

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 26 August 2025

No.: G 21 of 2025

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad

26 August 2025

BURSA MALAYSIA SECURITIES PUBLICLY REPRIMANDS AND FINES CGS-CIMB SECURITIES SDN BHD FOR BREACHES OF RULES OF BURSA MALAYSIA SECURITIES

Bursa Malaysia Securities Berhad [Registration No.: 200301033577 (635998-W)] (**Bursa Malaysia Securities**) has publicly reprimanded and imposed a fine of RM150,000 on CGS-CIMB Securities Sdn Bhd (**CGS-CIMB**) for breaches of the Rules of Bursa Malaysia Securities.

CGS-CIMB, a Participating Organisation (**PO**) of Bursa Malaysia Securities at the material time, had contravened and/or triggered the provisions of Rules 5.03(1)(a), (b) & (c), 5.16(1)(a) & 5.16(4) of the Rules of Bursa Malaysia Securities and Paragraphs 13.1(2)(b) & 13.1(4)(b) of Directives No. 5-001 of the POs' Directives and Guidance (**POs' Directives**) (**Breaches**).

The Breaches by CGS-CIMB involved, amongst others, gaps and lapses in and inadequacy of its supervision, internal controls, and policies and procedures in handling and managing the transfer of its clients' funds for overseas trading and foreign trade settlement. This had led to its failure to transfer clients' monies into the clients' trust accounts and hence, the deficits and the continual use of clients' monies in the trust accounts to pay other clients.

Bursa Malaysia Securities views the breaches involving trust accounts and clients' monies seriously, in particular, those emanated from supervisory breaches and failure to ensure that clients' assets are safeguarded which could compromise protection of clients' interest, monies and assets. Bursa Malaysia Securities will not hesitate to take appropriate actions against any broker which fails to protect and safeguard clients' monies and assets or compromise protection of clients' interest, including imposing substantial fine that commensurate with the severity of the breach.

BACKGROUND

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

- (1) CGS-CIMB had self-reported that it had failed to transfer clients' funds (**Failure to Transfer**) for overseas trading from CGS-CIMB's foreign currency (**FX**) bank Operations accounts (**FX Ops Accounts**) to its clients' FX bank Trust accounts (**Clients' FX Trust Accounts**) for more than 2 years resulting in substantial amount of deficits in the Clients' FX Trust Accounts (**Deficits**).
- (2) The Breaches by CGS-CIMB showed the following: -

- (a) The Failure to Transfer arose from CGS-CIMB's manual intervention for its cross-border settlement of sales trades during Malaysia public holidays by reducing the number of settlement days for sales trades from T+3 day to T+2 day (**Manual Intervention**) to accommodate its clients' and remisers' requests.
- (b) There were multiple operational lapses and inadequate policies and procedures which had resulted in CGS-CIMB's Breaches and failure to detect the Deficits for over 2 years, in particular:
 - (i) There was no documentary evidence of the Manual Intervention being approved by CGS-CIMB's Head of Operations Department.
 - (ii) The Manual Intervention was not discussed with other departments to assess its potential impact with and communicated to the downstream departments.
 - (iii) There were insufficient manpower and high turnover of key Finance personnel which resulted in delay in investigation and rectification of long outstanding bank reconciliations.
 - (iv) CGS-CIMB's Finance Department did not perform supplemental reconciliation between the Clients' FX Trust Accounts against client trust balances in CGS-CIMB's back office system (**Supplemental Reconciliation**). This Supplemental Reconciliation was also not set out in its policies and procedures.
 - (v) Despite the various red flags/unreconciled items, in particular the USD and HKD FX Ops Accounts, which were highlighted as early as when the Manual Intervention was first implemented, CGS-CIMB had failed to investigate the unreconciled items in a timely manner resulting in failure to detect and rectify the Deficits in the Clients' FX Trust Accounts until more than 2 years later.
 - (vi) The Failure to Transfer and Deficits had resulted in continuous breach by CGS-CIMB in using monies in the Clients' FX Trust Account to pay other clients for more than 2 years.

Premised on the above, CGS-CIMB had thus failed to act with due skill, care and diligence and exercise strict supervision over its business activities and the activities of its Registered Persons (**RPs**) and employees and ensure that it had in place adequate and effective written policies and procedures and internal controls in handling/managing the transfer of its clients' funds for overseas trading and foreign trade settlement, to achieve compliance with and prevent any contravention of the Rules and Directives by CGS-CIMB.

- (3) The sanctions were imposed on CGS-CIMB having considered factors including: -
 - (a) There were multiple operational lapses and inadequate policies and procedures which had resulted in CGS-CIMB's failure to detect the Failure to Transfer and Deficits despite various red flags including large number of unreconciled items.
 - (b) The Breaches were not intentional as the Manual Intervention was to accommodate the requests from CGS-CIMB's clients and remisers.

- (c) Despite the red flags (i.e. substantial amounts of Deficits, growing number of unreconciled items over time which were not checked promptly and on 2 occasions, CGS-CIMB's Finance Team had raised to its Operations Team that there were inconsistencies in the sum/missing transfers), the Operations Team did not take any or immediate action to rectify the Deficits.
 - (d) CGS-CIMB's conducts upon detection of the Failure to Transfer, amongst others, self-reporting to the regulators, undertaking an independent assessment by its Internal Audit Department and submitting a report on findings to its Board of Directors and Bursa Securities.
 - (e) CGS-CIMB's rectification actions including rectifying the Deficits, ceasing the deviation and change to its existing processes, briefing all Heads of Department on the importance of obtaining approvals on any deviation and change to existing processes and updating of its standard operating procedures.
- (4) As a PO, CGS-CIMB has the obligation to ensure adequacy of its policies and procedures, supervision and internal controls to achieve compliance with and prevent any contravention of the Rules and Directives, in particular, to safeguard clients' monies and assets.
- (5) The public reprimand was imposed to create awareness and as deterrence to underline the serious view taken by Bursa Malaysia Securities on breaches or non-compliance with the rules requirements of safeguarding clients' monies and proper segregation of clients' monies in particular protection of clients' interest, monies and assets and in this regard, a PO must account for and adequately safeguard a client's assets which is a fundamental obligation and cornerstone of the capital market which must be upheld at all times.

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Investigation and Enforcement Department

ADDENDUM

Rules 5.03(1)(a), (b) & (c), 5.16(1)(a) & 5.16(4) of the Rules of Bursa Malaysia Securities and Paragraphs 13.1(2)(b) and 13.1(4)(b) of Directives No. 5-001 of the POs' Directives provide, amongst others, that: -

- 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;
 - (b) identify, monitor and manage conflicts of interests and risks that may arise in the conduct of the PO's business; and
 - (c) achieve compliance with the Rules, the Directives, and the Securities Laws.
- A PO and RP must act with due skill, care and diligence.
- A PO must account for and adequately safeguard a client's assets.
- A PO must pay into the trust account all amounts, less any commission and other proper charges, received for or on account of a Client from the sale of securities and that are not paid to that Client or as that Client directs not later than the next bank business day or such other day as may be specified by the Commission on which the amounts were received by the PO.
- A PO must not allow the trust account to at any time be in deficit and if the trust account is in deficit, the PO must take immediate and urgent steps to deposit monies in the trust account to ensure that the monies in the trust account commensurate with amounts due to Clients.