

**PARTICIPATING ORGANISATIONS' CIRCULAR**

**Date: 21 October 2024**

**No: R/R 4 of 2024**

**AMENDMENTS TO THE RULES AND DIRECTIVES OF BURSA MALAYSIA SECURITIES BERHAD (“BMS RULES” AND “BMS DIRECTIVES” RESPECTIVELY) IN RELATION TO THE REQUIREMENTS FOR THE LEAP MARKET AND OTHER AMENDMENTS (“AMENDMENTS”)**

**1. BACKGROUND**

- 1.1 Pursuant to paragraph 5.02 of the Securities Commission Malaysia’s (“**Commission**”) Guidelines on Categories of Sophisticated Investors (“**SI Guidelines**”), a sophisticated investor, at the point of onboarding, must self-declare confirming that he satisfies the relevant criteria for a sophisticated investor as set out in the SI Guidelines.
- 1.2 In order to align with the Commission’s requirement, Bursa Malaysia Securities Berhad (“**Exchange**”) has made amendments to the BMS Rules to require the submission of a self-declaration to a Participating Organisation<sup>1</sup> onboarding a sophisticated investor to trade on the LEAP Market.

**2. CONSEQUENTIAL AMENDMENTS IN RELATION TO THE LEAP MARKET**

- 2.1 The new requirements inserted by the Exchange in Rule 16.02 of the BMS Rules are as follows:
  - (a) a Participating Organisation may allow a client to trade or undertake transactions on the LEAP Market, if the client submits a self-declaration confirming that he satisfies at least one of the criteria for a sophisticated investor under the SI Guidelines; and
  - (b) a Participating Organisation which subsequently receives information that its client does not qualify as a sophisticated investor, must not allow such client to further trade or undertake transactions on the LEAP Market except to sell the client’s existing securities.

**3. OTHER AMENDMENTS**

- 3.1 The reference to “current securities holder” at Rule 16.02(b) of the BMS Rules has been replaced with “existing securities holder” for consistency with the term used in Rules 2.24(2) and 2.25 of the LEAP Market Listing Requirements.
- 3.2 The minor amendments made to the BMS Directives are as follows:
  - (a) at paragraph 8.1 of Directive No.5-001, the reference to the definition of a sophisticated investor in Chapter 16 has been removed, and the provision has been simplified to align with the changes made to the requirements to trade on the LEAP Market in the BMS Rules; and

<sup>1</sup> A company that carries on the business of trading in securities on the Exchange’s stock market and is admitted as a Participating Organisation under BMS Rule 3.02 and includes all the Participating Organisation’s Branch Offices.

(b) in Directive No.7-001, editorial changes have been made to rectify the references made in the heading and paragraph 1.2(2)(a).

3.3 The detailed amendments to the BMS Rules and BMS Directives are set out in **Annexures 1 and 2** respectively.

#### 4. **FREQUENTLY ASKED QUESTIONS (“FAQS”)**

4.1 The FAQs for the BMS Rules in relation to the introduction of the LEAP Market has been amended accordingly and can be accessed at the following link:

[https://www.bursamalaysia.com/regulation/faqs\\_relating\\_to\\_bursa\\_malaysia\\_rules](https://www.bursamalaysia.com/regulation/faqs_relating_to_bursa_malaysia_rules).

#### 5. **EFFECTIVE DATE**

5.1 The Amendments will take effect on **21 November 2024**.

#### 6. **CONTACT PERSONS**

6.1 In the event of any queries in relation to the above matter, kindly contact us at the following:

Name	Contact Details
<b>Regulatory Policy &amp; Advisory</b> (Rules and Directives)	<a href="mailto:rpa@bursamalaysia.com">rpa@bursamalaysia.com</a>

**This Circular is available at:**

[https://www.bursamalaysia.com/regulation/securities/rules\\_of\\_bursa\\_malaysia\\_securities](https://www.bursamalaysia.com/regulation/securities/rules_of_bursa_malaysia_securities)

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**Regulation**

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BHD (“BMS RULES”)  
IN RELATION TO THE REQUIREMENTS FOR THE LEAP MARKET AND OTHER AMENDMENTS**

	CURRENT PROVISION		AMENDED PROVISION
Rule 16.02	<p><b>Sophisticated Investor</b></p> <p>(2) A Participating Organisation must not allow a Client to trade or undertake transactions on the LEAP Market unless it is satisfied that the Client is either –</p> <p>(a) qualified as a Sophisticated Investor; or</p> <p>(b) not qualified as a Sophisticated Investor but is a current securities holder of a corporation listed on the LEAP Market and the trade is solely for selling the Client’s existing securities in the corporation.</p>	Rule 16.02	<p><b>Sophisticated Investor</b></p> <p>(2) A Participating Organisation must not allow a Client to trade or undertake transactions on the LEAP Market unless <del>it is satisfied that</del> the Client <del>is either</del> –</p> <p>(a) <u>has submitted a self-declaration confirming that he satisfies at least one of the criteria for</u><del>qualified as</del> a Sophisticated Investor; or</p> <p>(b) <u>is</u> not qualified as a Sophisticated Investor but is an <u>current</u><del>existing</del> securities holder of a corporation listed on the LEAP Market and the trade is solely for selling the Client’s existing securities in the corporation.</p> <p><u>(2A) Notwithstanding paragraph (2)(a) above, if a Participating Organisation subsequently receives information that the Client does not qualify as a Sophisticated Investor, the Participating Organisation must not allow such Client to further trade or undertake transactions on the LEAP Market except to sell the Client’s existing securities.</u></p>

[End of Amendments to BMS Rules]

**AMENDMENTS TO THE DIRECTIVES OF BURSA MALAYSIA SECURITIES BHD (“BMS DIRECTIVES”)  
IN RELATION TO THE REQUIREMENTS FOR THE LEAP MARKET AND OTHER AMENDMENTS**

	CURRENT PROVISION		AMENDED PROVISION
<b>DIRECTIVE NO.5-001: DIRECTIVES ON CONDUCT OF BUSINESS</b>			
<b>8.1</b>	<p>The essential information referred to in Rule 5.15(1)(a) includes essential facts about the Client’s background including:</p> <p>(f) in respect of Clients who intend to trade on the LEAP Market, the Client’s qualification as a Sophisticated Investor as defined in Chapter 16 or as a current securities holder as specified in Rule 16.02(2)(b); and</p>	<b>8.1</b>	<p>The essential information referred to in Rule 5.15(1)(a) includes essential facts about the Client’s background including:</p> <p>(f) in respect of Clients who intend to trade on the LEAP Market, <u>that the Client’s qualification as a Sophisticated Investor as defined in Chapter 16 or as a current securities holder as specified in is qualified to trade pursuant to</u> Rule 16.02(2)(b); and</p>
<b>DIRECTIVE NO.7-001: DIRECTIVES ON SECURITIES BORROWING AND LENDING AND ISSBNT</b>			
<b>Heading</b>	<p>Relevant to : Rules 7.18(4)(a), 7.18(4)(b), 7.18(4)(c) 7.18(4)(d), 7.20, 7.35(4)(a), 7.35(4)(b) and 7.37</p> <p>Introduced with effect from : 2 May 2013</p> <p>Amended : 12 December 2017 vide R/R 11 of 2017, 1 March 2018 vide R/R 3 of 2018, and 29 April 2019 vide R/R 1 of 2019</p> <p>POs Circular No(s). : N/A</p> <p>Refer also to : 7.30-001, 13.04-001</p> <p>Directive No(s).</p>	<b>Heading</b>	<p>Relevant to : Rules 7.18(4)(a), 7.18(4)(b), 7.18(4)(c) 7.18(4)(d), 7.20, <u>7.30(19)</u>, 7.35(4)(a), 7.35(4)(b) and 7.37</p> <p>Introduced with effect from : 2 May 2013</p> <p>Amended : 12 December 2017 vide R/R 11 of 2017, 1 March 2018 vide R/R 3 of 2018, and 29 April 2019 vide R/R 1 of 2019</p> <p>POs Circular No(s). : N/A</p> <p>Refer also to : <u>7.30-001, 13.04-001</u></p> <p>Directive No(s).</p>
<b>1.2</b>	(2) The Participating Organisation must comply with the following requirements in relation to the collateral required to be deposited by a Client pursuant to paragraph 1.2(1):	<b>1.2</b>	(2) The Participating Organisation must comply with the following requirements in relation to the collateral required to be deposited by a Client pursuant to paragraph 1.2(1):

	CURRENT PROVISION		AMENDED PROVISION
	<p>(a) the collateral must only be the types of collateral provided in Directive 13-001 issued by the Exchange and is subject to a Haircut. The rate of the Haircut for a particular type of collateral in relation to its Securities Borrowing and Lending activities. In the absence of any Haircut prescribed by the Clearing House, the Haircut for that collateral must at least be the same as the 'discounting' rate provided in Directive 13.04-001 issued by the Exchange for discounting on collateral pursuant to Capital Adequacy Requirements. For the purposes of this paragraph 1.2, any reference made to the value of collateral is taken to mean the value of the collateral based on the valuation prescribed in paragraph 1.2(2)(d) after applying the prescribed Haircut under this rule;</p>		<p>(a) the collateral must only be the types of collateral provided in Directive 13-001 issued by the Exchange and is subject to a Haircut. The rate of the Haircut for a particular type of collateral in relation to its Securities Borrowing and Lending activities. In the absence of any Haircut prescribed by the Clearing House, the Haircut for that collateral must at least be the same as the 'discounting' rate provided in Directive 13-04-001 issued by the Exchange for discounting on collateral pursuant to Capital Adequacy Requirements. For the purposes of this paragraph 1.2, any reference made to the value of collateral is taken to mean the value of the collateral based on the valuation prescribed in paragraph 1.2(2)(d) after applying the prescribed Haircut under this rule;</p>

[End of Amendments to BMS Directives]