

**MEMORANDUM
FOR YOUR FEEDBACK**



Ref No : 0033 of 2020/PO

Date : 2 October 2020

To : Executive Director/ Head of Dealing
Executive Director/ Head of Operations

From : The Secretariat, ASCM

By Email

No. of pages : As per attachment

**RE : CONSULTATION ON THE PROPOSED RULES AMENDMENTS IN RELATION TO THE
PROPOSED FRAMEWORK FOR DISCRETIONARY TRADING**

Dear Members,

Bursa is seeking public feedback on the proposed amendments to the Bursa Malaysia Securities Rules and Directives and Bursa Malaysia Derivatives Rules and Directives in relation to the proposed framework for discretionary trading and other amendments ("Proposed Amendments").

Discretionary trading is described as a service provided by a broker for its client where investment goals are set with the client, based on the specified investment policies (e.g. risk tolerance). This service includes the execution of buy and sell orders and administration of the client's account. In other jurisdictions, discretionary trading is also known as managed accounts where the broker charges service fees and not transaction-based execution fees.

The key Proposed Amendments set out in the Consultation Paper include the following:

BMS Rules and Directives

1. Introducing new provisions in relation to discretionary trading;
2. Clarifying the Participating Organisation's ("PO") readiness audit obligation;
3. Enhancing and clarifying the compliance obligations of a PO and Head of Compliance;
4. Clarifying existing provision on sharing of profits in relation to discretionary trading;
5. Introducing new requirements for the POs and Dealer's Representatives ("DR") to comply with in operating a discretionary account which include:
 - i. eligibility criteria for the DRs;
 - ii. requirements pertaining to trading in a discretionary account; and
 - iii. the fee models applicable for trades executed under a discretionary account either on a profit-sharing or fee arrangement
6. Other amendments.

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BMD Rules and Directives

1. Introducing a new definition of “discretionary account”;
2. Moving the requirements relating to discretionary account to BMD Directives;
3. Introducing and clarifying the compliance obligations of a Trading Participant (“TP”) and Compliance Officer;
4. Clarifying existing provision on sharing of profits in relation to discretionary trading; and
5. Introducing new requirements for the TPs and Registered Representatives (“RR”) to comply with in operating a discretionary account which include;
 - i. eligibility criteria for the RRs;
 - ii. requirements pertaining to trading in a discretionary account; and
 - iii. the fee models applicable for trades executed under a discretionary account either on a profit-sharing or fee arrangement.

The key Proposed Amendments are explained in greater detail in the Consultation Paper. The Consultation Paper and the relevant annexures are attached herewith for your reference:

- Consultation Paper
- Annexure 1 – Proposed amendments to BMS Rules and Directives
- Annexure 2 – Proposed amendments to BMD Rules and Directives
- Annexure 3 – Table of Comments

We believe your input is crucial and invaluable in order to achieve a balanced and sound regulatory framework. Please provide your comments by completing and submitting the attached Table of Comments to us at saifulazmi@ascm.org.my on or before 19 October 2020 to allow ample time for ASCM to finalize the industry feedback to Bursa.

Thank you

Yours sincerely,


Lim Boon Hang
Executive Director, ASCM Secretariat