

Summary of issues raised at the SMOC Meeting on 24th January 2019

No	Operational Issues	Comments & Suggestions	Response from Bursa
1.	Intraday Short Selling (IDSS)	Participating Organizations (POs) requested for some updates on IDSS's trading statistics to see the progress whether it has increased or decreased.	<p>Bursa updated that the IDSS volume has picked up. As at last quarter, average IDSS volume was 2.3% of total market volume, as compared to around 1% when it was just started in April 2018. Bursa added that in 2018, the daily average IDSS volume was 34 million, while during the first few weeks of 2019, it has increased to 46 million.</p> <p>Bursa has proposed to the Securities Commission ("SC") on the expansion of SBL Approved Securities list. If SC approves, there will be a wider range of securities available for SBL.</p>
2.	Bursa-SGX Connect	As announced by the Prime Minister on 6 June 2018, the Government will study and review the Bursa-SGX Connect.	There is no new development/ update on Bursa-SGX Connect. This matter will continue to be tracked until further direction or development from the SC.
3.	Intraday Short Selling (IDSS) - Take Over Announcement	POs requested update on Bursa's proposed rules amendments to the IDSS-Take Over Announcement.	SC has approved Bursa's proposed amendments to the Bursa Malaysia Securities Rules on IDSS (on Take Over Announcement), and Bursa has issued it on 19 th December 2018. The restriction to execute short selling during the period of 21 days immediately following a takeover announcement involving the issuer of an Approved Securities or the Constituent Securities, has now been removed.

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4.	T+2 Settlement Cycle – Extend Cut off Time by BNM And Commercial Banks	Based on the T+2 Business Requirements Framework, the selling broker is to pay selling client between 4:00pm to 5:00pm. POs commented that the cash settlement timing is fine if BNM and commercial banks extend their cut off time until 5:00pm.	Bursa had a meeting with BNM PayNet on 12th December 2018 and PayNet had verbally indicated its concurrence to extend the cut off time until 5:00pm. Bursa is awaiting confirmation in writing from PayNet.
5.	Direct Business Transaction (“DBT”) Crossing	<p>POs proposed that the after-market DBT crossing to be allowed until 5:30 pm from the current 5:15 pm. This would allow POs and clients more time for DBT, especially towards closing and month end closing.</p> <p>POs explained that the request was made based on practicality to handle last minute request to complete DBT order before the cut-off time at 5:15pm due to late instruction received, which requires documentation and approval before crossing.</p>	Bursa emphasized that they only facilitate 9:00 am to 5:00 pm to trade. Any trade initiated after 5:00pm, must be allocated for the next day trade. Market needs to follow the time given. If POs need to undertake DBT crossing, it shall be within the timeframe given.
6.	Bursa’s Initiatives for 2019	POs enquired on the initiatives undertaken by Bursa in 2019. This information will facilitate brokers in their planning, budgeting and prioritization of resources.	Bursa had shared its initiatives with the industry in December 2018 and Bursa Operations will be sharing its Group Key Projects with the industry on 29th January 2019.
7.	Cost of Doing Business	POs suggested Bursa to assist the industry to bring down the cost of doing business. The spiraling increase in cost should be controlled or brought down.	Bursa informed that this matter is with the SC, as part of their review.

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8.	Stock Market Making Program	POs would like to seek more information / details on Stock Market Making program piloted by Bursa.	<p>Bursa had on 30th August 2018 notified the industry on its planned program on Stock Market Making and all POs were invited to indicate their interest to participate.</p> <p>Bursa had an engagement session with the POs on 17th January 2019 to discuss specifically on the Stock Market Making Program in greater details. POs are given until 25th January 2019 to revert on their interest to participate.</p>
9.	CDS-STP Monthly Fee	POs enquired whether the CDS-STP monthly fee (MYR1,500) could be reduced to improve subscription rate. POs who only subscribe to the functionality on CDS transfer are required to pay RM1,200 per month. POs wanted to know whether Bursa could also share the full pricing structure of the CDS-STP.	Bursa to further discuss with the industry and to evaluate their proposal.
10.	LEAP Market	POs requested Bursa to review the admission requirements, application process/timeline to facilitate more trading activities in the LEAP Market.	<p>Bursa has undertaken several engagements with the advisers and other industry participants since 11th October 2018 for feedback on improving liquidity of the LEAP Market and on enhancing listing requirements to provide clarity on admission of companies as well as advisers.</p> <p>Bursa further updated the industry on the initiatives to address LEAP Market such as engaging POs to facilitate the tagging process; engaging SC to allow self-declaration rules and</p>

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			<p>to liberalize the criteria for sophisticated investor. From the POs' perspective, they should encourage high net worth investors to trade and to broaden their participation in the LEAP Market.</p> <p>Bursa emphasized that more SME companies with good Standard Operating Procedures, good governance and sophisticated investors, to be listed on the LEAP Market. Once these companies are ready, then they can move to the normal market, ACE or MAIN board.</p>
11.	Sales and Service Tax (SST)	POs requested for an update on the SST issue.	<p>Following the announcement by the Royal Malaysian Customs Department ("RMCD") on 31st December 2018 on the new types of services to be subjected to SST (including Brokerage and underwriting services), Bursa had invited representatives from the industry (ASCM, MIBA, MFBA) for a meeting on 7th January 2019 to discuss: -</p> <ul style="list-style-type: none"> i. The list/types of "Brokerage and underwriting services" that would be affected; ii. The impact of the Service Tax (Amendment)(No.3) Regulations 2018 on the stockbroking industry; iii. The approach in addressing the issues; and iv. Any other industry feedback/ generic

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			<p>view on SST.</p> <p>Bursa had on 22nd January 2019 formally written to RMCD to request for a meeting in January 2019 to discuss the following: -</p> <ol style="list-style-type: none"> i. Clarification from the RMCD whether brokerage fees charged on the foreign investors for capital market products traded on Bursa Malaysia are subject to service tax; ii. Concessionary approval from RMCD to provide extension of one (1) month to the Brokers to start charging service tax from 1 April 2019; iii. Concessionary approval from RMCD to streamline the effective date of 1 April 2019 for all Brokers; and iv. Concessionary approval from RMCD for the POs to remit service tax on brokerage fees on securities products traded in securities exchange to the RMCD based on accrual basis. <p>Bursa will be extending an invitation to the Associations on the meeting with RMCD.</p>
12.	Implementation of T+2 Settlement Cycle	POs requested for an update on the implementation of T+2 Settlement Cycle.	<ul style="list-style-type: none"> • Target to commence user acceptance testing in February 2019. • The launch date tentatively will be in April 2019.

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13.	Big Data Analytics	POs requested for an update on Big Data Analytics.	Bursa will be sharing with the industry on the analytics requirements in the first quarter of 2019.
14.	e-CDS Services	<ul style="list-style-type: none"> • POs requested for an update on e-CDS Services. • POs enquired about the implementation of CDS e-Services and whether the CDS physical form will be eliminated. 	<ul style="list-style-type: none"> • On 22nd and 24th October 2018, Bursa conducted CDS e-Services Workshop with industry on eSignatures, transfer of securities, updating of account details and integration to the POs' systems. Bursa will be sharing the summaries/outcomes of the CDS e-Services workshop with the industry in the first quarter of 2019. • Bursa responded that they will not be abolishing physical form but there is potential reduction in physical CDS form.
15.	Alternative Trading System ("ATS")	POs asked if there is any development/ update on ATS and Securities Financing.	Bursa informed that there is no update so far on ATS from the SC.
16.	Registered Address Required During CDS Account Opening	POs wanted to know the rationale for Bursa requesting for registered address for CDS account opening. POs highlighted of a problem during CDS account opening for investor because Bursa Depository required registered address but bank does not require it.	Bursa explained that Bursa Depository required the registered address for validation purpose. In addition, if there is any legal proceeding, Bursa Depository will serve legal notice to the registered address.