



PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 24 March 2009

No.: R/R 2 of 2009

1. **AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD ("RULES OF BURSA SECURITIES") PERTAINING TO APPROVAL AND READINESS AUDIT PROCESSES**
2. **GUIDELINES PERTAINING TO THE DECLARATORY APPROACH IN RESPECT OF READINESS AUDITS ('GUIDELINES')**

A. INTRODUCTION

In order to increase the efficiency of the approval and readiness audit processes required before new activities as specified in Paragraphs 2(A) and 2(B) of the Guidelines in **Annexure 2** ("New Trading Activities") can be undertaken by Participating Organisations ("PO"), Bursa Malaysia Securities Berhad ("Bursa Securities"), hereby, effective 24 March 2009:

- (i) amends the rules as detailed in **Annexure 1**, to provide for a change in the approval process with regard to the establishment of branch offices and electronic access facilities, which will now be approved by Bursa Securities and the introduction of the declaratory approach ("DA") as a mode of fulfilling readiness requirements required for commencement of New Trading Activities; and
- (ii) issues Guidelines as attached in **Annexure 2**, introducing the DA as a new mode of fulfilling the readiness audit requirements required for approvals for the commencement of New Trading Activities, in addition to the current Self Assessment Approach introduced by Bursa via a directive dated 10 January 2005 ("SAA Directive").

The DA basically allows the PO to complete readiness audits required by carrying out an audit as in the Self Assessment Approach introduced by Bursa Securities via the SAA Directive, but instead of submitting reports and supporting documents, POs can now, *where DA is allowed*, submit a prescribed Declaration form attached as **Annexure 3** herein, stating that requirements pertaining to certain key areas are satisfied

B. AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO APPROVAL AND READINESS AUDIT PROCESSES.

The Rules of Bursa Securities have been amended:

- (i) to allow for the streamlining of approval processes as detailed in Paragraphs 2(A) and 2(B) of the Guidelines in **Annexure 2**. Paragraphs 2(A) and 2(B) of the Guidelines clarify under which circumstances approvals are required and the party from which approval must be obtained.

- (ii) to allow for the introduction of the DA as a mode of fulfilling readiness audit requirements as detailed in the Guidelines in **Annexure 2**.

C. GUIDELINES

Guidelines in **Annexure 2** are issued to guide the PO as to the approvals it needs to obtain before commencing on New Trading Activities and the application of DA as a mode to fulfilling readiness audit requirements. This Guideline is to be read together with the SAA Directive, however, the SAA Directive is modified to the extent that the Guidelines as a mode for completing readiness audits for New Trading Activities have been introduced and the approval requirements have been clarified.

D. AMENDMENTS TO SC GUIDELINES

Effective 24 March 2009, to facilitate the streamlining of the approval processes the Securities Commission has granted exemption to all eligible POs from complying with the provisions of the Guidelines on the Establishment and Location of a Branch Office by Universal Brokers and Eligible Non-Universal Brokers ("Branch Office Guidelines") and the Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-Universal Brokers ("EAF Guidelines") relating to the establishment of branch offices and/or electronic access facilities, save for Paragraph 3.2 and Paragraph 4.1 of the Branch Office Guidelines. Please refer to a copy of the aforementioned letter, attached herein as **Annexure 4**, for details.

E EFFECTIVE DATE

In respect of the above, please be informed that the above amendments to the Rules of Bursa Securities and the Guidelines herein are effective 24 March 2009.

F. CONTACT DETAILS

Please direct any queries you may have in relation to the above to the following persons:-

Pasupathy Velauthah 03-20347141

Vaithyanathan Madavan 03-2034 7142

All rules, directives or circulars in force which make references to or contain provisions relating to the above matters shall have effect as if such reference or provisions relate to the amended provision/s aforesaid.

Please be informed that this circular is available on Bursa Malaysia's website at:
http://www.bursamalaysia.com/website/bm/rules_and_regulations/bursa_rules/bm_securities.html

AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO READINESS AUDITS

Rule	Current Rules	Rule	Amended Rules
RULE 101.1	<p>RULE 101.1 DEFINITION</p> <p>branch office means the branch office approved and/or recognised by the Commission as a branch office of a Participating Organisation or in the case of an Investment Bank, the branch office approved and/or recognised by the Central Bank as a branch office of an Investment Bank.</p>		<p>RULE 101.1 DEFINITION</p> <p>branch office means the branch office approved by the Exchange as a branch office of a Participating Organisation or in the case of an Investment Bank, the branch office approved and/or recognised by the Central Bank as a branch office of an Investment Bank.</p>
RULE 504.2	<p>RULE 504.2 POST OPERATIVE DATE</p> <p>(1) With effect from the Operative Date, a Universal Broker may be permitted by the Commission at its absolute discretion to establish and maintain branch office(s) Subject Always to the Commission's criteria and guidelines in respect thereof.</p>		<p>RULE 504.2 POST OPERATIVE DATE</p> <p>(1) With effect from the Operative Date, a Universal Broker may be permitted by the Exchange at its absolute discretion to establish and maintain branch office(s) Subject Always to the Exchange's and/or Commission's criteria and guidelines in respect thereof.</p>
RULE 504.2A	<p>RULE 504.2A BRANCH OFFICES BY A ELIGIBLE NON-UNIVERSAL BROKER</p> <p>(1) With effect from 3 January 2006, an Eligible Non-Universal Broker shall be permitted to establish and maintain branch office(s) Subject Always to the Commission's criteria and guidelines in respect thereof.</p>		<p>RULE 504.2A BRANCH OFFICES BY A ELIGIBLE NON-UNIVERSAL BROKER</p> <p>(1) With effect from 3 January 2006, an Eligible Non-Universal Broker shall be permitted to establish and maintain branch office(s) Subject Always to the Exchange's and/or the Commission's criteria and guidelines in respect thereof.</p>

AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO READINESS AUDITS

Rule	Current Rules	Rule	Amended Rules
RULE 504.3	<p>RULE 504.3 ESTABLISHMENT OF BRANCH OFFICE</p> <p>(1) Application: No Participating Organisation which is eligible to establish a branch office pursuant to this Rule 504 shall establish any branch office without an initial application being made to the Exchange. This Rule 504.3(1) shall not be applicable to an Investment Bank.</p> <p>(2) Approval:</p> <p>(a) The Exchange may, on application by a Participating Organisation to establish a branch office in the manner prescribed in these Rules, undertake an initial evaluation of such application and henceforth forward its recommendation of such application to the Commission.</p> <p>(b) In determining whether or not to recommend an approval of such application to the Commission, the Exchange may consider all matters relevant including but not limited to the following in respect of the applicant Participating Organisation -</p> <p>(i) area which the Participating Organisation is applying to establish a branch office;</p> <p>(ii) business integrity;</p> <p>(iii) financial standing;</p> <p>(iv) experience of dealing in securities.</p> <p>(c) [Deleted]</p> <p>(d) Where an approval is being granted by the Commission in respect of the applicant Participating Organisation to operate a branch office, the</p>		<p>RULE 504.3 ESTABLISHMENT OF BRANCH OFFICE</p> <p>(1) Application: No Participating Organisation which is eligible to establish a branch office pursuant to this Rule 504 shall establish any branch office without an application being made to the Exchange. This Rule 504.3(1) shall not be applicable to an Investment Bank.</p> <p>(2) Approval:</p> <p>(a) The Exchange may, on application by a Participating Organisation to establish a branch office in the manner prescribed in these Rules, undertake an evaluation of such application and approve such application.</p> <p>(b) In determining whether or not to approve such application, the Exchange may consider all matters relevant including but not limited to the following in respect of the applicant Participating Organisation -</p> <p>(i) area which the Participating Organisation is applying to establish a branch office;</p> <p>(ii) business integrity;</p> <p>(iii) financial standing;</p> <p>(iv) experience of dealing in securities.</p> <p>(c) [Deleted]</p> <p>(d) Where an approval is being granted by the Exchange in respect of the applicant Participating Organisation to operate a branch office, the Exchange may attach conditions which may be varied from time to time.</p>

AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO READINESS AUDITS

Rule	Current Rules	Rule	Amended Rules
	<p>Exchange may, in addition to any conditions imposed by the Commission, attach its own conditions which may be varied from time to time.</p> <p>(2A) Rule 504.3(2) above, save and except for Rule 504.3(2)(c) in relation to the contribution, shall not be applicable to an Investment Bank.</p> <p>(3) Approval of Operations:</p> <p>(a) Upon the fulfilment of conditions and/or restrictions imposed by the Commission, or in the case of an Investment Bank, by the Central Bank, the Exchange may allow a Participating Organisation approved to establish a branch office, to operate such a branch office upon adherence to all of the following -</p> <p>(i) the key appointments envisaged in Rule 506.2 being filled, unless otherwise permitted as provided therein;</p> <p>(ii) satisfactory completion of the branch readiness audit;</p> <p>(iii) must have adequate human resources with the necessary qualification, expertise and experience to manage and administer the branch office;</p> <p>(iv) must have adequate and appropriate systems, procedures and processes to manage and administer the branch office in a proper and efficient manner; and</p> <p>(v) such other conditions as prescribed by the Exchange from time to time.</p> <p>(b) Before a Participating Organisation may operate a branch office, it shall be subjected to a branch</p>		<p>(2A) Rule 504.3(2) above shall not be applicable to an Investment Bank.</p> <p>(3) Approval of Operations:</p> <p>(a) Upon the fulfilment of conditions and/or restrictions imposed by the Exchange, or in the case of an Investment Bank, by the Central Bank, the Exchange may allow a Participating Organisation approved to establish a branch office, to operate such a branch office upon adherence to all of the following -</p> <p>(i) the key appointments envisaged in Rule 506.2 being filled, unless otherwise permitted as provided therein;</p> <p>(ii) satisfactory completion of the branch readiness audit;</p> <p>(iii) must have adequate human resources with the necessary qualification, expertise and experience to manage and administer the branch office;</p> <p>(iv) must have adequate and appropriate systems, procedures and processes to manage and administer the branch office in a proper and efficient manner; and</p> <p>(v) such other conditions as prescribed by the Exchange from time to time.</p> <p>(b) Before a Participating Organisation may operate a branch office, it shall be subjected to a branch readiness audit, which scope, manner and criteria shall be prescribed by the Exchange from time to time.</p>

AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO READINESS AUDITS

Rule	Current Rules	Rule	Amended Rules
	<p>readiness audit, which scope and criteria shall be prescribed by the Exchange from time to time. The Exchange may require the Participating Organisation to bear the cost of the branch readiness audit.</p> <p>(c) The Exchange may appoint the Exchange holding company and/or any firm of auditors to conduct the branch readiness audit on behalf of the Exchange, the cost of which shall be borne by the Participating Organisation.</p> <p>(4) Rules of Operation:</p> <p>(a) The Participating Organisation shall be responsible for all business activities of its branch office including but not limited to any breach of the rules and/or directives of the Exchange. Any breach by the branch office is deemed to be a breach or act of non-compliance by the Participating Organisation and the Exchange may subject the Participating Organisation to the relevant disciplinary action(s).</p> <p>(b) A Participating Organisation shall notify and provide the Exchange with the identity and relevant particulars of the person heading the branch office and any changes or replacement therefrom.</p> <p>(c) The branch office shall carry the name of the Participating Organisation and not any other name.</p> <p>(d) A Participating Organisation operating a branch office shall ensure -</p> <p>(i) its financial statement is on a consolidated basis supplemented by separate information and financial statements for purposes of distinguishing its branch office from the principal office;</p>		<p>(c) [Deleted]</p> <p>(4) Rules of Operation:</p> <p>(a) The Participating Organisation shall be responsible for all business activities of its branch office including but not limited to any breach of the rules and/or directives of the Exchange. Any breach by the branch office is deemed to be a breach or act of non-compliance by the Participating Organisation and the Exchange may subject the Participating Organisation to the relevant disciplinary action(s).</p> <p>(b) A Participating Organisation shall notify and provide the Exchange with the identity and relevant particulars of the person heading the branch office and any changes or replacement therefrom.</p> <p>(c) The branch office shall carry the name of the Participating Organisation and not any other name.</p> <p>(d) A Participating Organisation operating a branch office shall ensure -</p> <p>(i) its financial statement is on a consolidated basis supplemented by separate information and financial statements for purposes of distinguishing its branch office from the principal office;</p>

AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO READINESS AUDITS

Rule	Current Rules	Rule	Amended Rules
	<p>(ii) computations of all matters relating to Capital Adequacy Requirements, gearing ratio, margin facilities, exposures to single client and exposures to single security be on an aggregated basis. For this purpose, such computations of the branch office and the principal office shall be aggregated as a single entity; and</p> <p>(iii) all transactions undertaken by its branch office are duly accounted.</p> <p>(e) A Participating Organisation operating a branch office shall in addition to the normal requirements to operate a branch office, put in place and enforce internal guidelines on -</p> <p>(i) credit policies, capital allocations, trading limits, and designated approving authorities at the branch office;</p> <p>(ii) adequate monitoring of the branch office activities with sufficient systems and controls to ensure compliance with these Rules;</p> <p>(iii) reporting requirements by the branch office to the principal office to ensure sufficient supervision and control;</p> <p>(iv) internal controls and policies on the operations of proprietary accounts and client accounts by the branch office;</p> <p>(v) risk management; and</p> <p>(vi) daily reporting to the principal office of its back-office activities.</p>		<p>(ii) computations of all matters relating to Capital Adequacy Requirements, gearing ratio, margin facilities, exposures to single client and exposures to single security be on an aggregated basis. For this purpose, such computations of the branch office and the principal office shall be aggregated as a single entity; and</p> <p>(iii) all transactions undertaken by its branch office are duly accounted.</p> <p>(e) A Participating Organisation operating a branch office shall in addition to the normal requirements to operate a branch office, put in place and enforce internal guidelines on -</p> <p>(i) credit policies, capital allocations, trading limits, and designated approving authorities at the branch office;</p> <p>(ii) adequate monitoring of the branch office activities with sufficient systems and controls to ensure compliance with these Rules;</p> <p>(iii) reporting requirements by the branch office to the principal office to ensure sufficient supervision and control;</p> <p>(iv) internal controls and policies on the operations of proprietary accounts and client accounts by the branch office;</p> <p>(v) risk management; and</p> <p>(vi) daily reporting to the principal office of its back-office activities.</p>

AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO READINESS AUDITS

Rule	Current Rules	Rule	Amended Rules
	<p>(f) The Participating Organisation shall furnish to the Exchange, any variation in respect of the office of trading of its Dealer's Representatives.</p> <p>(g) The Exchange may from time to time prescribe other terms and conditions governing the branch operations of a Participating Organisation.</p>		<p>(f) The Participating Organisation shall furnish to the Exchange, any variation in respect of the office of trading of its Dealer's Representatives.</p> <p>(g) The Exchange may from time to time prescribe other terms and conditions governing the branch operations of a Participating Organisation.</p>
<p>RULE 504A.2</p>	<p>RULE 504A.2 ESTABLISHMENT</p> <p>(1) A Universal Broker, Investment Bank and Eligible Non-Universal Broker may establish, maintain and operate electronic access facility(ies) Subject Always to the approval of both the Commission and the Exchange and compliance with the provisions of the ECOS Code, EAF Guidelines and other directives and guidelines as may be issued by the Exchange and the Commission from time to time in relation to the electronic access facility(ies).</p> <p>(2) Application: No Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be, shall establish any electronic access facility(ies) without making an application to both the Exchange and the Commission.</p> <p>(3) Application Procedures: A Universal Broker, Investment Bank and Eligible Non-Universal Broker shall submit to both the Commission and the Exchange a written application, in such form and substance as may from time to time be prescribed by or acceptable to the Commission and/or the Exchange, together with a written notification of the intended commencement date of the operations of the electronic access facility, not later than thirty (30) market days prior to the intended commencement date of the operations of the electronic access facility.</p>		<p>RULE 504A.2 ESTABLISHMENT</p> <p>(1) A Universal Broker, Investment Bank and Eligible Non-Universal Broker may establish, maintain and operate electronic access facility(ies) Subject Always to the approval of the Exchange and compliance with the provisions of the ECOS Code, EAF Guidelines and other directives and guidelines as may be issued by the Exchange and the Commission from time to time in relation to the electronic access facility(ies).</p> <p>(2) Application: No Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be, shall establish any electronic access facility(ies) without making an application to the Exchange.</p> <p>(3) Application Procedures: A Universal Broker, Investment Bank and Eligible Non-Universal Broker shall submit the Exchange a written application, in such form and substance as may from time to time be prescribed by or acceptable to the Exchange, together with a written notification of the intended commencement date of the operations of the electronic access facility, not later than thirty (30) market days prior to the intended commencement date of the operations of the electronic access facility.</p>

AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO READINESS AUDITS

Rule	Current Rules	Rule	Amended Rules
RULE 504A.3	RULE 504A.3 APPROVAL (1) The Exchange, on receipt of the application made by a Universal Broker, Investment Bank or an Eligible Non-Universal Broker, as the case may be, to establish an electronic access facility(ies) under Rule 504A.2, shall undertake a readiness audit, the scope, criteria and manner of which shall be as prescribed by the Exchange. After completion of the readiness audit by the Exchange, the Exchange shall submit its recommendation to the Commission. The Exchange may require the Universal Broker, Investment Bank and Eligible Non-Universal Broker to bear the cost of the electronic access facility readiness audit. (2) The Exchange may appoint the Exchange holding company and/or any firm of auditors to conduct the electronic access facility readiness audit on behalf of the Exchange, the cost of which shall be borne by the Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be. (3) The Commission may, upon receipt of the recommendation from the Exchange, approve the application to establish an electronic access facility(ies).		RULE 504A.3 APPROVAL (1) The Exchange, on receipt of the application made by a Universal Broker, Investment Bank or an Eligible Non-Universal Broker, as the case may be, to establish an electronic access facility(ies) under Rule 504A.2, shall subject the Universal Broker, Investment Bank or an Eligible Non-Universal Broker to a readiness audit, the scope, criteria and manner of which shall be as prescribed by the Exchange. (2) [Deleted] (3) [Deleted]
RULE 504A.4	RULE 504A.4 COMMENCEMENT OF OPERATIONS (1) Upon the approval of the application referred to in Rule 504A.3 by the Commission and the Exchange and the fulfilment of conditions imposed by the Commission and the Exchange, if any, the Exchange may allow the Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be, to commence with the operations of the electronic access facility.		RULE 504A.4 COMMENCEMENT OF OPERATIONS (1) Upon the approval of the application referred to in Rule 504A.3 by the Exchange and the fulfilment of conditions imposed by the Exchange, if any, the Exchange may allow the Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be, to commence with the operations of the electronic access facility. (2) The Exchange may, from time to time after commencement of

AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO READINESS AUDITS

Rule	Current Rules	Rule	Amended Rules
	<p>(2) The Commission and/or the Exchange may, from time to time after commencement of the operations of the electronic access facility, amend, vary, add or modify any conditions imposed on the Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be, in relation to the operations of the electronic access facility.</p> <p>(3) A Universal Broker's, Investment Bank's and Eligible Non-Universal Broker's electronic access facility(ies) shall form part of the Universal Broker's, Investment Bank's and Eligible Non-Universal Broker's business as a single entity recognised by law.</p> <p>(4) An electronic access facility which is established, maintained and operated by a Universal Broker, Investment Bank and Eligible Non-Universal Broker shall not be considered to be a branch office of the Universal Broker, Investment Bank and Eligible Non-Universal Broker and as such, the relevant rules, circulars, directives and guidelines in respect of branch office shall not be applicable.</p>		<p>the operations of the electronic access facility, amend, vary, add or modify any conditions imposed on the Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be, in relation to the operations of the electronic access facility.</p> <p>(3) A Universal Broker's, Investment Bank's and Eligible Non-Universal Broker's electronic access facility(ies) shall form part of the Universal Broker's, Investment Bank's and Eligible Non-Universal Broker's business as a single entity recognised by law.</p> <p>(4) An electronic access facility which is established, maintained and operated by a Universal Broker, Investment Bank and Eligible Non-Universal Broker shall not be considered to be a branch office of the Universal Broker, Investment Bank and Eligible Non-Universal Broker and as such, the relevant rules, circulars, directives and guidelines in respect of branch office shall not be applicable.</p>
	<p>RULE 504.5 CONVERSION OF ELECTRONIC ACCESS FACILITY TO BRANCH OFFICE</p> <p>(1) In the event a Universal Broker, Investment Bank or Eligible Non-Universal Broker, as the case may be, elects to convert an electronic access facility to a branch office, the Universal Broker, Investment Bank or Eligible Non-Universal Broker shall submit to both the Commission and the Exchange, at least three (3) months prior to the date of the proposed conversion, a written application in accordance with Rule 504.3.</p> <p>(2) The provisions of Rule 504.3 to Rule 504.4 shall apply in relation to an application made under this Rule 504.5.</p>		<p>RULE 504.5 CONVERSION OF ELECTRONIC ACCESS FACILITY TO BRANCH OFFICE</p> <p>(1) In the event a Universal Broker, Investment Bank or Eligible Non-Universal Broker, as the case may be, elects to convert an electronic access facility to a branch office, the Universal Broker, Investment Bank or Eligible Non-Universal Broker shall submit to the Exchange, at least three (3) months prior to the date of the proposed conversion, a written application in accordance with Rule 504.3.</p> <p>(2) The provisions of Rule 504.3 to Rule 504.4 shall apply in relation to an application made under this Rule 504.5.</p>

AMENDMENTS TO THE RULES OF BURSA SECURITIES PERTAINING TO READINESS AUDITS

Rule	Current Rules	Rule	Amended Rules
<p>RULE 504A.10</p>	<p>RULE 504A.10 CONVERSION OF BRANCH OFFICE TO ELECTRONIC ACCESS FACILITY</p> <p>(1) In the event a Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be, elects to convert a branch office to an electronic access facility, the Universal Broker, Investment Bank and Eligible Non-Universal Broker shall -</p> <p>(a) submit to both the Commission and the Exchange, at least three (3) months prior to the date of the proposed conversion, a written application in accordance with Rule 504A.2; and</p> <p>(b) give prior written notification to its clients who may be affected by the proposed conversion, which notification shall not be less than two (2) months before the proposed date of conversion.</p> <p>(2) The provisions of Rule 504A.2 to Rule 504A.9 shall apply in relation to an application made under Rule 504A.10.</p>		<p>RULE 504A.10 CONVERSION OF BRANCH OFFICE TO ELECTRONIC ACCESS FACILITY</p> <p>(1) In the event a Universal Broker, Investment Bank and Eligible Non-Universal Broker, as the case may be, elects to convert a branch office to an electronic access facility, the Universal Broker, Investment Bank and Eligible Non-Universal Broker shall -</p> <p>(a) submit to the Exchange, at least three (3) months prior to the date of the proposed conversion, a written application in accordance with Rule 504A.2; and</p> <p>(b) give prior written notification to its clients who may be affected by the proposed conversion, which notification shall not be less than two (2) months before the proposed date of conversion.</p> <p>(2) The provisions of Rule 504A.2 to Rule 504A.9 shall apply in relation to an application made under Rule 504A.10.</p>

GUIDELINES PERTAINING TO THE DECLARATORY APPROACH IN RESPECT OF READINESS AUDITS ("GUIDELINES")

1. APPLICATION OF THESE GUIDELINES

These Guidelines are to be read in conjunction with the directives issued by Bursa vide its letter dated 10 January 2005 and referenced RISI/GEN/120 introducing the Self Assessment Approach ("the Directives") adopted in completing pre-requisite readiness audits in respect of the activities requiring prior approval before commencement as detailed in the Directives (hereinafter referred to as "New Trading Activities"). The objective of these Guidelines is to expand the mode of completing such readiness audits to include the Declaratory Approach ("DA"). The DA mode requires the PO or TP or ADA to carry out readiness audits following which the DA Declaration Form prescribed in *Annexure 3* must be submitted to Bursa Malaysia for its review.

Note that the application of the Directives remains in force but is modified to the extent that these Guidelines on the DA as a mode for completing readiness audits for New Trading Activities is introduced and the approval requirements are clarified in paragraph 2 below.

These Guidelines shall not be applicable to readiness reviews/inspection by Bursa in respect of Securities Borrowing & Lending and Regulated Short Selling Activities, for which the relevant provisions of the Rules of Bursa Securities shall continue to apply.

2. NEW TRADING ACTIVITIES REQUIRING APPROVAL OF THE SECURITIES COMMISSION OR/AND BURSA

A. Initial Commencement of New Trading Activities By POs and ADAs that Require Approval Of Both Bursa And The Securities Commission

- (i) *Commencement of operations as a new PO (Principal Office);*
- (ii) *Commencement of operations as a Universal Broker;*
- (iii) *Commencement of operations as a new Islamic Stock Broker;*
- (iv) *Offering of Margin Financing facilities;*
- (v) *Offering of Corporate Finance Activity Services;*
- (vi) *Trading Activities In Unquoted Debt Securities;*
- (vii) *Commencement of Proprietary Trading; and*
- (viii) *Commencement of operations as a New Authorised Depository Agent ("ADA");*

B. Activities by existing POs and ADAs Involving New Premises And Activities That Requires The Approval Of Bursa Only

- (i) Setting up of Disaster Recovery Sites ("DRS");*
- (ii) Establishment of new/additional Trading Floor;*
- (iii) Relocation of Business Premises or Change of Business Address (applicable to Principal Office and Branch Office);*
- (iv) Opening of a new Branch Office of POs;*
- (v) Opening of a new Electronic Access Facilities; and*
- (vii) Opening of a new ADA Branch; and*
- (viii) Activities under Paragraph A(iv)-(vii) which Recur after Initial Approval from the Securities Commission is Obtained under Paragraph A.*

C. Initial Commencement Of New Trading Activities By TPs that Require Approval Of Both Bursa And The Securities Commission

- (i) Commencement of trading activities as a new TP (Principal Office);*
- (ii) Offering of Discretionary Account Trading facilities to clients; and*
- (iii) Commencement of Proprietary Trading.*

D. Activities by existing TPs of Bursa Derivatives Involving New Premises And Activities That Requires The Approval Of Bursa Only

- (i) Establishment of new/additional Trading Floor;*
- (ii) Commencement of trading in a dual licensed branch of a related stock broking company; and*
- (iii) Commencement of trading in a new category of contracts traded on the Bursa Derivatives.*

3. READINESS AUDITS FOR COMMENCEMENT OF NEW TRADING ACTIVITIES

A. Readiness Audits for Commencement of New Trading Activities.

- Step 1) Bursa will, upon receiving an application for approval from a PO or TP or ADA to commence a New Trading Activity pursuant to the processes outlined in the Directives, upon due consideration, give a conditional approval setting out the relevant conditions that need to be complied with by the PO or TP or ADA prior to commencement of the activity, including whether the PO or TP is required follow the Self Assessment Approach ("SAA") or the Declaratory Approach ("DA") in relation to readiness audits.

ANNEXURE 2

The aforementioned requirement to follow either the SAA or DA is assessed based on the following principles:

(i) New POs or TPs or ADAs

The DA shall only be applicable to existing POs, TPs and ADAs thereby excluding any new applications from entities aspiring to become a new PO, TP or ADA. Those falling under the category of new PO, TP or ADA shall continue to be subjected to SAA readiness audits as this would be the first instance they are being assessed before commencing their operations.

(ii) Opening of New Branch Offices By POs/ADAs

Where a given PO or ADA has cumulatively established 3 branch offices, it shall be required to provide the Declaration only in relation to readiness audit in respect of the opening of the 4th branch office onwards.

Where a given PO or ADA has not established the requisite number of at least 3 branch offices, it shall be required to follow the SAA method for readiness audits, until such time when the given PO and ADA has cumulatively established the requisite number of 3 branch offices.

(iii) All other Activities Of POs/TPs/ADAs

Where the application is received in respect of a New Trading Activity that is being proposed for the first time by a given PO, ADA or TP and where such activities requires the approvals of both Bursa and the Securities Commission as detailed in paragraph 2 above, the said PO, ADA or TP shall be required to carry out a readiness audit adopting the SAA method.

For subsequent applications of same nature and where such activities requires the approval of Bursa only as detailed under paragraph 2 above, the given PO, ADA or TP shall only be required to submit the Declaration to fulfill the requirement for the completion of a readiness audit.

Note that notwithstanding the provisions of item (i), (ii) and (iii) above, Bursa reserves the right to require any POs or TPs to adhere to the SAA method in place of DA under any circumstances, at its absolute discretion.

Step 2) In respect of the readiness audit required in Step 1:

- (i) Where the PO or TP or ADA is required to adopt SAA for readiness review in respect of the New Trading Activity in Step 1, the processes detailed in the Directives apply.

ANNEXURE 2

- (ii) Where the PO or TP or ADA is required to adopt DA for readiness review in respect of the New Trading Activity in Step 1, the PO or TP or ADA shall commence to evaluate its readiness prior to commencement of the proposed New Trading Activity. To this end, the PO or TP or ADA will be required to carry out an independent readiness review and complete and prepare the relevant documentation as prescribed by Bursa in paragraph B below. Note that the aforementioned readiness review shall be carried out by a party that is independent of trading and operations of the PO or TP or ADA i.e. Internal Audit and/or External Auditors.

The PO, TP or ADA must submit all the relevant documents as prescribed under paragraph B below at least **two (2) clear weeks** before the above intended commencement date.

- Step 3) Where the PO or TP or ADA is placed under the DA approach, Bursa will process the application based on the Declaration provided by the PO or TP or ADA.

B. Documentation Requirements for POs or TPs or ADAs Placed Under DA

The following documents are required for POs or TPs or ADAs placed under DA:

- Formal Application Letter of proposed activity.
- DA Declaration Form in the prescribed format appended herein as ***Annexure 3***.

BURSA MALAYSIA BERHAD (30632 P)
REGULATION
INTERMEDIARY SUPERVISION, Inspection

READINESS DECLARATION

To: Head
Participants Supervision
Regulation
BURSA MALAYSIA BERHAD
12th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

[Insert name of Participating Organisation (PO) /Trading Participant (TP)/ Authorised Depository Agent (ADA)]

DECLARATION ON COMPLIANCE FOR PURPOSES OF READINESS TO COMMENCE OPERATIONS

PART I

We refer to our application to commence the operation of our *[insert the particulars of the Readiness concerned]* referenced *[insert reference]* dated *[insert date]*, full details of which are contained in the proposal accompanying our aforesaid application.

We, *[insert name of PO/TP/ADA]*, hereby declare and confirm as follows:-

1. that *[insert name of PO/TP/ADA]* has carried out an independent readiness assessment through the appointed (Internal Auditors* / External Auditors*) in regard of *[insert the particulars of the Readiness concerned]*, and we have reasonable assurance that all the relevant systems, policies and procedures and relevant front office and back office systems IT systems that are required for the effective establishment, maintenance or operation of *[insert the particulars of the Readiness concerned]* are readily available, operative, and functional and are adequate and effective in achieving the intended purpose;
2. we are satisfied that the relevant controls and monitoring policies and procedures pertaining to the establishment, maintenance or operation of the *[insert the particulars of the Readiness concerned]* is/are adequate and effective;
3. we shall comply at all times with the relevant rules, directives, circulars and guidelines issued from time to time by Bursa Malaysia Berhad and/or other subsidiaries of Bursa Malaysia Berhad (collectively referred to hereinafter as the Exchange) in relation to the establishment, maintenance or operation of the *[insert the particulars of the Readiness concerned]* by the Participating Organisation/Trading Participant*;
4. that to the best of our knowledge, the *[insert the particulars of the Readiness concerned]* to be established, maintained or operated by us complies fully with all requirements prescribed by the Exchange in relation to the establishment, maintenance or operation of the *[insert the particulars of the Readiness concerned]* by *[insert name of PO/TP/ADA]*;
5. that the *[insert the particulars of the Readiness concerned]* that is established, maintained or operated, or as the case may be, intended to be established, maintained or operated, outside our principal office, branch office(s) and/or any of electronic access facility(s) contains

* delete accordingly

**BURSA MALAYSIA BERHAD (30632 P)
REGULATION
INTERMEDIARY SUPERVISION, Inspection****READINESS DECLARATION**

adequate and effective specifications and capabilities to ensure that the security of transactions and confidentiality of clients are at all times reasonably and adequately preserved.

6. that the [*insert the particulars of the Readiness concerned*] is, in terms of the applications or software, the physical site location and the hardware, reasonably secured from unauthorised tampering and intrusion and in this respect we have at the minimum strictly complied with all relevant directives, guidelines, circulars and codes relating to security issued by the Exchange for the time being in force, including but not limited to the Member Company IT Security Code or the use of information technology (as may be amended from time to time);
7. the [*insert the particulars of the Readiness concerned*] conforms in all material respects with all relevant rules, directives, circulars and guidelines issued by the Exchange with respect to trading of securities or derivatives on the Exchange by Participating Organisations/Trading Participants/Authorised Depository Agents generally; and
8. we shall indemnify the Exchange and not hold the Exchange liable to any claims made by any party as a result of the establishment, maintenance or operations of the [*insert the particulars of the Readiness concerned*] and its activities.

PART II: NOTIFICATION [*this notification is only relevant to Participating Organisations proposing to establish a New Branch Office*]

9. The following key appointments have been made and/or arrangements to the effect the same are in place:-

Key Appointments At Branch Office	Tick (3) If Applicable
Head Of Branch	
Head Of Dealing	
Head Of Operations	
Compliance Officer	

READINESS DECLARATION

10. The following are the activities that will be undertaken at the proposed Branch Office:-

Activities To Be Undertaken At Branch Office	Tick (3) If Applicable
Securities Trading	
Back Office Operations	
Margin Financing	
Proprietary Trading	
<u>Other Permitted Activities – (To Describe)</u>	
–	
–	

11. The following applies in relation to back office systems and operations to be undertaken at the proposed Branch Office:-

Front Office Trading Systems	Tick (3) If Applicable
BFE Sever connected to Exchange	
Remote terminals connected to server at another designated branch office (to name the branch office)	
ECOS only	
Others – To Elaborate	

12. The following applies in relation to back office systems and operations to be undertaken at the proposed Branch Office:-

Back Office Systems and Operations	Tick (3) If Applicable
Centralised At The Principal Office; no backoffice system at Branch Office	
Centralised At The Principal Office; with remote backoffice terminals at Branch Office	
Localised At The Branch Office With Links Established With The Principal Office to Enable Transmission Of Data To Principal Offices	
Other – To Elaborate	



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ANNEXURE 3
CONFIDENTIAL

READINESS DECLARATION

Dated this _____ day of _____ 20__

Signed _____
Executive Director / Head of Operations*

Date _____

Signed _____
Executive Director Compliance / Head of Compliance / Compliance Officer*

Date _____

* delete accordingly



Suruhanjaya Sekuriti
Securities Commission

MSD/INS/GEN/Corr(1)-09/NDE

~~24~~ March 2009

YBhg Dato' Saiful Bahri Zainuddin
Chairman
Association of Stockbroking Companies Malaysia (ASCM)
Level 13, Menara Olympia
Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sir,

- i) **GUIDELINES ON THE ESTABLISHMENT AND LOCATION OF A BRANCH OFFICE BY UNIVERSAL BROKERS AND ELIGIBLE NON-UNIVERSAL BROKERS**
- ii) **GUIDELINES ON THE ESTABLISHMENT OF ELECTRONIC ACCESS FACILITIES BY UNIVERSAL BROKERS AND ELIGIBLE NON-UNIVERSAL BROKERS**
- iii) **LICENSING HANDBOOK – APPENDIX 1**

Effective 24 March 2009, all eligible stockbroking companies wishing to establish a branch office or an electronic access facility shall submit their application for approval to Bursa Malaysia in accordance with the Rules of Bursa Malaysia Securities which will be amended. Eligible stockbroking companies shall no longer be required to submit an application to the Securities Commission in respect of the establishment of a branch office or an electronic access facility.

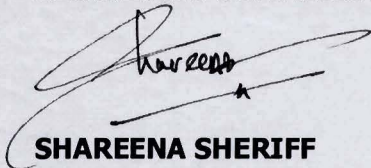
Pursuant to section 377(2) of the Capital Markets and Services Act 2007, the SC hereby grants an exemption, effective 24 March 2009, to all eligible stockbroking companies from complying with the provisions of the Guidelines on the Establishment and Location of a Branch Office by Universal Brokers and Eligible Non-Universal Brokers ("Branch Office Guidelines") and the Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-Universal Brokers ("EAF Guidelines") relating to the establishment of branch offices and/or electronic access facilities, save for the following provisions:-

- a) **Paragraph 3.2 of the Branch Office Guidelines** - A stockbroking company (Universal Broker or Non-Universal Broker) that merges with or acquires another stockbroking company shall surrender the licence of the acquired stockbroking company and convert it into a branch office at the original location of the acquired stockbroking company or another location; and
- b) **Paragraph 4.1 of the Branch Office Guidelines** - Eligible stockbroking companies shall be given the latitude to open branch offices throughout the country.

Should you have any queries, you may contact me at 03-6204 8597 or via email at sherry@seccom.com.my.

Thank you.

Yours faithfully,
SECURITIES COMMISSION



SHAREENA SHERIFF

Head, Institution Supervision Department
Market Supervision Division

c.c. Ms. Selvarany Rasiah, Head Legal Advisory & Corporate Affairs, Bursa Malaysia Bhd