

## Summary of issues raised at the SMOC Meeting on 26<sup>th</sup> September 2018

No	Operational Issues	Comments & Suggestions	Response from Bursa
1.	SBL Agreement for Intraday Short Selling (IDSS)	<p>Participating Organizations (POs) have the following views / request on the Securities Borrowing &amp; Lending (“SBL”) Agreement: -</p> <ul style="list-style-type: none"> <li>i. The Agreement is not clear;</li> <li>ii. Too much time spent on SBL Agreement to satisfy the regulatory requirements;</li> <li>iii. Bursa to bridge the communication with SBL providers and act as a Mini Secretariat and suggested to have more communication between POs and SBL providers</li> </ul>	<p>Bursa had shared “The suggested minimum contents for SBL Agreement with Investors” with the industry on 22 February 2018. Bursa will also form a sub-working committee with the SBL Providers in early October 2018 to assist and/or facilitate the SBL arrangement.</p>
2.	Trading Specialist	<p>Currently, there are twelve (12) Trading Specialists. Based on brokers’ feedbacks, investors are worried to tag themselves as Trading Specialist (even though no registration is required), as their trading may be classified as business activity and profit therein may be taxable.</p>	<p>Bursa clarified that there is no separate registration or tagging for Trading Specialist. However, POs are required to provide their list of investors that fulfilled the Trading Specialist criteria, together with their CDS accounts and year 2017 average monthly traded value for Bursa to compute the rebates.</p>
3.	Bursa-SGX Connect	<p>As announced by the Prime Minister on 6 June 2018, the Government will study and review the Bursa-SGX Connect.</p>	<p>Bursa updated the meeting that they had conducted a survey on the Bursa-SGX Connect and communicated the survey results together with Bursa’s views to the SC. This matter is pending further direction from SC.</p>
4.	Intraday Short Selling (IDSS) - Take Over Announcement	<p>POs highlighted their concern that current system is unable to control/prevent the execution of IDSS by the POs on the</p>	<p>Bursa’s Commercial &amp; Development team to update the industry after it has completed the six (6) months post implementation review and</p>

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		<p>abovementioned Designated Securities or public listed companies with corporate announcement and that POs could only do manual control/monitoring on this matter. He highlighted that Bursa has existing rules to suspend the necessary counter from short selling of the price were to drop more than 15%. Hence the existing rule of 21 days may not be necessary or relevant.</p>	<p>discussed with the SC.</p>
5.	<p>Intraday Short Selling (IDSS) - Take Over Announcement</p>	<p>POs raised a concern that there is no system to control/ prevent the execution of IDSS by the POs on the Designated Securities and that POs could only do manual control/ monitoring on this matter. POs suggested Bursa to suspend the counter from short selling, with the suspension, POs do not require to do manual control/ monitoring.</p>	<p>Bursa to put forward this issue to the SC and to repeal the said rule.</p>
6.	<p>LEAP Market</p>	<p>POs requested Bursa to review the admission requirements, application process/ timeline to facilitate more trading activities in the LEAP Market.</p>	<p>Bursa's Commercial &amp; Development team will approach the SC on the admission requirements after several more listed issuers, when Bursa has adequate statistics on trading and admission.</p>
7.	<p>Rules Of Futures And Equity</p>	<p>POs proposed to Bursa to consider streamlining the rules in respect of Futures and Equity, i.e. (1) phone recording required for Futures Commissioned Representatives but no such requirement for remisiers; and (2) Dealer mobility allowed for Equity but not for Futures.</p>	<p>Bursa's Regulation to submit the rule amendments to SC by end of 2018 or early 2019.</p>

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8.	T+2 Settlement Cycle	POs requested an update on T+2 Settlement Cycle	<p>Bursa is looking at two (2) options for the T+2 Settlement Cycle. Following the industry's feedbacks to Bursa from the foreign and local investors' perspective, Bursa will be consulting the SC on the proposal.</p> <p>Bursa is planning to launch T+2 Settlement Cycle tentatively in 1<sup>st</sup> quarter of 2019, subject to the SC's approval. Bursa also informed the meeting that Indonesia and Singapore are launching T+2 Settlement Cycle in 2018.</p> <p>In response to industry's feedback that POs need six (6) to eight (8) weeks to prepare for the changes, Bursa will give sufficient notice for POs to make the necessary changes to their system/ back office before the implementation of the T+ 2 Settlement Cycle.</p>
9.	Bursa Malaysia – Computer Emergency Response Team	POs asked the update on Bursa Malaysia – Computer Emergency Response Team.	<p>POs had identified their BM-CERT's coordinator and Bursa had conducted BM-CERT testing with the industry for escalation and reporting on: -</p> <ul style="list-style-type: none"> <li>i) e-mail alert notifications from Bursa to POs;</li> <li>ii) Cyber incident logging by POs to Bursa Customer Service and BM-CERT email.</li> </ul>
10.	e-CDS Services	POs requested an update on e-CDS Services.	<p>Bursa updated on the following:-</p> <ul style="list-style-type: none"> <li>i. In August 2018, Bursa conducted on-site visitation/engagement with seven (7) ADAs/ POs on Depository Account Management's activities and Business</li> </ul>

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			<p>Process Improvement;</p> <p>ii. On 25 September 2018, Bursa shared the outcome from the on-site visitation / engagement and feedback from the industry; and</p> <p>iii. The next step is to engage the industry for Business Process Improvement pertaining to eSignature, transfer of securities, updating of account details and integration to the POs system.</p>
11.	Volume-Based Incentive Programme (“VBIP”) Rebate Supporting Market Liquidity	POs raised a concern on the VBIP claim submission that POs are given only one chance to submit to Bursa a complete and accurate file. If there is any error, the claim will be void.	Bursa responded that based on POs’ past submissions, their files submitted are complete and accurate. Bursa added that should there be any error in the first file submission that are beyond the PO’s control, the PO may resubmit the file immediately to ensure a smooth straight through processing of the rebate.
12.	Mini FTSE Bursa Malaysia Mid 70 Index Futures (“FM70”)	<p>POs highlighted that due to SC’s ruling on the requirement to have eight (8) years of experience for a candidate to qualify for the post of Head of Futures, it is difficult to get the candidate.</p> <p>POs queried on the differences in clearing fee between FKL and CPO.</p>	<p>Bursa’s Regulation to raise this matter with the SC.</p> <p>Bursa explained that previously the clearing fee for both FKL and CPO were the same. However, when Singapore Stock Exchange (JADE) and Chicago Stock Exchange (CBOT) went into a joint venture and launched CPO contract, their clearing fee was lower. Accordingly Bursa</p>

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			Derivatives responded by lowering the clearing fee.
13.	Liquidity Providers	PO highlighted that the trading strategy/methodology of their liquidity providers/ traders had changed due to development in the digitalisation/ algo trading. Their trading orders and/or trades cancellation, which are genuine and have no impact to the market, may trigger unnecessary surveillance concern and query from the authority.	Bursa to look into this concern.
14.	Trading On Over-The Counter ("OTC")	POs enquired whether Bursa will relook at Rule 7.09 of the Rules of Bursa Securities for OTC trades through a non-member of the World Federation of Exchanges ("WFE") (i.e. not a Recognised Stock Exchange pursuant to Rule 7.09), as it may lead to loss of opportunity for the clients.	Bursa updated that the proposal to remove this rule has been forwarded to the SC. Upon approval by the SC, Bursa will inform the industry accordingly via the rule amendment process.
15.	Regulatory Reporting	POs enquired whether there is any duplication of regulatory reporting through systems developed by Bursa and the SC.	<p>Bursa responded that these are two (2) different systems owned by the SC and Bursa respectively. Bursa's reporting system will be launched in December 2018.</p> <p>Bursa further clarified that SC is fully aware of Bursa's web based e-Reporting initiative, and that whenever information come from the POs to Bursa, it will also go to the SC. If SC needs additional information, it will request from the POs directly.</p>