

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 11 September 2025

No.: G 24 of 2025

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad

11 September 2025

BURSA MALAYSIA SECURITIES PUBLICLY REPRIMANDS AND FINES MALACCA 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 RM104,000 on Malacca Securities Sdn Bhd (**MSSB**) for breaches of the Rules of Bursa Malaysia Securities.

MSSB, a Participating Organisation (**PO**) of Bursa Malaysia Securities, had contravened and/or triggered the provisions of (**Breaches**):

- (a) Rules 310.2(10), 404.1(7)(b), and 404.1(g)(a) & (b) of the Pre-Revamped Rules of Bursa Malaysia Securities (for breaches which occurred prior to 2 May 2013); and
- (b) Rules 5.01(a), 5.03(1)(a) & (c) of the Rules of Bursa Malaysia Securities and Paragraphs 1.1(2)(a) & 4.1(8)(a) of Directives No. 5-001 of the POs' Directives and Guidance (**POs' Directives/the Directive**) (for breaches which occurred from 2 May 2013 onwards).

The Breaches by MSSB involved, amongst others, gaps and lapses in and inadequacy of its supervision, internal controls, and policies and procedures in relation to/over the implementation and operationalisation of its share check function and the short selling activities at MSSB (**Gaps/Lapses**). This had led to misconducts/breaches by its former Commissioned Dealer's Representative (**CDR**), namely one Tye Lim Huat (**TYE**) who had carried out prohibited/unpermitted Intraday Short Selling (**IDSS**) trades in the trading accounts of 3 clients (**3 Clients**).

Bursa Malaysia Securities views such breaches seriously, in particular, absence/inadequacy of policies and procedures, supervision and internal controls towards prevention and/or detection of short selling activities by the registered person(s)/client(s). Bursa Malaysia Securities will not hesitate to take appropriate actions against any broker which fails to effectively discharge supervisory and compliance functions to achieve compliance with the Rules, the Directives, and the Securities Laws and to prevent any contravention by the PO or any of its Registered Person, employees and agents of the Rules and the Directives, including imposing a fine that commensurate with the severity of the breach.

BACKGROUND

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

- (1) The Breaches by MSSB were related to the breaches/misconducts of its former CDR/TYE who, amongst others, had executed prohibited/unpermitted IDSS trades in 3 Clients' accounts (see [Media Release dated 7 December 2022](#) for enforcement action taken against TYE).
- (2) MSSB had in place a share check function (**Share Check Function**) to check the client's tradeable balance based on client's portfolio for any sell order entered in the order management system. Once activated, the system would block the Dealer's Representative (**DR**)/client from executing an intended transaction if the client's portfolio did not have the requisite balance of shares.
- (3) In regard to MSSB's Share Check Function, which was in place to prevent short selling activities and was disabled for TYE for several of his clients, MSSB had failed to: -
 - (a) ensure that it had in place written policies and procedures (**P&P**) governing/setting out the implementation and operationalisation of its Share Check Function and additional monitoring, supervision and review of the clients' trades after deactivation of the Share Check Function to detect/prevent short selling activities. The failure in this respect had enabled TYE to undertake prohibited/unpermitted IDSS trades in the 3 Clients' accounts; and
 - (b) review all the deactivations of the Share Check Function granted, and to cancel the same immediately when the suspension of IDSS [pursuant to Part D of Chapter 8 of the Rules of Bursa Malaysia Securities and the Directives No. 8-003 of the POs' Directives from 24 March 2020 until 31 December 2020 (**IDSS Suspension**)] took effect, which had resulted in the execution of unpermitted IDSS trades in numerous counters in the 3 Clients' accounts during the IDSS Suspension.
- (4) The Gaps/Lapses in relation to MSSB's Share Check Function and the short selling activities were as follows: -
 - (a) There was no written P&P governing/setting out the implementation and operationalisation of the Share Check Function, amongst others: -
 - (i) circumstances and clear criteria on when the Share Check Function can be deactivated and/or for how long.

In this regard, the approval for deactivation of the Share Check Function was on a case-by-case basis without clear criteria prescribed in a P&P and for an indefinite period in some cases, and this had enabled/gave room for possible abuse by TYE, who had undertaken prohibited and unpermitted IDSS in the 3 Clients' accounts in breach of the relevant Rules of Bursa Malaysia Securities;
 - (ii) when the Share Check Function should be reactivated e.g., when permitted short selling under the Rules (e.g. IDSS, Regulated Short Selling or IDSS by Proprietary Day Traders) was suspended by the Exchange.

In this regard, there was oversight on the part of MSSB to review all the deactivations of the Share Check Function granted, and to cancel the same immediately when the IDSS Suspension took effect which had resulted in the execution of unpermitted IDSS trades in numerous counters in the 3 Clients' accounts during the IDSS Suspension; and
 - (iii) the internal controls, supervision and monitoring mechanism/review procedures to detect/prevent short selling activities after deactivation of the Share Check Function or during the IDSS Suspension including the escalation

and notification of the deactivation of the Share Check Function to the Head of Compliance (**HOC**) and Head of Dealing (**HOD**) to enable proper supervision, monitoring and review of the trading activities in the specific accounts.

In this regard, the deactivation of the Share Check Function for TYE's clients' accounts was not escalated and notified to the HOC and/or HOD (as they were not aware of the same) and hence, there was no supervision, monitoring or daily/periodic review undertaken of the trades executed in the 3 Clients' accounts after deactivation of the Share Check Function and during the IDSS Suspension which had resulted in MSSB's inability and failure to detect or prevent the short selling activities in the 3 Clients' accounts.

- (b) MSSB had approved TYE's applications for the deactivation of the Share Check Function for his clients premised primarily and by relying on TYE's acknowledgement of the responsibility to ensure that the clients had sufficient share balance to key-in order for sell, without more.

In this regard, TYE had applied to deactivate the Share Check Function for its clients related or known to him and MSSB had approved the deactivation for an indefinite period, without proper assessment and review of the applications and without ensuring close monitoring and review of the trading activities in these accounts which had resulted in the prohibited and unpermitted IDSS trades being executed by TYE in the 3 Clients' accounts.

- (c) Due to the absence of the relevant P&P as set out above, there was no additional monitoring, supervision and review of clients' trades after deactivation of the Share Check Function to detect and prevent short selling activities.

- (5) In MSSB's reply to query from Bursa Malaysia Securities in its investigation into the Breaches, MSSB had represented to Bursa Malaysia Securities that there were no short selling activities detected in the accounts of TYE's other clients whose Share Check Function were also deactivated other than the short selling activities detected in one client's account. The further investigation by Bursa Malaysia Securities however proved otherwise as the analysis of the trading activities in TYE's clients' accounts whose Share Check Function had been deactivated showed that there were prohibited/unpermitted IDSS activities in 2 other clients' accounts. This further underscored the extent of MSSB's failure to detect and prevent TYE's prohibited and unpermitted IDSS activities.
- (6) As a PO, MSSB has the obligation to ensure adequacy of its P&P, supervision and internal controls to achieve compliance with, and prevent any contravention of, the Rules and Directives, in particular, on the detection and prevention of the prohibited/unpermitted IDSS trades by its registered person(s) and client(s). MSSB's mere reliance on its DR(s) to ensure that no short selling activities were undertaken upon deactivation of the Share Check Function, without more, is unacceptable.
- (7) The sanctions were imposed on MSSB having considered factors including: -
 - (a) The severity, extent and materiality of the Breaches which involved Gaps and Lapses which had resulted in the misconducts and breaches by its CDR in undertaking prohibited and unpermitted IDSS trades in the 3 Clients' accounts.
 - (b) MSSB had taken immediate steps and measures to rectify the Breaches including establishing and enhancing its policies and procedures, supervision and internal controls.

- (c) The public reprimand was imposed as a deterrent consideration so as to create awareness among market participants and reinforce the serious view taken by Bursa Malaysia Securities on the importance of having an adequate and effective supervisory and compliance system to supervise the proper running of the business activities of the POs in order to ensure compliance of the Rules, Directives and securities laws by the POs and its registered persons, employees and agents.

-End-

Investigation and Enforcement Department

ADDENDUM

Rules 310.2(10), 404.1(7)(b), and 404.1(9)(a) & (b) of the Pre-Revamped Rules of Bursa Malaysia Securities provided, amongst others, that: -

- A PO shall establish and maintain an adequate system to supervise the activities of all its DRs that is developed to achieve compliance with the relevant provisions of the Rules applicable to DRs.
- Every PO shall at all times exercise strict supervision over the overall operation of its business activities and the activities of its registered person(s) and employees, and for this purpose shall maintain a proper and adequate supervisory and compliance system with a view to preventing any contravention of the Securities Laws and other applicable laws and regulations, the Rules, any directives or rulings issued by the Exchange from time to time, the Depository Rules, the Clearing House Rules and the PO's own internal policies and procedures.
- Every PO shall –
 - (a) ensure that its supervisory, compliance and internal control systems are properly documented and regularly updated to take into account any changes that may occur in the current regulatory requirements, and that such documented systems and any updates thereon are properly disseminated and effectively enforced within the PO; and
 - (b) conduct regular and periodic reviews over its supervisory, compliance and internal control systems and a written record of the dates of such reviews shall be maintained.

Rules 5.01(a), 5.03(1)(a) & (c) of the Rules of Bursa Malaysia Securities and Paragraphs 1.1(2)(a) & 4.1(8)(a) of Directives No. 5-001 of the POs' Directives provide, amongst others, that: -

- A PO and Registered Person ("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 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 RP, employees and agents of the Rules and the Directives.