

FAQs ON THE UPLIFTMENT OF THE TEMPORARY SUSPENSION OF REGULATED SHORT SELLING AND FURTHER EXTENSION OF THE TEMPORARY SUSPENSION OF INTRADAY SHORT SELLING AND SHORT SALE OF DAY TRADING ELIGIBLE SECURITIES

- 1. What are the main considerations in uplifting the suspension on Regulated Short Selling (RSS)?**
 - a. Uplifting RSS is meant to facilitate investors' risk management. It is also in line with the approach adopted by other competent jurisdictions which had also suspended short selling activities earlier this year as a response to heightened volatility due to COVID-19 uncertainties. In all instances, exemptions were provided for market-making activities and hedging purposes (risk management). To date, most of these jurisdictions have uplifted their suspension on short selling activities; and
 - b. To revive the Securities Borrowing and Lending activities which is an integral part of the function of the capital market in facilitating product development and market making facilities.

- 2. Why has the suspension on Intraday Short Selling (IDSS) been extended to 29 August 2021?**
 - a. While we have seen an improvement in confidence and market performance, concerns over the COVID-19 pandemic continues to linger. Bursa Malaysia, in consultation with the Securities Commission, is taking a balanced, gradual and practical approach to initially uplift the suspension of RSS on 1 January 2021 and extending the temporary suspension of IDSS until 29 August 2021.
 - b. The continued suspension of IDSS and intraday short selling by Proprietary Day Traders, which are used mainly as a day trading strategy, will enable Bursa to enhance the control measures for intraday short selling activities in order to promote market stability and strengthen the integrity of the capital market.

- 3. What are the differences between Permitted Short Selling (PSS), Regulated Short Selling (RSS) and Intraday Short Selling (IDSS)?**
 - a. PSS is a form of short selling designed primarily for market makers and derivatives specialists registered with Bursa Malaysia Securities Berhad (“Exchange”), where PSS is carried out as part of the market-making activities. PSS must be undertaken in a designated account.
 - b. RSS is a form of short selling designed to be utilised by the broader universe of investors who take up a short position as part of their overall investment strategy where and when necessary. Before an RSS trade is performed, the investor would need to have either borrowed the Approved Securities to be short sold or have confirmation of borrowing of the Approved Securities. RSS must be undertaken in a designated account and is subjected to the At-Tick Rule where sell orders must be placed at the best offer or higher.

- c. IDSS is a form of short selling that is utilised by investors to take up a short position on an intraday basis to fit their trading strategies where and when necessary. IDSS trades must be closed with a buy position within the same trading day. Failure to close off IDSS within the same day is a breach of the rules. Before an investor is allowed to execute IDSS, the investor must have entered into an agreement to borrow securities (known as SBL Agreement) to settle all potential failed trades which might occur if IDSS is not closed off by the end of the trading day. SBL is further explained in Section 9 below.

4. What securities are allowed for short selling?

- a. PSS -
 - i. Exchange Traded Funds (ETFs) and its constituent securities; and
 - ii. underlying securities of Structured Warrants (SW), Single Stock Futures Contracts (SSF) and Single Stock Options (SSO) Contracts which are listed under Approved Securities
- b. RSS - Approved Securities
- c. IDSS - Approved Securities

5. Which category of short-selling was previously suspended between 24 March and 31 Dec 2020?

- a. RSS
- b. IDSS
- c. Intraday short selling by Proprietary Day Traders

6. Why was PSS exempted from the short-selling suspension?

- a. PSS was exempted to allow market-makers to perform their functions and obligations and would need to be able to utilise short selling for market making.

7. When will the short-selling upliftment take place?

- a. RSS suspension to be uplifted on 1 January 2021, while IDSS and intraday short selling by Proprietary Day Traders will continue to be suspended until 28 February 2021.

8. What are the current short selling limits for PSS, RSS and IDSS?

Short Selling Frameworks	Daily Price Limit ¹ (15%/15sen)	Total Gross Short Position ² (3% of Outstanding Securities)	Total Net Short Position Limit ³ (10% of Outstanding Securities)
PSS	x	x	✓
RSS	x	✓	✓
IDSS	✓	✓	x

9. What are the enhanced controls for RSS upliftment which is effective from 1 Jan 2021⁴?

- The daily Gross Short Position limit of 3% will be reduced to 2% for a particular Approved Securities. Once the 2% Gross Short Position Limit is reached, there will be no further RSS allowed to be performed on that specific Approved Securities for that market day.
- There will be a cap of 4% for RSS out of the Total Net Short Position Limit of 10% (“**Additional RSS Threshold**”) for any given day on a particular security. This means that once the 4% Additional RSS Threshold is reached, there will be no further RSS allowed to be performed on the security. RSS will resume when the Additional RSS Threshold goes below 4%.

10. What is the difference between the Additional RSS Threshold of 4%⁵ and the Net Short Position of 10% as mentioned above?

- The Additional RSS Threshold is an imposed limit or cap for RSS out of the Net Short Position of 10% (PSS and RSS Combined).
- The operationalisation of the Additional RSS Threshold is as follows:

Scenario1

RSS hits the 4% limit, but PSS + RSS combined limit is less than 10%

- *RSS is suspended*
- *PSS is allowed up till PSS + RSS combined reaches 10%*

¹ Daily price limit of 15% (for securities at RM1.00 and above) or RM0.15 sen (for securities below RM1.00) down from the reference price

² Total Gross Short Position means the total gross short position pursuant to Regulated Short Selling, Intraday Short Selling and short selling under Day Trading (intraday short selling by Proprietary Day Traders). Please refer to Paragraph 5.1(1) of PO Directive on Regulated Short Selling (No. 8-002)

³ Rule 8.37(1) of the BMS Rules.

⁴ Please refer to the PO Circular No. R/R 15 of 2020 for more details on the enhanced controls.

⁵ As stated in paragraph 2.3 of the PO Circular No. R/R 15 of 2020.

Scenario 2

Should PSS + RSS combined reaches 10%

- *RSS suspended*
- *PSS suspended*

Scenario 3

- *RSS is zero*
- *PSS is allowed up till the 10% PSS + RSS combined limit*

The RSS limit of 4% is calculated by adding on the carried forward cumulative outstanding RSS position. Suspension of RSS will be announced via a Special Announcement on Bursa Malaysia's website.

11. What is SBL?

- a. SBL stands for Securities Borrowing and Lending. It is a facility which enables investors to borrow shares from an approved lender or lend their shares to an approved borrower, where applicable.

12. What has short-selling got to do with SBL?

- a. Short Selling means selling a security which an investor does not own and is generally prohibited under the law. Hence, before short selling, the investor must have the following SBL facility in place:
 - i. RSS and PSS on underlying securities of SW, SSF or SSO which are Approved Securities: Have either borrowed the securities to be short sold or obtained confirmation of borrowing through SBL.
 - ii. IDSS and PSS on ETF and its constituent securities: Have entered into an SBL agreement to borrow the securities.

13. Since the RSS is suspended since 24 March 2020, why are there outstanding short-selling position published in Bursa Malaysia Website?

- a. These are outstanding short-selling positions which have not been closed out. Since the suspension, no further RSS was allowed.
- b. The outstanding net short position is the total PSS and RSS positions. PSS is excluded from the suspension.
- c. The outstanding net short position can be unwound (repurchased) anytime, and investors do not need to wait until 1 Jan 2021 when RSS is reinstated to buy back.

14. If you require more information, the following references are available on Bursa Malaysia's website:

- a. Rules and Directives of Bursa Malaysia Securities Berhad (BMS)
https://www.bursamalaysia.com/regulation/securities/rules_of_bursa_malaysia_securities
- i. BMS Rules: Chapter 4 (PSS) and Chapter 8 (RSS and IDSS)
- ii. Participating Organisations ("POs") Directives and Guidance:
 - Directive ("Dir") in relation to Market Makers and Derivatives Specialists (No. 4-001) (for PSS);
 - Dir. on Regulated Short Selling (No. 8-002) (for RSS and short selling limits);
 - Dir. on Intraday Short Selling (No. 8-003) (for IDSS); and
 - Dir. on Regulated Short Selling-Approved Securities (No. 8-22(5)-001) (for Approved Securities)
- b. List of Approved Securities
https://www.bursamalaysia.com/trade/trading_resources/equities/regulated_short_selling
- c. Net Short Position Report
https://www.bursamalaysia.com/market_information/market_statistic/securities
- d. Bursa Malaysia Trading Manual
https://www.bursamalaysia.com/trade/trading_resources/equities/manual_guidelines_po