

Summary of issues raised at the SMOC Meeting on 15 September 2020

No	Operational Issues	Comments & Suggestions	Response from Bursa
1.	Reintroduction of Defaulter List	<ul style="list-style-type: none"> POs viewed that since the issues on full participation from the brokers and compliance to Personal Data Protection Act (“PDPA”) are not able to be resolved, the defaulter list initiative is to be withdrawn. 	<ul style="list-style-type: none"> Bursa proposed for the matter to be closed and POs concurred to close this matter.
2.	Securities Commission’s Levy (SC Levy)	<ul style="list-style-type: none"> POs highlighted that this matter was raised at the Brokerage Industry Consultative Committee (“BICC”) meeting and till to date there has not been any conclusion on it. POs added that that at the BICC meeting, SC clarified that from the Act and Orders perspective, it is clear that the SC levy is imposed on the buyer and seller. However, on the Bursa Rules under Schedule 7, it is mentioned that the SC levy is payable from the commission. This has raised some confusion whether the levy is to be borne by the investors or by the POs. 	<ul style="list-style-type: none"> Bursa informed that the Exchange has been in conversation with the SC on the SC Levy and will update the SMOC after the SC reverted on this matter. Bursa commented that there is no mandatory position on who is supposed to bear the SC levy cost. However, any inconsistency of the Bursa Rules and the Securities Commission Act 1993 in relation to SC Levy will be addressed. Bursa will engage SC on the SC’s Levy and to effect Rule amendment, if any.
3.	Thinly Traded Company / Inactive Company	<ul style="list-style-type: none"> MIBA has earlier initiated to provide some research on this matter. However, due to current situation and the industry is busy with other priorities, MIBA members opined that now may not be a suitable time to review this matter. ASCM is willing to work with MIBA to push it further. ASCM highlighted that nearly 45% of the counters listed on Bursa were not 	<ul style="list-style-type: none"> Bursa welcomed MIBA to form a working group between ASCM, MIBA and relevant stakeholders to look into this matter.

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		<p>traded, ASCM had during the past three (3) different dialogues with the SC, proposed for counters that have not been traded for more than a year, to put a flag and make them non marginable.</p> <ul style="list-style-type: none"> MIBA opined that it is in the interest of the brokers, ASCM and MIBA to look at those areas that could pick up activities for the market, including to engage government link companies, unit trust/ fund manager and shareholders, and changes to listing rules mandatory for stocks to have certain trading volume. MIBA suggested to also consider minority shareholders' interest if the shares are made non marginable or delisted. 	
4.	Cost of Doing Business	<ul style="list-style-type: none"> POs sought an update on Bursa's study on the industry's cost of doing business. 	<ul style="list-style-type: none"> Bursa informed that the survey on "the brokers' cost of doing business" conducted in July 2020 has been completed and the results will be shared with the industry soon.
5.	Issuance of New License To Operate Full-Fledged Stockbroking Company	<ul style="list-style-type: none"> The POs raised concerns on the issuance of new stockbroking license to operate as a full-fledged stockbroking company. 	<ul style="list-style-type: none"> Bursa commented that the industry must be cognizant of the SC's vision/ aspiration of the capital market and engage it in a constructive way as to how the industry can benefit from this, what the industry can do and how Bursa can support the industry to increase the vibrancy of the market. Bursa

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			<p>also informed that a new capital market master plan will be coming on board soon, and an engagement will be held with the SC which will include the POs to discuss ways for a continuous growing and healthy capital market.</p> <ul style="list-style-type: none"> • Bursa reminded that changes are bound to happen and industry players should strive towards a robust and healthy market.
6.	Trading Halt	<ul style="list-style-type: none"> • POs sought clarification from Bursa on the trading halt occurred at the Exchange. 	<ul style="list-style-type: none"> • Bursa is working closely with NASDAQ to prevent similar trading halt incident caused by technical issue on 16 July 2020 from recurring. • On the Distributed Denial of Service (“DDoS”) attacks on New Zealand Stock Exchange recently, Bursa informed that it has introduced another layer of defense called “Cloud Flare”. Bursa BM-CERT team will communicate with the brokers’ Technology team on the defense from DDoS attack.
7.	Rights Issue of Permaju Industries Berhad (“Permaju”)	<ul style="list-style-type: none"> • The Permaju ICPS and warrants were listed on 21 August 2020 arising from the Rights Issue exercise. However, there was a delay in the crediting of the ICPS and warrants in the CDS accounts of the entitled shareholders. The crediting was only 	<ul style="list-style-type: none"> • Bursa informed that there was a delay in the crediting of the Permaju ICPS and Warrants into the depositors’ accounts, it was credited at 9:10am on the listing date 21 August 2020, instead of before the listing date. However, this did not affect the

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		<p>completed at 9:10am on 21 August 2020. POs sought an explanation from Bursa on this matter.</p>	<p>trading, delivery and settlement of Permaju ICPS and Warrants for trades done on the listing date.</p>
8.	Notification of PO's System Related Issues	<ul style="list-style-type: none"> • Bursa Regulation had on 3 July 2020 sent out email reminder to all POs' on their obligations under the Rules of Bursa Securities and Derivatives to immediately notify the Exchange of any system-related issues that they encountered. 	<ul style="list-style-type: none"> • Bursa shared the following statistics with the meeting on the number of incidents received from the brokers from April to 4 September 2020 and the duration of their trading system disruption, slowness, intermittent outages and/or unavailability that have affected their Online clients and/or Remisiers' trading: - <ul style="list-style-type: none"> ○ Bursa received 138 notifications (reported incidents) from 23 POs during the period from April 2020 to 4 September 2020, of which 82 incidents reported come with their duration of disruption; ○ Duration of the system disruption, slowness, intermittent outages and/or unavailability:- <ul style="list-style-type: none"> ▪ 5.00 minutes and below - 9.76% ▪ 5.01 to 10.00 minutes - 3.66% ▪ 10.01 to 15.00 minutes - 19.51% ▪ 15.01 to 20.00 minutes - 9.75% ▪ more than 20.00 minutes - 57.32%

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		<ul style="list-style-type: none"> POs enquired on the parameter for reporting of their system glitches, e.g. duration of system glitches that need to be reported to the Exchange. 	<ul style="list-style-type: none"> Incidents mostly occurred during the first 30 minutes of trading from 9:00am to 9:30am. Bursa highlighted that it is important for the industry to timely notify the Exchange and the SC on such incidents. Bursa requested the POs to continue follow the existing parameters/ reporting requirements for the time being until end of 2020.
9.	Opening of CDS Account via Bursa Anywhere (“BA”)	<ul style="list-style-type: none"> POs highlighted that in the clients’ opening of CDS account via BA, there are instances where brokers could not download documents provided by clients as the downloading process was interrupted. 	<ul style="list-style-type: none"> Bursa informed that the problem reported was resolved at the POs firewall space.
10.	Trading of Malaysian Government Securities (“MGS”) and Government Investment Issues (“GII”) on Bursa Malaysia Securities	<ul style="list-style-type: none"> POs requested Bursa to update the industry on the MGS and GII initiatives. 	<ul style="list-style-type: none"> Bursa informed that the initiative involves BNM, SC, and changes to the existing Law/Acts. It would eventually need to go through Attorney General Chamber. This may take time and Bursa will provide updates when there is any progress.
11.	Securities Financing Transaction	<ul style="list-style-type: none"> POs requested for some updates on Bursa’s Securities Financing initiative for institutional trades/ prime brokerage linked to SBL. 	<ul style="list-style-type: none"> Bursa updated that the review study on SFT will be postponed as the Exchange is currently focusing on the new short selling framework and review of existing Securities Borrowing and Lending framework. Bursa added since 3 August 2020, the list of “eligible securities” permitted to be

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			<p>borrowed to facilitate the settlement of potential failed trades has been extended to include all securities listed on the Exchange.</p>
12.	Facilitating Online Submission	<ul style="list-style-type: none"> • POs proposed the authorities and the industry to review the reporting / processes to increase the efficiency arising from COVID-19 Work from Home (“WFH”) environment and requested Bursa to assist in liaising with the following authorities: <ul style="list-style-type: none"> i. Stamp office: to accept online payment for stamp duty instead of only banker’s cheque over the counter. ii. Bursa to assist in liaising with the Company Registrars, to issue e-tax vouchers for dividend payment. 	<p>Bursa shared the following updates:</p> <ul style="list-style-type: none"> a) <u>Stamp office to accept online payment for stamp duty instead of only banker’s cheque over the counter</u> Bursa has approached the Stamp Office and was verbally informed that they did not object to the idea. Bursa will inform the industry once Bursa has further update from the Stamp Office. b) <u>Bursa to assist in liaising with the Company Registrars, to issue e-Tax vouchers for dividend payment</u> LHDN has no objection on Bursa’s proposal to send dividend tax vouchers via email to shareholders. Bursa is currently engaging payment banks to operationalize the implementation of e-Tax voucher. It was noted that 45% and 76% of depositors have registered their email and eDividend respectively. There was suggestion that the front line team who are serving the investors, i.e. brokers, could intensify the collection of email addresses and eDividend bank account details from their depositors,

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			to enable more investors to receive their dividends electronically.
13.	Electronic Know Your Clients (eKYC)	<ul style="list-style-type: none"> • POs sought Bursa to brief the comparison of e-KYC and Non Face-to-Face Guidelines of Bursa Malaysia, Securities Commission and Bank Negara Malaysia • POs commented that the information shared by Bursa is useful, with detailed comparisons of the expectation, KYC framework/ guidelines, information fields for on-boarding of clients (e.g., low risk, medium risk and high risk) and latest biometrics requirements. POs also added that it is an on-going effort by BNM in dealing directly with different banking groups and there is a need for Investment Banks to work closely with the banking groups on this matter. • POs enquired whether it is possible for industry to get a confirmation from BNM to use Bursa's eKYC requirement. • POs shared Paragraph 7.4 of BNM's Electronic Know-Your-Customer ("eKYC") Standard and seek Bursa's assistance to 	<ul style="list-style-type: none"> • Bursa briefed that based on the comparisons; the three (3) Authorities, BNM, SC and Bursa are having similar requirements on Non Face-to-Face and eKYC. • BNM explained that Paragraph 7.6 and 7.10 of the BNM's Guidelines on electronic KYC is guidance. Bursa further elaborated the following alphabets in the BNM's Guidelines: - <ul style="list-style-type: none"> ○ "S" is Standard, whereby the standard procedures must be adhered to, failing which it becomes a compliance issue; ○ "G" is a Guideline, whereby it is recommended to be admitted. • Bursa responded that the industry can seek clarification from BNM. • Bursa will seek BNM's clarification and revert to SMOC.

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		<p>clarify it with BNM.</p> <p><i>Paragraph 7.4 of BNM’s eKYC Standard :- “A financial institution shall adopt an appropriate combination of authentication factors when establishing measures to verify the identity of a customer being on-boarded through e-KYC. The strength and combination of the authentication factors shall be commensurate to the risks associated with inaccurate identification for a particular product or service”.</i></p>	
14.	Online Onboarding Workflow	<ul style="list-style-type: none"> • POs sought Bursa to explain on the online onboarding workflow for upfront payment clients, using direct CDS account and Authorized Nominee CDS account. • POs enquired if there are intermediary/ instructing client (PO’s counterparty which is a licence entity) and beneficiary in an authorized nominee account, whether the PO is required to conduct authentication on the beneficiary. • On the signatories for opening of CDS account, POs highlighted that they have no 	<ul style="list-style-type: none"> • Bursa informed that POs are allowed to either go for direct CDS account or authorized nominee account, most important is to invest and have the system in place. • Bursa responded that the intermediary/ instructing client is required to do KYC on their client, pursuant to the dealing in securities license issued by the SC. • Bursa informed that Bursa Depository is reviewing wet signature and other form of

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		<p>issue for CDS account opened under authorized nominees, as the signatories will be the PO's signatories, similarly for Bursa Anywhere, it will be the applicant's Digital Signature. However, on the trading account opening, the trading account form which carries the Terms And Conditions ("T&C") of operating the account, more importantly when there is dispute or losses and the legal process still very much look at wet signature confirmation by the clients that they accepted the terms and conditions of the trading account. POs added even though currently clients can open CDS account online through Bursa Anywhere, the clients are still required to confirm the T&C and sign the Trading Account form.</p>	<p>signatures for CDS account opening, will revert at the next SMOC meeting.</p>
15.	Electronic Dividend Reinvestment Plan ("eDRP").	<ul style="list-style-type: none"> POs sought Bursa to update on the eDRP initiative. 	<ul style="list-style-type: none"> Bursa updated that it is moving towards enabling eDRP. As per Federal Government Gazette dated 15 May 2020 [on Notification of Authorised Person To Compound Instrument Under Subsection 9(1)], Bursa together with seven (7) Share Registrars have been appointed as authorised persons to compound payment of stamp duty for Dividend Reinvestment Forms (stamp collector for the purpose of eDRP).

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16.	Web CDS and eArmada	<ul style="list-style-type: none"> POs enquired if Bursa has plans to upgrade the Web CDS and eArmada to Google Chrome as currently it is working on Internet Explorer which is out of support. 	<ul style="list-style-type: none"> Bursa informed that it will revert on this matter.
17.	Regulated Short Selling (“RSS”)	<ul style="list-style-type: none"> POs enquired if there is any updates and direction on the RSS temporary suspension after 31 December 2020. 	<ul style="list-style-type: none"> Bursa informed that the upliftment of temporary suspension and re-introduction of RSS will be staggered. Bursa is looking into normalizing the rules on short selling and will provide more details/ clarity to the industry soon.
18.	Increase Maximum Orders	<ul style="list-style-type: none"> POs enquired whether Bursa could consider increasing the maximum orders quantity from 500,000 to 1,000,000 units. Although split orders can be done for large order quantity, but the algorithm trading will take precedent over the split orders. 	<ul style="list-style-type: none"> Bursa commented that for large order quantity, there need to have quality messaging.