

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 25 June 2025

No.: G 13 of 2025

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad and Rules of Bursa Malaysia Derivatives Berhad ("Bursa Rules")

25 June 2025

BURSA MALAYSIA REPRIMANDS AND FINES PHILLIP CAPITAL SDN. BHD. FOR BREACHES OF BURSA RULES

Bursa Malaysia Securities Berhad [Registration No.: 200301033577 (635998-W)] (**Bursa Malaysia Securities**) and Bursa Malaysia Derivatives Berhad [Registration No.: 199301007200 (0261937-H)] (**Bursa Malaysia Derivatives**) (collectively "**Bursa Malaysia**") have publicly reprimanded and imposed a fine of RM160,000 on Phillip Capital Sdn. Bhd. (**PCSB**) for various breaches of the Rules of Bursa Malaysia Securities and the Rules of Bursa Malaysia Derivatives (collectively referred to as "**the Rules**").

The imposition of the public reprimand and fine of RM160,000 on PCSB, a Participating Organisation (**PO**) of Bursa Malaysia Securities and a Trading Participant (**TP**) of Bursa Malaysia Derivatives, were in respect of the breaches of various provisions of the Rules and the Directives for the following violations/non-compliances (**the Breaches**): -

- (1) Rules 5.01(a) and 5.03(1)(a) & (c) of the Rules of Bursa Malaysia Securities read together with paragraphs 1.1(2)(a) & 4.1(8)(a) of Directives No. 5-001 of the POs' Directives and Guidance (**POs' Directives**) and Rules 4.01(a) and 4.03(1)(a) & (c) of the Rules of Bursa Malaysia Derivatives read together with paragraphs 1.1(2)(a) & 3.1(8)(a) of Directives No. 4-001 of the TPs' Directives and Guidance (**TPs' Directives**) for ineffective/lapses in the compliance functions and inadequate Board oversight and supervision over the compliance functions of PCSB (**Compliance & Supervisory Breach**);
- (2) Rule 5.09(1) of the Rules of Bursa Malaysia Securities for failure to ensure that the statements in the Declaration of Compliance submitted by PCSB for the readiness audit undertaken before PCSB commenced operations as a PO were accurate and not false or misleading (**Inaccurate Declaration Breach**);
- (3) Rule 3.17 of the Rules of Bursa Malaysia Securities and Rules 3.26 & 3.39(1)(f) of the Rules of Bursa Malaysia Derivatives read together with paragraph 1.1(1)(a) of Directives No. 3.39(1)-002 of the TPs' Directives for breaches relating to the requirements for the Registered Persons (**Breaches of Registered Persons Rules**);
- (4) Rule 4.08(2) of the Rules of Bursa Malaysia Derivatives, Paragraph 1.1(1) of Directives No. 2.01(2)-003 of the TPs' Directives (**TPs' Directives 2.01(2)-003**) read together with the Schedule and Explanatory Notes to Lines 5, 7(a) and 15 of Form A (Statement of segregation requirements and funds in segregation) in Appendix 1 of TPs' Directives 2.01(2)-003 for breaches relating to funds in segregation and the related reporting requirements (**Breaches of Segregation Requirements Reporting**);

- (5) Rule 5.14(2) of the Rules of Bursa Malaysia Derivatives for failure to submit audit reports to the Exchange (**Audit Report Breach**); and.
- (6) Breaches of Information Technology Security Standards (**ITSS**) of Bursa Malaysia Securities and Bursa Malaysia Derivatives i.e. ITSS 3.3.1(a) and ITSS 5.3.1 of the PO ITSS/TP ITSS and ITSS 7.4.1 of the TP ITSS for various breaches/non-compliances of ITSS (**Breaches of ITSS**).

Bursa Malaysia views such breaches seriously, in particular, supervisory and compliance breaches and lapses/breaches on reporting requirements. In this regard, POs/TPs must: -

- (i) effectively discharge their supervisory and compliance functions to ensure compliance of the rules and prevent any contravention of the relevant rules; and
- (ii) ensure timely submission of all documents to the Exchange which shall be clear, unambiguous and accurate, do not contain any material omission and are not false or misleading, particularly as the Exchange would rely on such information in its decision making.

Appropriate actions will be taken against any PO/TP which fails to effectively discharge its supervisory and compliance functions, and for breaches/non-compliance of the relevant rules, including imposing a fine that commensurate with the severity of the breach.

BACKGROUND

The finding of breach and imposition of the sanctions on PCSB were made pursuant to Rule 15.02 of the Rules of Bursa Malaysia Securities and Rule 11.02 of the Rules of Bursa Malaysia Derivatives after according due process to PCSB and taking into consideration all facts and circumstances, including the following: -

- (1) There were multiple breaches by PCSB which showed material lapses and breaches in the compliance and supervision obligations by PCSB under the Rules and Directives.
- (2) With regard to the Compliance & Supervisory Breach: -
 - (a) There were deficiencies in PCSB's compliance review procedures on numerous critical areas (**the Said Areas**). In this regard, the Compliance Review Programmes (**CRPs**) were not available for the Said Areas and PCSB was unable to provide the complete supporting documents for the Exchange to validate its compliance review and/or confirm whether the compliance monitoring of the Said Areas had been adequately carried out in compliance with the requirements of the Rules and Directives.
 - (b) There were erroneous/non-reporting to PCSB's Board of Directors and the Exchange in the monthly compliance reports in regard to its error trades and an employee's trade.
 - (c) The ineffective/lapses in the compliance monitoring, review and reporting were attributed/contributed by PCSB's excessively stretched staff strength for its compliance function and in relation to this, PCSB had failed to ensure the adequacy/sufficiency of manpower to support its compliance function.

- (d) There was inadequate Board oversight and supervision over PCSB's compliance function as there was no documentary evidence that PCSB's Board had discussed/satisfactorily queried/pursued the issue of delay/non-availability of the assurance review and risk register reports, the potential risks and consequences of staff resignations in the compliance department or made any recommendations on the strategic and sustainable measures to address the manpower shortage.
- (3) For the Inaccurate Declaration Breach, PCSB had failed to ensure the statements in the Declaration of Compliance were accurate, and/or not false or misleading. In this regard, there were contradictions between the statements in the Declaration of Compliance submitted by PCSB to the Exchange (as part of the documents for the purpose of the readiness audit undertaken before PCSB commenced operations as a PO) and the observations made by the Exchange which noted various non-compliance of the applicable laws, rules and regulations.
- (4) For Breaches of Registered Persons Rules, PCSB had failed to establish internal policies and procedures to govern the mobility privileges of its Registered Representatives (**RRs**) to ensure that they do not abuse their mobility privileges. There were numerous RRs of PCSB who had carried out the business of dealing in derivatives outside PCSB's Principal Office or branch office without obtaining PCSB's prior approval. In addition, PCSB had also failed to notify the Exchange of the cessation of its Registered Persons.
- (5) For Breaches of Segregation Requirements Reporting: -
 - (a) PCSB had failed to notify the Exchange of the deficiency of its segregated funds within the prescribed time for several days and failed to take immediate corrective action to rectify the deficiency.
 - (b) PCSB had failed to ensure that the information submitted in the Form A (Statement of segregation requirements and funds in segregation) were accurate, did not contain any material omission and not false or misleading as there were errors/inaccuracies/inconsistencies/discrepancies in the weekly and daily Form A submitted to the Exchange.

In this regard, the Forms A submitted to Bursa Malaysia Derivatives for a period of 22 days were inaccurate for there were numerous instances where the net debit balance reported in Form A and list of over loss accounts (EWL 2) submitted to Bursa Malaysia Derivatives was not consistent with PCSB's back office report. There was also discrepancy in the amount stated in Form A and the cash deposited in PCSB's segregated bank accounts.
- (6) For the failure to report/notify/submit report to the Exchange and Breaches of ITSS requirements, the following were noted: -
 - (a) PCSB had failed to inform the Exchange the resignations of its registered persons within 14 days of the effective date of the registered persons ceased to hold the relevant office.
 - (b) PCSB had failed to submit to Bursa Malaysia Derivatives 2 internal audit reports on derivatives functions within 30 days from the date the internal audit reports were presented to PCSB's Board.
 - (c) PCSB had failed to promptly revoke the user IDs to PCSB's back office and front office systems for both the securities and derivatives of employees who were no longer with PCSB/resigned staff.

- (d) There were also user IDs not being assigned to any specific employees and the owners for some user IDs could not be identified and verified.
 - (e) PCSB had carried out 'live' testing in a production environment instead of a testing environment to mitigate the risks of accidental change and unauthorised access to operational software and business data.
- (7) As a PO/TP, PCSB has the obligation to ensure compliance with all the regulatory requirements and its own internal control framework including having effective supervision and oversight over the formulation, coordination and implementation of any supervisory or compliance programme. In this regard, PCSB should be aware of the importance of: -
- (a) having in place effective and adequate compliance monitoring, review and reporting framework/functions including adequate skilled and qualified resources to effectively perform the compliance functions;
 - (b) adequate Board oversight and supervision over the compliance functions including ensuring timely presentation of compliance related matters to the relevant committee/Board to enable the committee/Board to deliberate and exercise its oversight function effectively and to make informed decisions;
 - (c) ensuring that all areas of PCSB's business and operations are reviewed and monitored and the compliance programme must at the minimum cover all areas stipulated in the Directives and maintain proper and adequate documentation of the review performed as evidence that the compliance officer has discharged his/her duties comprehensively and effectively; and
 - (d) ensuring that all statements/information/documents (**Information/Documents**) (e.g. minutes of meetings, risk management documents and regulatory reports) submitted to the Exchange are clear, unambiguous and accurate, do not contain any material omission and not false or misleading, particularly in light that the Exchange would rely on the Information/Documents in its decision making.
- (8) The sanctions were imposed on PCSD having considered various factors including:
- (a) The severity/extent/materiality of the Breaches which involved multiple breaches.
 - (b) PCSB did not dispute the Breaches and had taken immediate steps/measures to rectify the Breaches including to enhance its supervision/internal controls/governance structures.
 - (c) The public reprimand was imposed to serve as a deterrence and create awareness and emphasise/reinforce to POs/TPs on the importance of having an adequate and effective supervisory and compliance system (including having adequate skilled and qualified resources to effectively perform the compliance functions) to supervise the overall proper running of the business activities of the POs/TPs in order to ensure compliance of the Rules, Directives and securities laws by the POs/TPs and its Registered Persons, employees and agents.

-End-

Investigation and Enforcement Department

ADDENDUM

Rules 3.17, 5.01(a), 5.03(1)(a)&(c) & 5.09(1) of the Rules of Bursa Malaysia Securities provide, amongst others, that:-

- A PO must notify the Exchange within 14 days of the effective date of the Registered Person (RP) ceasing to hold the relevant office.
- A PO and RP must, in the conduct of the PO's business adhere to just and equitable principles and act with due skill, care and diligence and with due regard for the integrity of the market.
- A PO must have in place structures, internal controls and written policies and procedures designed to:
 - (a) facilitate the supervision of the PO's business activities and the conduct of the PO's RPs, employees and agents; and
 - (b) achieve compliance with the Rules, the Directives, and the Securities Laws.
- A PO and RP must ensure that any statement, information or document submitted to the Exchange whether before or after registration as a PO or a RP in relation to any matter under the Rules or Directives must:
 - (a) be clear, unambiguous and accurate;
 - (b) not contain any material omission; and
 - (c) not be false or misleading.

Paragraphs 1.1(2)(a) & 4.1(8)(a) of Directives No. 5-001 of the POs' Directives provide that:-

- A PO must exercise strict supervision over the PO's business activities and the activities of the PO's RPs and employees to achieve compliance with the Rules, the Directives and Securities Laws.
- A PO must have adequate and effective written policies and procedures in relation to compliance, to prevent any contravention by the PO or any of its RPs, employees and agents of the Rules and the Directives.

ITSS 3.3.1(a) & 5.3.1 of the PO ITSS provide, amongst others, that:-

- There must be a policy established to ensure that prompt notification of all employees' resignations/movements is made by relevant departments to Security Administration and prompt action is taken to revoke or amend access rights.
- Each user must be required to identify himself or herself to the system with a recognised approved user ID and a secret authentication (password) to authenticate his/her identity.

Rules 3.26, 3.39(1)(f), 4.01(a), 4.03(1)(a)&(c), 4.08(2), 5.14(2) of the Rules of Bursa Malaysia Derivatives provide, amongst others, that:-

- A TP must notify the Exchange within 14 days after the effective date of the RP ceasing to hold the relevant office.
- Throughout a RR's registration with the Exchange, the RR must not carry on the business of dealing in derivatives outside the Principal Office or a Branch Office of the TP unless the RR has obtained the TP's prior approval.

- A Participant and RP must, in the conduct of the Participant's business adhere to just and equitable principles and act with due skill, care and diligence and with due regard for the integrity of the market.
- A TP must have in place structures, internal controls and written policies and procedures designed to:
 - (a) facilitate the supervision of the TP's business activities and the conduct of the TP's RPs, employees and agents; and
 - (b) achieve compliance with the Rules, the Directives and the Securities Laws.
- A Participant and RP must ensure that any statement, information or document submitted to the Exchange whether before or after admission as a Participant or registration as a RP in relation to any matter under the Rules or Directives:
 - (a) is clear, unambiguous and accurate;
 - (b) does not contain any material omission; and
 - (c) is not false or misleading.
- A TP must submit a copy of the minutes of each meeting of the Audit Committee and a copy of the audit report, together with its course of action or any corrective measures taken to address any non-compliance or irregularities stated in the audit report, to the Exchange within 30 days from the date the minutes were adopted by and the audit report was presented to the board of directors of the TP.

Paragraph 1.1(1) of Directives No. 2.01(2)-003 of the TPs' Directives read together with **the Schedule and Explanatory Notes to Lines 5, 7(a), 15 of Form A (i.e. Statement of segregation requirements and funds in segregation) in Appendix 1(e) of TPs' Directives 2.01(2)-003, Paragraph 1.1(1)(a) of Directives No. 3.39(1)-002 of the TPs' Directives, paragraphs 1.1(2)(a), 3.1(8)(a) of Directives No. 4-001 of the TPs' Directives** provide, amongst others, that:-

- TPs must submit the periodic reports prescribed in the schedule of the Directive (**Schedule**) to the Exchange:
 - (a) by way of electronic transmission as notified by the Exchange;
 - (b) in the format prescribed in appendices 1 – 4 to the Schedule; and
 - (c) not later than the times and days prescribed for submission of periodic reports in the Schedule.
- On Net Debit Balance, an account has a debit balance when the combination of an account's cash ledger balance (debit or credit), profit or loss on exchange traded open derivatives contracts (except for exchange traded options), non-exchange traded open derivatives contracts (including Contract for Differences), and the current market value of open option contracts liquidated to an amount less than zero.
- On Cash Deposited in Segregated Bank Accounts (Ringgit Malaysia), this amount should show the total cash in Ringgit Malaysia segregated bank accounts.
- The TP is required to take immediate corrective action and must immediately inform the Clearing House, the Exchange and the Commission (if applicable) if there is a deficiency in the segregated funds.
- A TP must develop appropriate written internal policies, procedures and controls to govern mobility privileges granted to a RR to ensure that the RR does not abuse his mobility privileges, including criteria which a RR has to fulfill to be allowed mobility privileges. A TP

must ensure that the RR complies with, amongst others, the Securities Laws and other applicable laws, the Rules and all Directives issued by the Exchange from time to time, in relation to the following areas:

- (a) account opening;
 - (b) receipt of payments and collection of funds from Clients with a view to ensuring that Clients' assets are safeguarded;
 - (c) upholding the high standards of conduct of RRs when dealing with Clients as set out in the Rules, in particular, the requirement of carrying out Client's instructions in a timely manner; and
 - (d) such other areas as the TP deems necessary in upholding the principles of sound investor protection.
- A TP must exercise strict supervision over the TP's business activities and the activities of the TP's RPs and employees to achieve compliance with the Rules, the Directives and the Securities Laws.
 - A TP must have adequate and effective written policies and procedures in relation to compliance, to prevent any contravention by the TP or any of its RP, employees and agents of the Rules and the Directives.

ITSS 3.3.1(a), 5.3.1 & 7.4.1 of the TP ITSS provides, amongst others, that:-

- There must be a policy established to ensure that prompt notification of all employees' resignations/movements is made by relevant departments to Security Administration and prompt action is taken to revoke or amend access rights.
- Each user must be required to identify himself or herself to the system with a recognised approved user ID and a secret authentication (password) to authenticate his/her identity.
- The following logical system environments should be established to mitigate the risks of accidental change and unauthorised access to operational software and business data:
 - (a) Development;
 - (b) Test; and
 - (c) Production.