

PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 7 August 2020

No : R/R 11 of 2020

AMENDMENTS TO THE RULES AND DIRECTIVES OF BURSA MALAYSIA SECURITIES BERHAD (“BMS RULES AND DIRECTIVES”) IN RELATION TO:

- (i) THE SIMPLIFICATION OF THE BMS RULES AND DIRECTIVES; AND**
- (ii) THE FINANCIAL SERVICES ACT 2013 (“FSA 2013”), ISLAMIC FINANCIAL SERVICES ACT 2013 (“IFSA 2013”) AND OTHER CHANGES**

1.0 INTRODUCTION

1.1 Bursa Malaysia Securities Berhad (“**the Exchange**”) has undertaken a review to further simplify the BMS Rules and Directives, where appropriate. Additionally, the Exchange has also made amendments that are consequential to the FSA 2013 and IFSA 2013 and other changes for consistency and greater clarity.

1.2 The amendments are detailed in paragraphs 2 and 4 below.

2.0 SIMPLIFICATION OF THE BMS RULES AND DIRECTIVES

2.1 The amendments seek to achieve the following key objectives:

- (a) ensuring the rules are simple, more principle-based and less prescriptive, where appropriate;
- (b) promoting greater clarity and transparency in the rules;
- (c) easing compliance by a Head of Compliance (“**HOC**”) by streamlining the compliance reporting rules; and
- (d) updating the rules by removing redundant provisions.

2.2 The amendments relating to simplification of the BMS Rules and Directives have been approved by the Securities Commission Malaysia.

Key Amendments to the BMS Rules and Directives

2.3 The key amendments to the BMS Rules and Directives are as follows:

(A) Ensuring rules are simple, more principle-based and less prescriptive, where appropriate

- (1) removing the procedures and template forms for admission or registration as a Participating Organisation (“**PO**”) or a Registered Person (“**RP**”), including procedures to re-designate or transfer Dealer Representatives which are currently set out in the Directive on Applications to the Exchange and Fees pursuant to Chapter 3 of the Rules (“**Directive No. 3-001**”) and to consolidate these procedures and template forms under the Admission Guidelines published on Bursa Malaysia’s website;

- (2) removing the prescription of fees from Directive No. 3-001. The fees applicable for admission and registration of POs and RPs, trading fees (previously known as system maintenance fee), access fees and buying-in fees will no longer be prescribed in the BMS Directive, but are set out on Bursa Malaysia's website instead. This amendment does not result in new or additional fees being chargeable to the POs;
- (3) removing the following prescription for operational requirements from the rules and prescribing such requirements in directives, manuals or other relevant documents:
 - (a) prescription of time for the Exchange to publish the name, quantity and bidding price of the securities for buying-in in the trading system before buying-in commences. This will be set out in the PO Trading Manual ("**Trading Manual**") instead;
 - (b) prescription of time for the PO to update the Exchange on its decided course of action and corrective measures taken (if any) to address any findings from the Exchange's inspection. This will be set out in the inspection letter issued by the Exchange instead;
 - (c) prescription of time for the payment of fines imposed by the Exchange pursuant to disciplinary actions. We will instead state the period of payment in the Exchange's notification of decision¹; and
 - (d) reporting templates for the Monthly Returns on Credit Facilities Extended in Relation to Margin Account and the template Declaration on Direct Business Transaction as previously set out in Appendix 3 and Appendix 6 of the BMS Rules. These are set out in the Directives on Margin Financing No. 7.30-002 and Directives on Direct Business Transactions No. 10.01(1)-001 instead;

(B) Promoting greater clarity and transparency in the rules

- (4) clarifying the types of actions that can be taken by the Exchange in an emergency, including suspending trading in any securities or the stock market itself;
- (5) amending the scope of confidentiality of findings to clarify that a PO or Relevant Person² may disclose confidential information where necessary for the purpose of procuring legal or expert advice in relation to the inspection, investigation, disciplinary proceeding or appeal, and moving the existing confidentiality of findings rule from Chapter 14 (Inspection and Investigation) to Chapter 1 (Definitions and Related Provisions), as well as expanding the provision to include findings and results of inspection and disciplinary proceedings or appeal;
- (6) amending the provisions on validity of actions to clarify among others, that the amendments to the rules or directives do not affect the accrued rights or obligations of POs and RPs prior to the amendments, and application of the rules, procedures and penalties on disciplinary action as set out in Chapter 15 of the BMS Rules in the event there is an amendment to the BMS Rules or Directives;

¹ The notification of decision refers to the notification of decision in Rule 15.12 and notification of decision of appeal in Rule 15.19 of the BMS Rules.

² Pursuant to Rule 13.10 of the BMS Rules, "Relevant Person" includes the PO's RP, agent and employee.

- (7) amending the scope of expedited proceedings for disciplinary action to clarify that expedited disciplinary proceeding against a defaulting participant for a breach of the BMS Rules may be initiated by the Exchange for a breach of the BMS Rules which typically does not attract a penalty beyond a reprimand, a fine of RM10,000 or both;

(C) Easing compliance by a Head of Compliance (“HOC”) by streamlining the compliance reporting rules

- (8) consolidating various HOC’s reporting obligation³ into one directive (Directives on Compliance Report No. 3.36-002) which include direct reporting to the board of directors of the PO, reporting of breaches and irregularities and submitting monthly compliance reports to both the Exchange and the board of directors of the PO⁴, and making consequential changes to the recommendations on compliance reporting;

(D) Updating the rules by removing redundant provisions

- (9) removing the transitional provisions in relation to the demutualisation of the Exchange under the Demutualisation (Kuala Lumpur Stock Exchange) Act 2003 and in relation to the revamp of the BMS Rules in 2013 which have now become redundant; and

(E) Other amendments

- (10) Removing duplication and streamlining the BMS Rules with the approach taken under the revamp of the Rules of Bursa Malaysia Derivatives Berhad in relation the Exchange’s powers which appear in several chapters in the BMS Rules into Chapter 2 (Administration), clarifying the Exchange’s power to disclose information regarding the POs, require information from a PO and a RP pursuant to an investigation or inspection, take summary action and lastly, affirm, vary and set aside decisions appealed.

2.4 The amendments pursuant to the Simplification of the BMS Rules and Directives are set out in detail in **Appendices 1 and 2** respectively.

Amendments to the Participating Organisations’ Trading Manual (“Trading Manual”)

2.5 The provisions on timing for buying-in under Chapters 2 and 6 of the Trading Manual have been amended in view of the removal of prescription of time for the Exchange to publish information regarding buying-in in the trading system from the BMS Rules, and to also allow the Exchange to determine the time for commencement of buying-in where circumstances require a change in time.

2.6 The updated version of the Trading Manual is attached as **Appendix 3**.

³ Rules 3.37 (Reporting), 3.38 (Reporting of breaches or irregularities) and 3.39 (Reporting on compliance matters) of the BMS Rules.

⁴ In the case of an Investment Bank, the HOC of the Investment Bank must report to the board of directors or committee to whom the HOC is required to report under the Guidelines on Investment Banks.

3.0 FREQUENTLY ASKED QUESTIONS (“FAQS”)

- 3.1 A FAQ providing clarification regarding the trading of leveraged and inverse exchange traded funds, may be accessed at the following link:
https://www.bursamalaysia.com/regulation/faqs_relating_to_bursa_malaysia_rules

4.0 AMENDMENTS CONSEQUENTIAL TO THE FSA 2013 AND IFSA 2013, AND OTHER CHANGES FOR CLARIFICATION

- 4.1 The key amendments made to the BMS Rules and Directives are streamlining the definitions, terms and references with the FSA 2013 and IFSA 2013 to ensure consistency and promote greater clarity.
- 4.2 The amendments consequential to the FSA 2013 and IFSA 2013 and the other changes for clarification are set out in detail in **Appendices 1 and 2** respectively.

5.0 EFFECTIVE DATE

- 5.1 The amendments to the BMS Rules, Directives, Best Practice and Trading Manual as set out in paragraphs 2 and 4 above will take effect from **21 August 2020**.

6.0 CONTACT PERSONS

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

Name	Contact
Participants Supervision (Compliance and Admission Guidelines)	03 – 2034 7364 03 – 2034 7242 isd2@bursamalaysia.com
Market Operations (Trading Manual changes)	smo@bursamalaysia.com
Regulatory Policy & Advisory (Rules and Directives)	03-2034 7585 03-2034 7025 rpa@bursamalaysia.com

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