

## PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 26 March 2020	No : R/R 6 of 2020
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### TEMPORARY MEASURES IN RELATION TO:

- (a) **MARGIN FINANCING; AND**
- (b) **THE COUNTER SERVICE HOURS**

#### 1.0 MARGIN FINANCING

- 1.1 Bursa Malaysia Securities Berhad (“**the Exchange**”) has been monitoring the developments affecting the securities market closely and noted the concerns raised by investors and market participants in light of the current challenging and uncertain market conditions.
- 1.2 Due to the uncertainties in the global as well as local market arising from the Covid-19 outbreak, selling pressures have impacted the share prices, resulting in force selling pressure to many counters and affecting investors, especially those with margin accounts.
- 1.3 In view of the above, and as part of the market management measures, the Exchange will facilitate Participating Organisations (“**POs**”) to accord the appropriate flexibilities to their clients and also to manage the POs’ credit risks. The measures are aimed at mitigating the force selling pressure on the market, as well as safeguarding investors’ interest in respect to those who have pledged their shares for financing. Further, these flexibilities may allow investors to provide other types of collateral for purposes of margin financing, as may be necessary.
- 1.4 Therefore, the relevant provisions of the Rules and Directives of Bursa Malaysia Securities Berhad will be waived and modified to facilitate these measures. The details of the waivers and modifications are as follows:

BMS RULES/ DIRECTIVE	CURRENT PROVISION	MODIFICATION
Rule 7.30(12)	<i>(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</i>	<p>Rule 7.30(12) is modified to remove the mandatory requirement for a PO to liquidate a Client's Margin Account if the Equity in a Client's Margin Account falls below 130% of the Outstanding Balance.</p> <p>A PO will instead have the discretion to decide whether to liquidate or not to liquidate the Margin Account, in accordance with its credit policy.</p>

	<p><i>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).</i></p>	
<p>Rule 7.30(14)</p>	<p><i>(14) No further Margin Financing can be extended to the Client following the events stated in Rule 7.30(13).</i></p>	<p>Rule 7.30(14) is waived for consistency with the modification in Rule 7.30(12).</p>
<p>Rule 7.30(19)</p>	<p><i>(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></p> <ul style="list-style-type: none"> <li><i>(i) unusually rapid or volatile changes in value of the securities;</i></li> <li><i>(ii) non-existence of an active market for the securities;</i></li> <li><i>(iii) suspension of the securities from trading on a market; or</i></li> <li><i>(iv) no possibility of immediate liquidation for the securities.</i></li> </ul> <p><i>(b) If the suspension stated in Rule 7.30(19)(a)(iii) is more than 2 Market Days, the Haircut must be 100%.</i></p>	<p>Rule 7.30(19)(a) is modified to remove the mandatory requirement for a PO to request for additional Margin and impose Haircuts on any collateral and securities purchased and carried in Margin accounts on the occurrence of the circumstances specified.</p> <p>A PO will instead have the discretion to decide whether to request such additional Margin or impose a Haircut, in accordance with its credit policy.</p> <p>Rule 7.30(19)(b) is waived for consistency with the modification in Rule 7.30(19)(a).</p>

Paragraph 1.1(7) of POs' Directives on Valuation of Collateral and Equity Margin No. 7.30-001 ("Directive No. 7.30-001")	1.1(7) <i>For all other types of collateral, the value is zero</i>	Paragraph 1.1(7) is modified to remove the requirement to assign zero value to all other types of collateral. Instead, a PO must refer to its credit policy in assigning a value to these other types of collateral, including collateral such as bonds, collective investment schemes, unit trusts, gold and immovable properties.
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- 1.5 The waivers and modifications in paragraph 1.4 above are made subject to the POs continuing to comply with the Capital Adequacy Requirements and requirements on minimum Shareholders' Fund at all times.

## 2.0 THE COUNTER SERVICE HOURS

- 2.1 The Exchange takes note of the Malaysian Government's Movement Control Order ("MCO") effective from 18 March 2020, which is now extended to 14 April 2020 to prevent the spread of Covid-19. In order to safeguard the wellbeing of our investors and the POs' staff, and to ease the compliance burden of the POs with limited resources during the MCO period, the Exchange strongly encourages all POs which provide counter service to their clients/customers to limit their respective counter service hours **to between 10.00 a.m. to 3.00 p.m. during business days.**

## 3.0 EFFECTIVE DATE

- 3.1 The waiver and modification in relation to Margin Financing as stated in paragraph 1.4 above will be effective **from 27 March 2020 until 30 September 2020.**
- 3.2 POs are strongly encouraged to put in place the best practice in relation to the counter service hours as stated in paragraph 2.1 **from 27 March 2020 to 14 April 2020, or during any further extension of the MCO by the Malaysian Government.**

## 4.0 CONTACT PERSON

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

Name	Contact
Participants Supervision (Compliance)	<a href="mailto:isd2@bursamalaysia.com">isd2@bursamalaysia.com</a>

Name	Contact
Regulatory Policy & Advisory (Rules and Directives)	<a href="mailto:rpa@bursamalaysia.com">rpa@bursamalaysia.com</a>

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**Regulation**