PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 27 June 2018	No : R/R 9 of 2018

AMENDMENTS TO DIRECTIVE NO. 13-001 (DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS) CONSEQUENTIAL TO THE ISSUANCE OF THE SECURITIES COMMISSION MALAYSIA'S GUIDELINES ON CONTRACTS FOR DIFFERENCE ("GUIDELINES")

1.0 INTRODUCTION

1.1 The Securities Commission Malaysia has on 6 April 2018 issued the Guidelines on Contracts for Difference. The Guidelines, which become effective on 1 July 2018, provide a regulatory framework for over-the-counter contracts for difference ("**CFD**") in Malaysia.

1.2 CFD may be offered by the Participating Organisations to their clients and hence, the capital adequacy ratios of the Participating Organisations, which indicate their overall business exposure, should include CFD to better reflect their financial position and level of risk.

1.3 Pursuant to the above, Bursa Malaysia Securities Berhad ("**the Exchange**") has amended Directive No. 13-001 (Directives on Capital Adequacy Requirements ("**CAR**")) to include information on CFD as part of the CAR submission.

1.4 The amendments are detailed in paragraph 2 below.

2.0 AMENDMENTS TO THE DIRECTIVE

2.1 The key amendments to Directive No. 13-001 are as follows:

(a) amendments to Schedule 1 to set out the position risk requirement for CFDs to be reflected in the CAR submission; and

(b) amendment to Schedule 3 to include the position risk factors for CFDs to be reflected in the CAR submission.

2.2 The amendments to the Directives are set out in detail in **Annexure 1.**

3.0 EFFECTIVE DATE

3.1 The amendments to the Directives will take effect from **1 July 2018.**

4.0 CONTACT PERSON

4.1 In the event of any queries in relation to the above matter, kindly contact the following persons:

Name	Contact
Ng G-Ming (Compliance)	nggm@bursamalaysia.com 03-2034 7364
Yushana Md Yusop (Compliance)	yushana@bursamalaysia.com 03-2034 7449
Ahmad Nader Ismail (Directives)	nader@bursamalaysia.com 03-2034 7483

This Circular is available at:
http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/securities/rules-of-bursa-malaysia-securities

Regulation

Bursa Malaysia Berhad 303632-P
15th Floor, Exchange Square
Bukit Kewangan
50200 Kuala Lumpur, Malaysia
Tel : 03-2034 7000 (GL)
Fax : 03-2026 3684
Website : www.bursamalaysia.com

ANNEXURE 1
AMENDMENTS TO DIRECTIVE 13-001
consequential to the issuance of the Securities Commission Malaysia's Guidelines on Contracts for Difference

RULES OF BURSA MALAYSIA SECURITIES BHD

AMENDMENTS TO DIRECTIVE NO.13-001 (DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS) CONSEQUENTIAL TO THE ISSUANCE OF THE SECURITIES COMMISSION MALAYSIA'S GUIDELINES ON CONTRACTS FOR DIFFERENCE

PARAGRAPH	CURRENT PROVISION	PARAGRAPH	AMENDED PROVISION
6.2	**Computation** A Participating Organisation must, unless these Rules specify otherwise, calculate the Participating Organisation's Counterparty Risk Requirement using formula below. CRR = CE x CW x 8% Where, CE = Counterparty exposure, as determined under this paragraph 6.3. CW = Counterparty weighting, as specified in **Schedule 11** of this Directive.	**6.2**	**Computation** A Participating Organisation must, unless these Rules specify otherwise, calculate the Participating Organisation's Counterparty Risk Requirement using formula below. CRR = CE x CW x ~~8%~~CRR charge (%) Where, CE = Counterparty exposure, as determined under this paragraph 6.3. CW = Counterparty weighting, as specified in **Schedule 11** of this Directive. CRR charge = CRR charge as stipulated in **Schedule 12** of this Directive
Schedule 1	**Please refer to the attached Schedule 1 below.**	**Schedule 1**	**Please refer to the attached Schedule 1 below.**
Schedule 3	**Please refer to the attached Schedule 3 below.**	**Schedule 3**	**Please refer to the attached Schedule 3 below.**

[End of Amendments to Directives]

ANNEXURE 1
AMENDMENTS TO DIRECTIVE 13-001
consequential to the issuance of the Securities Commission Malaysia's Guidelines on Contracts for Difference

Schedule 1
[Paragraphs 2(2), 3.1(1) and 3.1(3)]

	RM Total	*RM* Ranking For Liquid Capital	*RM* Not Ranking For Liquid Capital
RETURN PRESCRIBED IN PARAGRAPH 2.1(1) OF THE EXCHANGE'S DIRECTIVES ON CAPITAL ADEQUACY REQUIREMENTS			
Participating Organisation ____________			
Balance Sheet as at ______________			
Capital Employed			
Ordinary Share Capital	________	________	
Preference Share Capital - Non-Cumulative/Non-Redeemable	________	________	
Reserve Fund - Non distributable	________	________	
Share Premium Account	________	________	
Capital Reserves	________	________	
Audited Retained Earnings	________	________	
CORE CAPITAL	________	________	
Share Premium Account - Others	________	________	
Preference Share Capital – Others	________	________	
Approved Subordinated Loan	________	________	
Revaluation Reserves	________	________	(________)
Unaudited Profits/Unaudited Losses	_____/(____)	_____/(____)	
Unrealised Gains/Unrealised Losses from principal positions	_____/(____)	_____/(____)	
Loans secured against Fixed Assets	________		________
Term Loan	________		________
Unsecured Loans	________		________
Deferred Taxation	________		________
Provision for Taxation	________		________
Hire Purchase Creditors	________		________
Total	________	________	________

	Total	Not Ranking For Liquid Capital	Ranking For Liquid Capital
Employment of Capital			
Intangible Assets	________	________	
Fixed Assets	________	________	
Long Term Investments			
- Listed Investments	________	________	
- Unlisted Investments	________	________	
- Subsidiary/Related Companies	________	________	
Long-Term Receivables	________	________	
Other Non-current Assets/ Tax Assets	________	________	
Total Fixed Assets	________	________	

BURSA MALAYSIA

ANNEXURE 1
AMENDMENTS TO DIRECTIVE 13-001
consequential to the issuance of the Securities Commission Malaysia's Guidelines on Contracts for Difference

	RM Total	***RM*** Not Ranking For Liquid Capital	***RM*** Ranking For Liquid Capital
Current Assets			
Cash and Bank Balances			
- Trust	______		______
- Non-Trust	______		______
Deposits – approved banks & financial institutions			
- Trust	______		______
- Non-Trust	______		______
Deposits – others			
- Trust	______	______	
- Non-Trust	______	______	
Marketable Securities -Listed Equities	______		______
Marketable Securities – FI Securities (corporate)	______		______
Marketable Securities – FI Securities (government)	______		______
Marketable Securities – Unit Trusts	______		______
Marketable Securities – Others	______		______
Trade Debtors - Dealers (gross)	______		______
Less: Specific Provision for Bad and Doubtful Debts	(____)		(____)
Less: Provision for Interest in Suspense	(____)		(____)
Trade Debtors – Clients (gross)	______		______
Less: Specific Provision for Bad & Doubtful Debts	(____)		(____)
Less: Provision for Interest In Suspense	(____)		(____)
Clients Margin Accounts	______		______
Less: Specific Provision for Bad & Doubtful Debts	(____)		(____)
Less: Provision for Interest In Suspense	(____)		(____)
Less: General Provision	(____)	(____)	
Outstanding contracts ~~=~~ ≤ T+4	______		______
Directors Account	______	______	
Loans & Advances	______	______	
Amount due from Holding Company	______	______	
Amount due from Subsidiary/Related Companies	______	______	
Prepayment	______	______	
Other Debtors	______	______	
Others/Charged Assets	______	______	
Other Assets	______		______
Total Current Assets	______	______	______

	RM Total	***RM*** Not Ranking For Liquid Capital	***RM*** Ranking For Liquid Capital
Current Liabilities			
Bank Overdraft/Revolving Credits			
Short Term Loans/Borrowings			
Trust Accounts - Clients			
- Others			
Trade Creditors			
- Dealers			
- Clients			
Outstanding Contracts ≤ T+ 4			
Directors Account			
Other Creditors and Accruals			
Remisiers' Accounts			
Hire Purchase Creditors			
Provision for Taxation			
Proposed Dividends			
Amount due to Holding Company			
Amount due to Subsidiary/Related Companies			
Total Current Liabilities			
TOTAL EMPLOYMENT OF CAPITAL			
Less Contingent Liabilities			
Add: Collateral used to secure Deposit with Non-Approved Institution			
Add: Collateral used to secure Other Debtors			
Add: Collateral used to secure Other Assets			
LIQUID CAPITAL			
Total Risk Requirement			
LIQUID MARGIN			
CAPITAL ADEQUACY RATIO			

RETURN PRESCRIBED IN PARAGRAPH 2(2) OF THE EXCHANGE'S DIRECTIVES ON CAPITAL ADEQUACY RATIO

Risk Components that form the Total Risk Requirement:

Ref	Position Risk Requirement (PRR)	
	Total PRR – Standard Approach	
	Total PRR – Foreign Exchange Method	
	Total PRR – MFOPRR	
	Total PRR – Building Block Approach	
	Total PRR – Equity Index Arbitrage Difference	
	Total PRR – Debt Instrument quoted on the KLSE	
	Total PRR – FI Securities-not quoted on the KLSE	
	Total PRR – Loss on conversion	
	Total PRR – Basic Method	
	Total PRR – Margin Method	
	Total PRR – Hedging Method	
	Total PRR – Equity Index Arbitrage	
	Total PRR – Manual Derivatives	
	Total PRR – Manual Others	
	Position Risk Requirement	
	Counterparty Risk Requirement (CRR)	
	Total CRR – Debt, Contra Losses and Other Amounts Due	
	Total CRR – Unsettled Agency and Principal Trades	
	Total CRR – Free Deliveries	
	Total CRR – Securities Borrowing and Lending/ ISSBNT	
	Total CRR – Exchange Traded Derivatives	
	Total CRR – OTC Derivative Contracts	
	Total CRR – Sub-Underwriting	
	Total CRR – Margin Financing	
	Total CRR – Fixed Income Securities	
	Total CRR – Potential Material Loss	
	Total CRR – Exceptional Instruments	
	Total CRR – Manual SBL/ ISSBNT	
	Total CRR – Manual Derivatives	
	Counterparty Risk Requirement	
	Large Exposure Risk Requirement (LERR)	
	Total LERR to Single Client	
	Total LERR to Issuer of Debt	
	Total LERR to Single Equity	
	Total LERR – Manual Single Equity Others	
	Total LERR – Manual Single Client Others	
	Large Exposure Risk Requirement	
	Underwriting Risk Requirement (URR)	
	Total Underwriting Risk Requirement	
	Underwriting Risk Requirement	
	Operational Risk Requirement	
	Operational Risk Requirement	
	Operational Risk Requirement	
	Total Risk Requirement	
	Effective Shareholders' Funds	

[End of Schedule 1]

ANNEXURE 1
AMENDMENTS TO DIRECTIVE 13-001
consequential to the issuance of the Securities Commission Malaysia's Guidelines on Contracts for Difference

Schedule 3
[Paragraph 5.3(2), 5.6(2), 5.13 and 8.1]

POSITION RISK FACTOR FOR STANDARD APPROACH

INSTRUMENT	POSITION RISK FACTOR
Bursa Malaysia Equities	
▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX stocks	15%
▪ Other stocks, including ACE Market	21%
▪ FTSE BURSA MALAYSIA KUALA LUMPUR COMPOSITE INDEX futures	5%
▪ Suspended securities (more than 3 Market Days)	100%
Bursa Malaysia Derivatives	
▪ FKLI Options	5%
▪ KLIBOR futures	5%
▪ Crude Palm Oil futures	5%
▪ Kernel Palm Oil futures	5%
▪ Any other futures contract	5%
▪ Any other option contract	5%
Unit trust or Exchange Traded Fund	
▪ Equity fund	15%
▪ Debt securities fund	5%
▪ Commodities/Metals	20%
▪ Any other underlying fund	25%
Non-Exchange Traded Product	
▪ Single share contracts for difference	
- Index shares	15%
- Non-index shares	21%
▪ Index contracts for difference	5%

INSTRUMENT	POSITION RISK FACTOR
International Equities	
▪ Single stocks in Recognised Market Indices	12%
▪ Other single international stocks of Recognised Stock Exchanges	16%
Other Securities/Instruments	
Not being those categorised above	100%

[End of Schedule 3]