

## PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 12 November 2008

No : R/R 11 of 2008

### AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD ("RULES OF BURSA SECURITIES") IN RELATION TO TRADE CANCELLATION

Kindly be advised that amendments have been made to the Rules of Bursa Securities in relation to trade cancellation ("the said Amendments") as stated below.

#### 1. AMENDMENTS TO THE RULES OF BURSA SECURITIES

The said Amendments are set out in Appendix A here. The said Amendments provide for power of the Exchange to effect cancellation of trades in the circumstances stated in Rule 601.2(2).

The objective of a trade cancellation is to ensure the existence of an orderly and fair market.

The salient changes in relation to the said Amendments are set out below:-

- (a) Cancellation of a contract before delivery and settlement and consented by both parties

The grounds for contract cancellation as provided in Rule 601.2(2)(b)(ii) have been enhanced to the effect that the relevant parties must comply with all other requirements that may be imposed by the Exchange for the cancellation of the contract.

*Please refer to Rule 601.2(2)(b)(ii).*

- (b) Cancellation of a contract where the Exchange is of the opinion that the contract is in violation of the Rules and the securities laws

The Rules have been amended to enable the Exchange to cancel contracts in circumstances where there is a violation of the securities laws such as insider trading, market manipulation, market rigging etc.

*Please refer to Rule 601.2(2)(b)(i).*

- (c) Cancellation of a contract executed arising from system failure or malfunction in the ATS or a mistake by the Exchange

This is provided for in the new Rule 601.2A.

- (i) A description of what constitutes mistakes by the Exchange

This new provision clarifies that a "mistake by the Exchange" refers to a mistake in the entries made by the Exchange in the ATS e.g. delay in suspension or closing of market, incorrect trading messages disseminated such as expiry date, underlying price etc.

*Please refer to Rule 601.2A(1).*

(ii) The Exchange's processes in the event of a trading glitch or mistake by the Exchange resulting in erroneous execution of contracts

- The Exchange will immediately notify the market of the occurrence of the trading glitch (i.e. system failure or malfunction in the ATS) and the mistake by the Exchange and the details of contracts executed during the period when the trading glitch occurred or arising from the mistake by the Exchange.
- In addition, the Exchange may interrupt or forbid trading on the ATS.

*Please refer to the Rule 601.2A(2)(a) and (b).*

(iii) Contracts which will be cancelled by the Exchange

The basic premise of contract cancellation arising from a trading glitch or mistake by the Exchange is that the Exchange will effect the cancellation if it is satisfied that the cancellation is in the interest of a fair and orderly market.

*Please refer to Rule 601.2A(3).*

(iv) Timing of the cancellation of contracts by the Exchange

The contract cancellation will be effected on the day on which the trading glitch or the mistake by the Exchange occurred.

*Please refer to Rule 601.2A(4).*

(v) The Exchange's procedures if it cancels contracts arising from a trading glitch or mistake by the Exchange

- The Exchange will immediately notify the market of the details of the contracts and the reasons for the cancellation.
- In the event trading has been interrupted or forbidden, it will be resumed after the trading glitch or the mistake by the Exchange has been rectified.

*Please refer to Rule 601.2A(5).*

(d) Cancellation is irrevocable

A new rule is inserted to state that a contract once cancelled cannot be revoked.

*Please refer to Rule 601.2(2)(c)).*

(e) Participating Organisation can request for review of a contract cancelled

If Participating Organisation is not satisfied with any contracts cancelled by the Exchange, the Participating Organisation may apply to the Exchange for a review of the contracts cancelled

*Please refer to Rule 601.2(2)(d).*

## 2. TRADE CANCELLATION PROCEDURES

Appendix B sets out the trade cancellation procedures applicable for trade cancellations made pursuant to Rule 601.2(2)(b)(ii) and Rule 601.2(2)(b)(iii) of the said Amendments.

**Bursa Malaysia Berhad** 303632-P

### 3. PROCEDURES FOR REVIEW OF CONTRACTS CANCELLED

Pursuant to Rule 601.2(2)(d) of the said Amendments, a Participating Organisation (“PO”) may apply to the Exchange for a review of the cancelled contracts.

In making the above application, a PO must comply with the procedures set out in Appendix C.

The said Amendments shall take effect from 1 December 2008 (“the said Effective Date”).

All rules, directives, circulars in force which make reference or contain provisions relating to the above matters shall have effect from the said Effective Date as if such reference or provisions relate to the said Amendments made herein.

This Circular is available at

[http://www.bursamalaysia.com/website/bm/rules\\_and\\_regulations/bursa\\_rules/bm\\_securities.html](http://www.bursamalaysia.com/website/bm/rules_and_regulations/bursa_rules/bm_securities.html)

In the event of any queries in relation to the said Amendments and the procedures kindly contact the following persons:

1. Lim Boon Hang at 03-20347287 or Lim Bh@bursamalaysia.com
2. Ponniah P. Ramiah at 03-20347448 or Ponniah@bursamalaysia.com
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#### REGULATORY POLICY & ADVISORY

# **APPENDIX A**

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD  
IN RELATION TO TRADE CANCELLATION**

<b>EXISTING PROVISIONS</b>		<b>AMENDED PROVISIONS</b>	
601.2	INVIOLABILITY OF CONTRACTS	601.2	INVIOLABILITY OF CONTRACTS IN RELATION TO ON-MARKET TRANSACTIONS
	<p>(1) [Existing provision]</p> <p>(2) Cancellation</p> <p>(a) Subject to Rule 601.2.(2)(b), no contract executed through SCORE shall be subject to any cancellation.</p> <p>(b) The Exchange may, subsequent to the contract being executed through SCORE and upon an application being made to it in its absolute discretion cancel such a contract where –</p> <p style="padding-left: 40px;">(i) both the delivery and settlement relating to such contract have not been effected; <u>and</u></p> <p style="padding-left: 40px;">(ii) such cancellation is agreed to by buying and selling Participating Organisations and their respective clients.</p> <p style="margin-top: 20px;">New provision.</p>		<p>(1) [No change]</p> <p>(2) Cancellation of a contract</p> <p>(a) <b>Without prejudice to the powers of the Exchange under Rule 601.2(2)(b), Rule 701.7(1)(d) and Rule 701.11, all orders, howsoever entered and executed in the ATS shall not be subject to any cancellation and shall be binding on Participating Organisations.</b></p> <p>(b) <b>The Exchange may cancel any contract executed in the ATS in the following circumstances :-</b></p> <p style="padding-left: 40px;"><b>(i) Where in the opinion of the Exchange, the contract executed in the ATS is in violation of the Rules and the Securities Laws ;</b></p> <p style="padding-left: 40px;"><b>(ii) the Exchange may, subsequent to the contract being executed in the ATS and upon an application being made to it in its absolute discretion cancel such a contract where :-</b></p> <p style="padding-left: 80px;"><b>(aa) both the delivery and settlement relating to such contract have not been effected ;</b></p> <p style="padding-left: 80px;"><b>(bb) such cancellation is agreed to by buying and selling Participating Organisations and their respective clients ; and</b></p> <p style="padding-left: 80px;"><b>(cc) the relevant parties comply with all other requirements that may be imposed by the Exchange for the cancellation of the contract ;</b></p> <p style="padding-left: 40px;"><b>(iii) erroneous execution of contracts in the ATS arising from :-</b></p> <p style="padding-left: 80px;"><b>(aa) system failure or malfunction in the ATS ; or</b></p>

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EXISTING PROVISIONS		AMENDED PROVISIONS	
			<p align="center"><b>(bb) a mistake by the Exchange in accordance with Rule 601.2A below.</b></p>
	New provision.		<b>(c) Any cancellation of contracts executed in the ATS in accordance with Rule 601.2(2)(b) is irrevocable.</b>
	New provision		<b>(d) Where a Participating Organisation is not satisfied with the cancellation made pursuant to Rule 601.2(2)(b), the Participating Organisation may apply to the Exchange for a review of the cancelled contract on the same market day of the cancellation of the contract. 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.</b>
	(3) – (5) [Existing provisions]		(3) – (5) [No change]
	(6) Mistake: Where a mistake has been made in respect of contracts executed through SCORE and such mistake was not due to any fault of the relevant client, the Participating Organisation concerned shall be responsible to make good		(6) Mistake: Where a mistake has been made in respect of contracts executed through <b>the ATS</b> and such mistake was not due to any fault of the relevant client, the Participating Organisation concerned shall be responsible to make good any loss suffered by its client in consequence of such mistake.

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD  
IN RELATION TO TRADE CANCELLATION**

<b>EXISTING PROVISIONS</b>		<b>AMENDED PROVISIONS</b>	
	any loss suffered by its client in consequence of such mistake.		
	New provision.	<b>601.2A</b>	<b>SYSTEM FAILURE OR MALFUNCTION OR MISTAKES BY THE EXCHANGE</b>
	New provision.		<b>(1) For the purpose of this Rule 601.2A, a mistake by the Exchange refers to a mistake in the entries made by the Exchange in the ATS.</b>
	New provision.		<b>(2) Where a system failure or malfunction in the ATS or a mistake by the Exchange has resulted in erroneous execution of contracts in the ATS, the following will apply:-</b>  <b>(a) the Exchange will immediately notify the market of the system failure or malfunction in the ATS or the mistake by the Exchange ; and</b>  <b>(b) the Exchange may interrupt or forbid trading on the ATS in accordance with Rule 701.5B(2)(a).</b>
	New provision.		<b>(3) The Exchange may cancel the contracts erroneously executed arising from the system failure or malfunction in the ATS or a mistake by the Exchange if the Exchange is satisfied that it is in the interest of a fair and orderly market for the contract to be cancelled.</b>
	New provision.		<b>(4) The cancellation of contracts pursuant to Rule 601.2A (3) above will be effected on the day on which the system failure or malfunction in the ATS or the mistake by the Exchange occurred.</b>
	New provision.		<b>(5) If the Exchange cancels contracts pursuant to Rule 601.2A(3) above:-</b>  <b>(a) the Exchange will immediately notify the market of the details of these contracts and the reasons for the cancellation ; and</b>

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD  
IN RELATION TO TRADE CANCELLATION**

<b>EXISTING PROVISIONS</b>		<b>AMENDED PROVISIONS</b>	
			<b>(b) where trading has been interrupted or forbidden, it will be resumed after the system failure or malfunction in the ATS or the mistake by the Exchange has been rectified.</b>



# **APPENDIX B**

**1. INTRODUCTION**

This document outlines the policies and procedures for mutual cancellation of trades between Participating Organisations (POs) due to:

- Error in price (within “non busting range”);
- Error in quantity;
- Wrong securities traded.

**2. POLICIES**

- All trade cancellations are subject to final approval of the Exchange.
- A levy of RM1, 000 will be imposed on the requesting PO for any one approved cancellation.
- All trade cancellations shall be effected only by the designated personnel at the POs.

**3. PROCEDURES****Requesting PO**

- The designated personnel of the requesting PO is to notify the Securities Market Operations (SMO), Bursa Securities staff by phone on an intended mutual cancellation of trade(s).
- He/She must then complete the “MUTUAL CANCELLATION - ERROR TRADE CANCELLATION REQUEST FORM” form and fax it immediately to the Head of SMO.

**Responding PO**

- The designated personnel of the responding PO is to notify the SMO staff by phone, upon agreement with the requesting PO on a mutual cancellation.
- He/She must then complete the: “MUTUAL CANCELLATION - ERROR TRADE CANCELLATION REQUEST FORM” and fax it immediately to the Head of SMO.

**SECURITIES MARKET OPERATIONS**

- Upon receipt of the “MUTUAL CANCELLATION - ERROR TRADE CANCELLATION REQUEST FORM” from both the requesting and responding POs, the Exchange:-
  - (i) Issue a SPI message alerting the market of the request for cancellation of a specified trade;
  - (ii) Decide on whether to allow the cancellation either partially or fully based on the details given in the “MUTUAL CANCELLATION-ERROR TRADE CANCELLATION REQUEST FORM”.

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- (iii) Inform the designated personnel of the requesting and responding POs and the market of the final decision.

**1. INTRODUCTION**

This document outlines the policies and procedures to be undertaken in event of system malfunction or procedural error resulting in erroneous trades warranting cancellation.

**2. NOTIFICATION OF SYSTEM MALFUNCTION OR PROCEDURAL ERROR**

- Exchange will immediately send an alert to the market via a SPI message, informing of the event and the possibility that specified trade(s) may be erroneous.

**3. CONFIRMATION OF SYSTEM MALFUNCTION OR PROCEDURAL ERROR**

- In the event that the error trade is confirmed, the Exchange will send a SPI message to the market informing them of the affected trades to be cancelled.
- In addition to the SPI message, the designated personnel at the affected POs will be informed immediately with full details of the trade affected.
- Similarly, if the event does not warrant any cancellation of trades, the Exchange will send a SPI message informing them of the decision.

**4. INTERRUPTION OF MARKET**

- If the event warrants immediate interruption of trading to ensure a fair and orderly market, the Exchange will immediately interrupt the entire market (or a specified stock or group of stocks) and inform all dealers through SPI message alerting them as follows:  
*“TRADE ERROR - Trading is interrupted due to error trades detected. The Exchange will inform market of the error trades to be cancelled and the resumption of the market (or a specified stock or group of stocks) once it is finalised. Thank you.”*
- During the interrupted phase, no trades will be executed.
- The interruption phase is to give traders the necessary time to contact their clients and to make modification to their orders, if necessary. This is also to enable the Exchange to determine the trades to be cancelled arising from the event.
- The Exchange will inform the market through SPI message, at half an hour interval, on the status until full resumption of the entire market (or a specified stock or group of stocks).

**5. BEFORE RESUMPTION OF MARKET**

- Before resumption of market, the Exchange will disseminate to the market via SPI message, details of the trade to be cancelled e.g.  
*“TRADES TO BE CANCELLED – The following securities traded from 15:24:50 to 15:24:52 will be cancelled by the Exchange.”*
- All designated personnel at the affected POs will be informed immediately with full details of the trades affected. From the time such information is disseminated, there will be at least 20 minutes before trading resumes with the pre-opening phase.

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**6. ON RESUMPTION OF MARKET**

- Bursa will ensure that sufficient notice will be given to the market on resumption.
- The market will be alerted via SPI message at least 10 minutes before resumption. For example: *“Market will resume at 3.30 pm with a pre-opening phase for 10 minutes, to be followed by subsequent trading phases till the market closes for the trading at last.”*
- On resumption, the entire market (or a specified stock or group of stocks) will open with a pre-opening phase and continue with the rest of the trading phases until market ends with the trading at last phase.
- Depending on the circumstances of the case, the pre-opening will be set at least for 10 minutes to allow the dealers to modify their orders accordingly.
- For example on resumption the system will be set as follows:
  - pre-opening phase 11.00 am to 11.30 noon (30 minutes)
  - opening phase 11.30 am
  - continuous phase 11.30 am to 12.15 pm (45 minutes)
  - pre-closing phase 12.15 pm to 12.20 pm (5 minutes)
  - closing phase 12.20 pm
  - trading at last phase 12.20 pm to 12.30 pm (10 minutes)
- Bursa will ensure that on resumption, the entire market will be able to resume trading for at least half an hour, otherwise it will resume on the next trading session.
- Bursa reserves the right to extend its trading hour to accommodate the resumption of trading if it is necessary to do so to ensure a fair and orderly market.

Note: In the case of a specified stock or a group of stocks, upon resumption, it will be shown as “reserved” status for at least 10 minutes (as in pre-opening phase) before the specified stock or a group of stocks opens for trading with an opening price to be followed by the rest of the trading phases.

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## **APPLICATION TO REVIEW CANCELLED CONTRACTS PURSUANT TO RULE 601.2(2)(d) OF THE RULES OF BURSA MALAYSIA SECURITIES BERHAD**

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- 1) Where a Participating Organisation (PO) or investor is not satisfied with a contract cancelled by Bursa Malaysia Securities Berhad (“Bursa Securities”) pursuant to Rule 601.2(2)(b) of the Rules of Bursa Securities, the PO may apply to the Exchange for a review of the cancelled contract.
  - 2) An application for review of a cancelled contract must be made by the PO (including where the cancelled contract was executed for its client) on the same day of the cancellation of the contract.
  - 3) The above application (in hard copy form) with relevant supporting documents and/or particulars should be submitted to Head, Customer Care & Complaints Bureau (CCCB), Lower Ground Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur. The application may be submitted via fax at **03-27325258**, however the hard copy of the application with relevant supporting documents must be submitted to CCCB by the next business day.
  - 4) In the above application clearly please provide justification for the application and the action that the PO is seeking from the Exchange. The action sought must not include a revocation of the cancelled contract as the cancellation is irrevocable pursuant to Rule 601.2(2)(c).
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# **APPENDIX C**

## **APPLICATION TO REVIEW CANCELLED CONTRACTS PURSUANT TO RULE 601.2(2)(d) OF THE RULES OF BURSA MALAYSIA SECURITIES BERHAD**

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- 1) Where a Participating Organisation (PO) or investor is not satisfied with a contract cancelled by Bursa Malaysia Securities Berhad (“Bursa Securities”) pursuant to Rule 601.2(2)(b) of the Rules of Bursa Securities, the PO may apply to the Exchange for a review of the cancelled contract.
  - 2) An application for review of a cancelled contract must be made by the PO (including where the cancelled contract was executed for its client) on the same day of the cancellation of the contract.
  - 3) The above application (in hard copy form) with relevant supporting documents and/or particulars should be submitted to Head, Customer Care & Complaints Bureau (CCCB), Lower Ground Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur. The application may be submitted via fax at **03-27325258**, however the hard copy of the application with relevant supporting documents must be submitted to CCCB by the next business day.
  - 4) In the above application clearly please provide justification for the application and the action that the PO is seeking from the Exchange. The action sought must not include a revocation of the cancelled contract as the cancellation is irrevocable pursuant to Rule 601.2(2)(c).
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