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# ASCM Quarterly

Issue 1 of 2020

## ASCM Major Activities in 1Q of 2020

### 1. ASCM Sub-Committees of 2020 - 2021

At the First ASCM Management Committee Meeting of 2020 held on 21 January 2020, the Management Committee resolved to establish the following Sub-Committees for 2020 - 2021:-

#### Market Development Sub-Committee

1. Chew Sing Guan (Chairman)
2. Dato' Dr Ahmad Azman
3. Azura Azman
4. Wong Yoke Weng
5. Choong Yat Weng
6. Chong Sze Yew
7. Leo Ong Chin Liang

#### Regulations Sub-Committee

1. Wong Yoke Weng (Chairman)
2. Dato' Dr Ahmad Azman
3. Chew Sing Guan
4. Azura Azman
5. Tan Swee Geok
6. Lee Cheng Wah

#### Finance Sub-Committee

1. R. Sundararajah (Chairman)
2. Chan Tuck Kiong
3. Mohd Faizal Shamsul Annuar
4. Tan Ming Lock
5. Lim Geok Lian
6. Ridzuan Ishak

#### Market Operations Sub-Committee

1. Azura Azman (Chairperson)
2. Dato' Dr Ahmad Azman
3. Chew Sing Guan
4. R. Sundararajah
5. Chan Tuck Kiong
6. Fok Chuan Meng
7. Tan Swee Geok

#### SIDC and Training Sub-Committee

1. Tan Mun Choy (Chairman)
2. R. Sundararajah
3. Fok Chuan Meng
4. Mohd Faizal Shamsul Annuar
5. Ridzuan Ishak

#### ASCM Management Committee 2020- 2021

1. Dato' Ahmad Azman –Chairman
2. Chew Sing Guan – President
3. Azura Azman– Vice President
4. Tan Mun Choy – Secretary
5. R. Sundararajah – Treasurer
6. Chan Tuck Kiong
7. Fok Chuan Meng
8. Tan Swee Geok
9. Wong Yoke Weng

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## 2. Share Consolidation Issue

ASCM shares the view of the SC on the importance of seamless digital customer trading experience. One of the initiatives undertaken is to cease trading blocks during share consolidation exercises. To achieve this, POs are requested to enhance their order management systems (OMS) to compute the adjusted share balance so the investors are able to view their adjusted share balance on the ex-date.

ASCM had written to SC on 19th February 2020 on the matter and subsequently, we had a meeting with SC on 28th February 2020. ASCM had highlighted that as much as the industry would like to carry out the requirement by SC, there are concerns facing the POs as the following:

- Although POs can engage their vendors to deploy system change on their OMS and carry out a number of processes (during consolidation) to compute the adjusted share balance for trading on ex-date, the share balance kept by OMS may not be accurate. The share balance is also subject to re-computation taking into consideration the buying and selling transactions during cum date which are pending settlement and also inward and outward transfer of shares before the cut-off time of Book Closure Date. This is the inherent structural issue that need to be resolved.
- Similarly, Bursa has expressed its concern to compute the adjusted balance for trading on ex-date and forward the file to POs as Bursa has indicated that Bursa Depository is concerned of the risk if there are errors on the adjusted share balance. On POs' request of outsourcing the computation to Bursa under a commercial arrangement, Bursa is only willing to undertake the task with a disclaimer that the accuracy of the adjusted share balance could not be guaranteed.
- Instead of requesting all the POs to engage their vendors to enhance their OMS and to compute the adjusted share balance, it makes more economic sense for this to be done centrally. This will also minimise the risk of carrying out a

number of processes by the POs whenever there is a consolidation exercise. Bursa being the custody of the central depository system, is in a better position to carry out this task effectively and reduce the risk of computational errors and thus streamlining the process.

- Over the years on average there are less than 10 consolidation exercises undertaken each year. From the risk and cost benefit analysis, the efforts taken may not be beneficial to the POs. The income benefit in terms of commission earned and the ability to trade straight through by an online investor is not commensurate with the risk, financial loss and equally important, the resultant bad publicity for all stakeholders in the industry, e.g. the case of ICON.

On 4<sup>th</sup> March 2020, ASCM had again written to SC highlighting the risks facing the POs and proposing the following arrangement for SC's considerations:

- Although some POs had already undertaken to engage their vendors to deploy system change on their OMS and to carry out a number of processes to adjust the share balance, albeit reluctantly, the onus should be on Bursa/Bursa Depository to carry out this task and the risk should not be transferred and assumed by the POs. This task can be executed by Bursa to prevent unforeseen issues that may arise.
- Until such task is taken over by Bursa/Bursa Depository, POs should be given the flexibility and adaptability to exercise its own judgement on how to handle the event, whenever there is a consolidation exercise on the condition that their clients are not prohibited to trade (to ensure equality of access for all investors and thus maintaining an equal playing field) for example, order entry by their Dealer's Representative. ASCM has also made it clear that POs which impose an online trading block do not mean that their clients are prevented or restricted from trading the shares. By requesting the clients to call in, sellers on the ex-date will not be exposed to any risk of uncertainty as to the number of shares they have. Thus, POs will not be held responsible for any consequence arising from their actions.

- As an alternative approach, the industry may consider suspending the counter for two days i.e. on the ex-date and on lodgement date to eliminate the risk that both Bursa and POs are not willing to take. A trading halt perhaps is the simplest, cleanest and most efficient way to overcome the structural impediment where provision of accurate, mathematically correct balances are near impossible even by Bursa.

We will keep the members updated on the latest development of this matter in due course.

### **3. Industry Tripartite Consultation Platform**

Following the SC Industry Dialogue 2019, an industry tripartite consultation platform comprising of representations from SC, Bursa and Trade Associations will be formed in 2020 to look into issues affecting the industry.

In a preliminary meeting with SC on the setting up of the industry tripartite consultation platform held on 13<sup>th</sup> January 2020, ASCM had discussed with the SC on the term of reference (TOR) for the industry tripartite consultation platform.

The consultative platform is intended to:

- To deliberate current/emerging issues and challenges in the brokerage industry;
- To identify potential solutions, if any, to the issues and challenges in the brokerage industry; and
- To share current trends and developments in the brokerage industry.

ASCM will keep the members updated on the development of this consultation platform in due course.

### **4. Proposal to Shorten Trading Hours During the Movement Control Order Period**

Amid the Covid-19 pandemic, the Government has imposed the Movement Control Order (MCO) effective from 18<sup>th</sup> March 2020 until further notice.

Understanding the severity of the Covid-19 pandemic, ASCM had written to Bursa on 26<sup>th</sup> March 2020 requesting Bursa to explore the possibility to shorten the trading hours during the MCO period. ASCM's utmost priority is the health, safety and well-being of the POs' employees and customers.

Bursa had then conducted a survey to the industry stakeholders on the shortening of trading hours during the MCO period. Bursa responded to ASCM that the overall result of its survey show no clear majority in favour of a shorter trading hours during the MCO period.

### **5. Other Major Meetings/Events**

- On 3 January 2020, ASCM responded to Bursa's industry consultation on the Simplification of the Rules and Directives of Bursa Malaysia Securities Berhad.
- On 14 January 2020, ASCM representative attended the Brokerage Industry Digitisation Group (BRIDGE) Steering Committee meeting at SC.
- On 27 February 2020, ASCM representatives attended the FINEVO Technology Trading Platforms Briefing at Hilton Hotel, Kuala Lumpur.
- On 16 March 2020, representatives of ASCM Management Committee attended the Securities Market Operations Committee (SMOC) meeting at Bursa.