for the Participating Organisation's Related Corporations referred to in Rule 7.04.</li> <li>▪ If a Salaried Dealer's Representative trades on behalf of Clients or a client of a holder of a Capital Markets Services Licence for dealing in derivatives, he can only do so if he is not doing proprietary trading for the Salaried Dealer's Representative's Participating Organisation or its Related Corporations</li> <li>▪ A Salaried Dealer's Representative can execute any other trading activity the Commission permits except Day Trading</li> </ul>
(c) Proprietary Day Trader	<ul style="list-style-type: none"> <li>▪ A Proprietary Day Trader can only execute Day Trading on behalf of a Participating Organisation</li> <li>▪ A Proprietary Day Trader cannot trade on behalf of Clients or clients of a holder of a Capital Markets Services Licence for dealing in derivatives</li> <li>▪ <i>[Deleted]</i></li> <li>▪ A Proprietary Day Trader can execute any other trading activity the Commission permits</li> </ul>

[End of Schedule]

**SCHEDULE 2**  
**[Chapters 7 & 9]**

**DELIVERY AND SETTLEMENT TIME FOR ON-MARKET TRANSACTIONS**

Type of Contract	Tradeable Balance in seller's account (Rule 9.03(1))	Payment to selling Client (Rule 9.09(1))	Delivery to buyer (Rule 9.03(2))	Payment by buying Client (Rule 9.09(2))	Selling-out (Rule 9.12(1))
Ready Basis	For first batch settlement-run: T+1 by 4.30 p.m.  For second batch settlement-run: T+2 by 11.30 a.m.*	T+2, not later than 2.00 p.m.	For first batch settlement-run: T+2, not later than 10.00 a.m.  For second batch settlement-run: T+2, not later than 2.00 p.m.	T+2, not later than 2.00 p.m.	T+2 from 2.00 p.m. until T+3
Immediate Basis	<i>[Deleted]</i>	<i>[Deleted]</i>	<i>[Deleted]</i>	<i>[Deleted]</i>	<i>[Deleted]</i>

\* The Exchange will only commence buying-in without notice under Rule 9.05(1) if the Participating Organisation fails to have the quantity of securities sold in the Contract as the Tradeable Balance in the Securities Account used for the sale by the time stipulated for second batch settlement-run.

[End of Schedule]

**SCHEDULE 3**  
**[Rule 10.03]**

**DELIVERY AND SETTLEMENT TIME FOR DIRECT BUSINESS TRANSACTIONS**

<b>Type of Contract</b>	<b>Tradeable Balance in seller's account</b>	<b>Payment to selling Client</b>	<b>Delivery to buyer</b>	<b>Payment by buying Client</b>	<b>Selling Out</b>
Ready Basis	For first batch settlement-run: T+1 by 4.30 p.m.  For second batch settlement-run: T+2 by 11.30 a.m.	T+2, not later than 2.30 p.m.	For first batch settlement-run: T+2, not later than 11.00 a.m.  For second batch settlement-run: T+2, not later than 3.00 p.m.	T+2, not later than 2.00 p.m.	T+2, from 2.00 p.m. until T+3
Immediate Basis	<i>[Deleted]</i>	<i>[Deleted]</i>	<i>[Deleted]</i>	<i>[Deleted]</i>	<i>[Deleted]</i>

[End of Schedule]

**SCHEDULE 4**  
**[Rule 10.09(2)]**

**PRICES OF SECURITIES TRANSACTED IN DIRECT BUSINESS TRANSACTIONS**

Price of securities	Transaction price
RM1 or more	15% or more above the PVWAP OR 15% or more below the PVWAP
less than RM1	15 sen or more above the PVWAP OR 15 sen or more below the PVWAP

\* PVWAP means the VWAP of the securities on the preceding Market Day or, if no trade in respect of the securities was effected on the preceding Market Day, the VWAP of the securities on the last Market Day in which trades were conducted.

[End of Schedule]

**SCHEDULE 5**  
**[Rule 10.10(2)]**

**PRICES OF SECURITIES TRANSACTED IN DIRECT BUSINESS TRANSACTIONS FOR THE FIRST DAY OF TRADING OF SECURITIES UPLIFTED FROM TRADING HALT OR SUSPENSION, LISTED AND QUOTED AND TRADING EX-ENTITLEMENT OR AFTER A CORPORATE ACTION**

<b>Transaction Price</b>			
<b>When there are trades in the first trading session</b>		<b>When there are no trades in the first trading session</b>	
RM 1 or more	<b>15% or more above the VWAP of the first trading session OR 15% or more below the VWAP of the first trading session</b>	RM 1 or more	<b>15% or more above the Reference Price OR 15% or more below the Reference Price</b>
Less than RM 1	<b>15 sen or more above the VWAP of the first trading session OR 15 sen or more below the VWAP of the first trading session</b>	Less than RM 1	<b>15 sen or more above the Reference Price OR 15 sen or more below the Reference Price</b>

[End of Schedule]

**SCHEDULE 6**  
**[Rule 11.02 & 11.03]**

**COMMISSION RATES\***

	Type of Trade	Basis for determining commission	Minimum commission	Maximum commission
(a)	<b>Online Routed Trades</b>	Fully negotiable	Not applicable	Not applicable
(b)	<b>Trades paid for by Cash Upfront</b>	Fully negotiable	Not applicable	Not applicable
(c)	<b>Direct Business Transactions</b>	Fully negotiable	Not applicable	Not applicable
(d)	<b>All trades in securities executed in Board Lots except for trades specifically mentioned in the other items this table and trades in securities provided at items (d)(i), (d)(ii) and (d)(iii) below</b>	Negotiable subject to the minimum and maximum commission, whichever is higher	Minimum Fixed Commission	0.7% of the Contract Value
	(i) ABFMY1 trades (including ABFMY1 Intraday Trades)	Negotiable subject to the minimum and maximum commission, whichever is higher	RM12.00	0.3% of the Contract Value
	(ii) ETB trades (including ETB Intraday Trades)	Negotiable subject to the maximum commission	Not applicable	0.3% of the Contract Value
	(iii) Trades in securities on the LEAP Market	Fully negotiable	Not applicable	Not applicable
(e)	<b>All trades in securities executed in less than a Board Lot except for trades specifically mentioned in the other items in this table</b>	Fully negotiable	Not applicable	Not applicable
(f)	<b>ISSBNT trades</b>	Fully negotiable	Not applicable	Not applicable

\* Notes:

- (1) For transactions in securities denominated in foreign currency, the commission rate will be stipulated by the Exchange in the Directives.
- (2) Cash Upfront refers to full payment by the buying Client to the buying Client's Participating Organisation for the purchase of securities prior to the entry of the order to purchase into the

As at 1 September 2018

ATS. For the purposes of this Schedule, the “full payment” in the definition of Cash Upfront must be in the form of cash or any other mode of payment where clearance of or good value is given to the mode of payment prior to the entry of the order.

- (3) Online Routed Trade refers to trade arising from an order routed by a Client to the Participating Organisation through an electronic order routing system for submission into ATS and includes an order routed through Direct Market Access.
- (4) Minimum Fixed Commission means:
  - (a) for trade other than Retail Trade
    - (i) on transactions in loan instruments RM2.00; and
    - (ii) on any other transaction RM40.00.
  - (b) for Retail Trade
    - (i) where the Contract Value is RM100,000 or below, the minimum commission payable shall be calculated at 0.6% of the Contract Value or the amount prescribed under paragraph 4(a) above, whichever is higher;
    - (ii) where the Contract Value exceeds RM100,000, the minimum commission payable shall be calculated at 0.3% of the Contract Value or the amount prescribed under paragraph 4(a) above, whichever is higher; and
    - (iii) where the trade is an Intraday Trade, the minimum commission payable shall be calculated at 0.15% of the Contract Value or the amount prescribed under paragraph 4(a) above, whichever is higher.
  - (c) Notwithstanding paragraph 4(b) above, for transactions by employees, Dealer’s Representatives and Trading Representatives, the minimum commission payable shall be the amount prescribed under paragraph 4(a) above.

[End of Schedule]

**SCHEDULE 7  
[Rule11.04]**

**SC Levy**

		<b>SC Levy to be paid from or by:</b>	<b>Proportion</b>
(a)	<b>If both commission and clearing fee are payable on the Transaction:</b>	The clearing fee payable to the Clearing House under the Clearing House Rules	Half of the SC Levy being 0.0075% of the price of the Transaction*
		The commission payable by the buyer or the seller to the buyer's or seller's Participating Organisation	Half of the SC Levy being 0.0075% of the price of the Transaction
(b)	<b>If only commission is payable on the Transaction:</b>	The commission payable by the buyer or the seller to the buyer's or seller's Participating Organisation	The entire SC Levy being 0.015% of the price of the Transaction
(c)	<b>If only clearing fee is payable on the Transaction:</b>	The clearing fee payable to the Clearing House under the Clearing House Rules	Half of the SC Levy being 0.0075% of the price of the Transaction*
		The buyer's or the seller's Participating Organisation	Half of the SC Levy being 0.0075% of the price of the Transaction
(d)	<b>If neither commission nor clearing fee is payable on the Transaction:</b>	The buyer's and the seller's Participating Organisation	The entire SC Levy being 0.015% of the price of the Transaction

\*If the clearing fee is subject to a ceiling, there will be corresponding ceiling on the SC Levy payable from the clearing fee as the Securities Commission (Levy on Securities Transactions) Order 1995 stipulates.

[End of Schedule]