

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 7 October 2005

No.: R/R 17 of 2005

AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD IN RELATION TO THE LIBERALISATION OF CENTRAL DEPOSITORY SYSTEM ("CDS") ACCOUNT STRUCTURE REQUIREMENTS INTRODUCED IN 1998

Please be informed that the Rules of Bursa Malaysia Securities Berhad ("Bursa Securities") have been amended as set out in "ANNEXURE 1" appended herewith (the "said Amendments") in relation to the liberalisation of the CDS account structure requirements introduced in 1998, which shall take effect on **21 October 2005**.

Kindly note that amendments have also been made to the Rules of Bursa Malaysia Depository Sdn Bhd and Directives of Bursa Malaysia Securities Clearing Sdn Bhd (the "other Amendments") in relation to the above.

A copy of the said Amendments and the other Amendments are available on Bursa Malaysia's website at: <http://www.bursamalaysia.com>.

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 provisions as aforesaid.

Enclosed herewith is a set of the "Frequently Asked Questions" ("FAQs") appended as "ANNEXURE 2" for your kind attention. The FAQs are in relation to the changes made as per the said Amendments, the other Amendments and the Participating Organisations' Circular R/R 18 of 2005 on the use of clearing account, error or mistake account and investment account. The FAQs are available on Bursa Malaysia's website at: <http://www.bursamalaysia.com>.

For further information or inquiries on the said Amendments and the FAQs, kindly contact the following persons at the following telephone numbers:-

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Existing Rules		Amended Rules	
101.1(1)		101.1(1)	<p>“client” means a person for whom a trading account has been opened by a Participating Organisation in accordance with these Rules and shall be a beneficial owner or an authorised nominee or an exempt authorised nominee as the case may be.</p> <p>“Exempt Authorised Nominee” shall have the same meaning as is assigned to that expression in the Depository Rules.</p>
404.3(7)	<p>Disclosure by Clients:</p> <p>(a) Without derogation to the generality of Rule 404.4 (1)(b), Participating Organisations shall require their clients to disclose whether or not any dealing in securities in respect of the clients’ trading accounts is to be carried out on another person’s behalf and where applicable, the name of, and particulars sufficient to identify the person from whom, through whom or on whose behalf the securities are to be dealt with.</p> <p>(b) Where institutions provide both buyer and seller on the basis of "pass through" deals, the institution shall furnish the Participating Organisation with the name and particulars of both buyer and seller. The contract notes to be issued in respect of such "pass through deals" shall be in the name of the buyer (beneficial owner/authorised nominee) and the seller (beneficial owner/authorised nominee).</p>	404.3(7)	<p>Disclosure by Clients:</p> <p>(a) Without derogation to the generality of Rule 404.4 (1)(b), Participating Organisations shall when requested by the Exchange, require a client to disclose and the client shall be bound to disclose, information and documents in relation to any dealing in securities in respect of the client’s trading account(s) including but not limited to information on whether or not any dealing in the above account is carried out on another person’s behalf and in such instance, the name of, and particulars sufficient to identify the person from whom, through whom or on whose behalf the securities are dealt with by the client. If that person is not the beneficial owner(s) of the securities, the client shall also be required to procure the particulars of the beneficial owner(s) of the securities.</p> <p>(b) Deleted.</p>

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Existing Rules		Amended Rules	
404.3(9)	<p>Contract Note:</p> <p>(a) Every Participating Organisation shall ensure that all contract notes issued to its client shall contain such information as prescribed in the Regulations issued by the Minister pursuant to Section 38 of the Securities Industry Act.</p> <p>(b) The names of the buyer and seller in the contract notes issued in respect of trades done on the Exchange, shall unless otherwise permitted by the Exchange upon notification to the Commission, be the names of holders of securities accounts as appearing in the Record of Depositors.</p>	404.3(9)	<p>Contract Note:</p> <p>(a) Every Participating Organisation shall ensure that all contract notes issued to its client shall comply with the Regulations issued by the Minister pursuant to Section 38 of the Securities Industry Act.</p> <p>(b) The names of the buyer and seller in the contract notes issued in respect of trades done on the Exchange, shall unless otherwise permitted by the Exchange upon notification to the Commission, be the name of the client.</p>
	<p>New Rules.</p>	404.3(13)	<p>Action against a client:</p> <p>(a) Without prejudice to any of the powers granted to the Exchange in these Rules or under any written law, the Exchange may direct a Participating Organisation to refrain from trading and/or from effecting any dealings in securities for a client, whether that client is a client of the Participating Organisation or of another Participating Organisation, in any of the following circumstances:</p> <p>(i) In relation to a request made under Rule 404.3(7)(a), until the information and document requested therein is furnished by the client or where the client refuses to furnish the same; and/or</p>

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Existing Rules		Amended Rules	
			<p>(ii) where an act or omission by the client in relation to or arising from any transactions or dealings in securities reflected in the trading account(s) of the client and/or held in CDS Account(s) pursuant to Rule 404.4(1A), directly or indirectly causes, aids or facilitates a breach of these Rules.</p> <p>(b) The Exchange may impose any other terms and conditions it deems fit in relation to the directive issued herein. Where such a directive is issued the Participating Organisation(s) shall be bound to comply with the same.</p> <p>(c) The Exchange shall notify the Securities Commission of any action taken under Rule 404.3(13).</p>
404.4 (1)	<p>Opening of Accounts by Participating Organisations:</p> <p>(a) Every Participating Organisation shall open a trading account for each and every client and bring to the notice of every person who applies to open trading account with it the terms and conditions upon which such account may be operated.</p> <p>(b) Participating organisation shall take all reasonable steps to ensure that all essential particulars and information about their clients (including but not limited to the clients’ financial standing or credit worthiness and clients investment objectives) are obtained and shall satisfy themselves that all such information are accurate before opening any trading account for them. For the purposes of this</p>	404.4 (1)	<p>Opening of Accounts by Participating Organisations:</p> <p>(a) Every Participating Organisation shall open a trading account for each and every client and bring to the notice of every person who applies to open trading account with it the terms and conditions upon which such account shall be operated which shall include an obligation on the part of the client to comply with these Rules, where the provisions therein apply to the client directly or indirectly and the consequence of a breach thereof. In this respect the Participating Organisation shall ensure that the client executes the relevant agreement to be bound by the terms and conditions prescribed herein.</p> <p>(b) Participating Organisation shall take all reasonable steps to ensure that all essential particulars and information</p>

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Existing Rules		Amended Rules	
	<p>Rule, Participating Organisations shall establish written procedures on the opening of accounts for their clients and adequate internal control to ensure that all information obtained is properly verified.</p> <p>(c) All particulars of clients of every Participating Organisation shall be properly recorded and maintained up to date at the office of the Participating Organisation. Participating Organisations should from time to time as and when material changes occur or otherwise as they deem fit request their clients to update their particulars as previously provided by them.</p>		<p>about their clients (including but not limited to the clients’ financial standing or credit worthiness and clients investment objectives) are obtained and shall satisfy themselves that all such information are accurate before opening any trading account for them. For the purposes of this Rule, Participating Organisations shall establish written procedures on the opening of accounts for their clients and adequate internal control to ensure that all information obtained is properly verified.</p> <p>(c) All particulars of clients of every Participating Organisation shall be properly recorded and maintained up to date at the office of the Participating Organisation. Participating Organisations should from time to time as and when material changes occur or otherwise as they deem fit request their clients to update their particulars as previously provided by them.</p> <p>(d) In amplification of Rule 404.4(1)(a) and Rule 404.4(b) and without prejudice to Rule 404.3(7), a Participating Organisation shall enquire from its client as to whether the client is trading for himself as a beneficial owner or on behalf of another person. Where the client represents that he is trading on behalf of another person, the Participating Organisation shall only be allowed to open a trading account for that client in the event the following conditions are complied with:</p> <p>(i) that the client is an authorised nominee or exempt authorised nominee; and</p> <p>(ii) brings to the notice of that client of its obligation as stipulated in Rule 404.3(7) and the consequence of a breach thereof.</p>

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CENTRAL DEPOSITORY SYSTEM (CDS) ACCOUNT STRUCTURE REQUIREMENTS INTRODUCED IN 1998**

Existing Rules		Amended Rules	
	New Rules.	404.4(1A)	<p>CDS Account:</p> <p>(a) Where a trading account is opened for a client, the Participating Organisation shall clearly identify the CDS Account where the securities arising from all dealings in the trading account shall be credited into or debited from as the case may be.</p> <p>(b) In relation to the CDS Account referred to in Rule 404.4(1A)(a) the Participating Organisation shall procure confirmation and undertaking in writing from the client that the beneficial owner in relation to the securities dealt with in the trading account and the CDS Account is the same in the circumstances stipulated below:</p> <p>(i) Where the client is an authorised nominee or exempt authorised nominee in relation to the securities held in the CDS Account; or</p> <p>(ii) Where the client is not the authorised nominee or the beneficial owner in relation to the securities held in the CDS Account.</p>



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I. DEPOSITORY SERVICES

1. What is the objective of liberalising the CDS account structure?

Through the CDS account structure liberalisation, it is envisaged that CDS account holders especially institutional investors will have greater flexibility in managing their accounts. Existing Exempt Authorised Nominees (Exempt ANs) will be able to operate omnibus accounts with greater flexibility and a wider range of persons will be given the privilege of maintaining omnibus accounts. Similarly the list of Authorised Nominees (ANs) that can hold deposited securities on behalf of one beneficial owner in each account, will be expanded. It is expected that this will promote greater efficiency in managing clients' portfolio by institutional investors when trading in securities listed on Bursa Malaysia Securities Berhad (“Bursa Securities”).

2. What is an omnibus CDS account?

An omnibus account is an account in which securities are held for two or more beneficial owners. The names of the beneficial owners are not required to be provided when opening this account. However, the particulars of beneficial owners' should be made readily available as and when required by the regulators.

3. Who can operate an omnibus CDS account?

Only Exempt ANs as stipulated in the Schedule of the Securities Industry (Central Depositories) (Exemption) Order 2005 (“the Exemption Order 2005”) can operate an omnibus CDS account. A list of parties that are categorised as Exempt ANs can be obtained from Bursa Malaysia's website, www.bursamalaysia.com.

4. What is the impact of this liberalisation exercise on existing CDS accounts held directly in the name of the beneficial owner?

There is no impact on such existing CDS accounts which are opened directly under the name of the CDS account holder i.e. as an individual or a corporate depositor. The CDS account holder shall continue to operate the account as the beneficial owner.

5. Can an Exempt AN have more than one omnibus CDS account?

There is no restriction on the number of omnibus CDS accounts which can be operated by an Exempt AN.

6. Who is an Instructing Client?

An instructing client is a direct client (who is a body corporate) of a nominee company as referred to in Items 1 to 7 of the Schedule of the Exemption Order 2005 and gives instructions to the nominee company to hold securities on its behalf or on behalf of its clients.

- 7. Can an Exempt AN choose to continue operating under the “one account one beneficial owner” account structure? Must an Exempt AN operate only omnibus accounts?**

It is up to the Exempt AN to choose whether to maintain accounts under the “one account one beneficial owner” structure or omnibus accounts or both.

- 8. Is there a need for existing Exempt AN to update the Account Qualifier field in its current omnibus CDS accounts that have been opened via the previous exemption orders?**

Existing Exempt ANs may continue to maintain the Account Qualifier for their existing omnibus account as per the previous guidelines, in which case the usage of the account must be consistent with the Account Qualifier. However new omnibus accounts to be opened shall comply with the latest naming convention issued by Bursa Malaysia Depository Sdn Bhd (“Bursa Depository”).

- 9. Is there a deadline for an Exempt AN to open an omnibus account or update the account qualifier for an existing omnibus account?**

No, there is no deadline for an Exempt AN to open an omnibus account or update the account qualifier for an existing omnibus account pursuant to this liberalisation. If an Exempt AN wants to transfer securities from an existing “one account one beneficial owner” account into an omnibus account, it can do so at any time.

II. APPROVED REASONS FOR TRANSFER OF SECURITIES

- 10. Will the Approved Reasons for Transfer (ART) continue to be applicable for transfer of securities?**

Although there has been a relaxation on supporting documents for transfer of securities request, the ART, together with the relevant changes, will continue to be applicable. The ART should be adhered to strictly when performing any request for transfer of securities in CDS. Kindly refer to the amended version of the ART issued by Bursa Depository for more information.

- 11. What are the changes to the requirements in relation to the ART, of securities arising from the liberalisation of the CDS account structure?**

The changes are as follows:-

- i) Reduction in the number of supporting documents required to be provided for transfer transactions involving Exempt AN.
- ii) Extension of parameters under Category B3 (transfer involving Government Authorities) to include Khazanah Nasional Berhad under the category of Government related body.

Please note that the categories of ART remain the same, i.e.: -

Category A No Change in beneficial ownership (“NCBO”)

Category B Change in beneficial ownership (“CBO”)

- i) B1 - Take-Over Offer
- ii) B2 - Family member
- iii) B3 - Transfer involving Government Authorities
- iv) B4 - Pledge/Charge
- v) B5 - Reasons with prior approval of Bursa Malaysia Depository Sdn Bhd

12. What are the changes to the supporting documents requirement?

The changes are as follows:-

NCBO Transfers

No supporting documents are required for NCBO transfers when both the transferor and transferee are Exempt AN;

When either one of the transferor or transferee is an Exempt AN, the transferor is required to produce to the Authorised Depository Agents (ADAs)/Authorised Direct Members (ADMs) relevant supporting documents to prove that the transfer does not result in a change in beneficial ownership.

CBO Transfers

Category B4 – Pledge/Charge

No supporting documents are required for transfer transactions under this category of accounts, where the account qualifier is denoted with the words “Pledged Securities Account”.

Category B2 – Family members

When the securities account involved is held by an Exempt AN (either as a transferor/transferee), the Exempt AN or their client is required to provide a confirmation on the name of the beneficial owner of the securities held by them. This requirement is an addition to the existing requirement on supporting documents.

III. CLEARING FEE CHANGES

13. Is there an increase in clearing fees?

The current clearing fee of 0.04% of contract value remains unchanged, so effectively there is no increase in the percentage of clearing fee charged. However, there is an increase in the maximum cap prescribed; the maximum amount chargeable of RM200.00 is now increased to a maximum of RM500.00.

14. How is the new clearing fee computed?

The structure of the clearing fee and its computation for clearing and settlement of On-Market and Direct Business Transactions are as follows:

On-Market Transaction(OMT)

The clearing fee payable to Bursa Malaysia Securities Clearing Sdn Bhd (“Bursa Securities Clearing”) shall be computed at 0.04% of the value of every contract entered into by a Clearing Participant either as principal or on behalf of a client for the sale or purchase of securities subject to a maximum of RM500.00 per contract. There is no minimum amount chargeable for OMT.

Direct Business Transaction(DBT)

The clearing fee payable to Bursa Securities Clearing shall be computed at 0.04% of the value of every contract entered into by a Clearing Participant either as principal or on behalf of a client for the sale or purchase of securities, subject to a minimum of RM10.00 and a maximum of RM500.00 per contract.

All sales or purchase of securities on each market day are subject to the above clearing fee.

15. When will the new clearing fee become effective?

The new clearing fee will become effective as of October 21 2005.

16. Why is Bursa Securities Clearing changing its clearing fee structure?

Bursa Securities Clearing carefully evaluates its clearing fee structure from time to time and determines changes to its fee to support the provision of a vibrant securities market infrastructure. We are currently working to implement a set of measures to strengthen the clearing and settlement infrastructure to reduce risk and increase efficiency in the securities market. These include upgrading of the clearing and depository technology platforms and setting up a Clearing Guarantee Fund aimed at mitigating counterparty risk.

17. How does our clearing fee compare to other jurisdictions?

The revised clearing fee structure is competitive vis-à-vis regional jurisdictions, in fact regional benchmarking was one of the main factors deliberated upon in making the decision to change the cap in clearing fees. Over the last four years, it is interesting to note that the effective clearing fee has actually decreased quite substantially due to the capping of the clearing fees.

Holistically, it is important to note that the clearing fee for securities transactions on Bursa Securities is only a small portion of total transaction costs incurred by an investor.

IV. TRADING ACCOUNTS

18. Who can be given a Clearing Account?

A Clearing Account can be given to any clients of the PO provided that each Clearing Account is maintained for one client only.

19. Can a client have more than one Clearing Account?

Yes, a client may have more than one Clearing Account. The PO must maintain adequate records in respect of each of the Clearing Accounts a particular client is given.

20. What naming convention that is applicable to the account qualifier of the clearing account?

The account qualifier for the clearing account should now be in the client's name.

21. Are the declarations by Holder/Exempt Fund Manager, Foreign Intermediaries and Participating Organisations under Schedule A of Participating Organisations' Circular R/R 13 of 2003 and C-1 and C-2 of Participating Organisations Circular R/R 8 of 2001 still required?

No, they are no longer required.

22. Are trades allowed to be carried forward in the clearing account?

Yes, if a client's order is not fulfilled by the end of T day, the order may be carried forward up to a maximum of T+2 day.

23. If a client's order is not fulfilled by T day and is carried forward to T+1 or T+2, is the PO required to book out the partially-fulfilled order and issue a contract note to the client at the end of T day?

No, the booking out and issuance of contract notes may be done after the entire order is fulfilled, with a maximum allowable carrying forward period of up to T+2 day.

24. If a client's order is fulfilled on T or T+1 day, is the PO allowed to delay the booking out and issuance of contract note to T+2 day?

No, the booking out and issuance of contract note shall be done at the end of the day in which the order is fulfilled.

- 25. Can a PO allow the crediting of the securities purchased under a Clearing Account directly into a beneficial owner’s CDS account or a CDS account in the name of an AN or Exempt AN?**

Yes, provided that the CDS account is maintained with the PO.

- 26. Is a PO still required to mirror the trading account structure with the CDS account structure?**

No, this requirement has been removed. The trading account of a client may be tagged to a CDS account in the name of the AN or Exempt AN of the client or the beneficial owner of the securities for whom the client is dealing for. Further a written consent and authorisation for the use of the CDS account must be procured from the CDS account holder and the client of the PO is required to provide a confirmation and undertaking, that the beneficial owner of both the trading and CDS account is the same.

- 27. Is a PO allowed to leave securities purchased under the Clearing Account in the Clearing CDS Account?**

No, securities must be transferred by the end of the settlement date to the beneficial owner, AN or Exempt AN account as instructed by the client, except in cases of non-payment or absence of transfer instructions by the client.

- 28. Is the client of a PO still required to disclose whether any dealings in securities in respect of the trading account is carried out on another person’s behalf?**

Yes, the disclosure is still required. However, PO need not obtain the information on the beneficial owner unless required by Bursa Securities or the Securities Commission. POs must also ensure that the terms and conditions of the client agreement incorporates the obligation on the part of the client to provide information in relation to parties for whom the clients of POs are acting for, including information on the beneficial owners of the securities as and when required by both Bursa Securities and the Securities Commission.

- 29. Are the clients bound to comply with the Rules of Bursa Securities?**

Yes. There is a requirement in the rules that require the PO to impose an obligation on the part of the clients, to comply with the rules in the client agreement.

- 30. Is Bursa Securities empowered to take action against the client in the event of a breach of the rules committed by the clients?**

Yes. The rules empower Bursa Securities to direct any of the PO to refrain from dealing with a client where the act or omission by the client in relation to or arising from any transactions or dealings in securities reflected in the trading account(s) of the client and/or held in the CDS account(s) has directly or indirectly caused, aided or facilitated a breach of the rules.

31. Which trading account should the Participating Organisation (PO) use if it wants to carry out intra-day activities?

The Intra-Day Activities Account has been consolidated under the Investment Account, thus PO should use the Investment Account for all proprietary positions, irrespective of whether the positions are for intra-day, short term or long term investment activities.

32. Are the directors and dealer’s representatives allowed to share an Investment Account?

Yes, provided proper records are maintained by the PO as to the persons executing the trades.

