



CONSULTATION PAPER
CLOSURE OF DORMANT ACCOUNTS

No. 2/2014

Date of Issue: 21 January 2014

Bursa Malaysia Depository Sdn Bhd ("Bursa Depository") invites your written comments on the issues set out in this Consultation Paper by 10 February 2014 via:

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Respondents to this Consultation Paper are requested to use the reply format as stipulated in Annexure A.

Kindly contact the following persons if you have any queries in relation to this Consultation Paper:

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Please see Bursa Malaysia Depository Sdn Bhd's Personal Data Notice as set out in the Appendix 1 to this Consultation Paper.

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I. INTRODUCTION

A. Purpose of the Consultation Paper

This Consultation Paper is to seek public feedback on the proposed amendments to the Rules of Bursa Malaysia Depository Sdn. Bhd. ("**Bursa Depository**") in relation to the closure of securities accounts that have been designated as dormant.

B. Summary of Proposal

In brief, Bursa Depository proposes to close those securities accounts that have not been utilised by investors, being holders of securities accounts ("**depositors**"), for at least 7 years.

This proposal is part of Bursa Depository's efforts to improve the central depository system ("**CDS**"). The closing of these accounts, will result in improved operational efficiency and reduced costs for Authorised Depository Agents ("**ADAs**") (who are also Participating Organisations ("**POs**") of Bursa Malaysia Securities Berhad) and authorised depository members ("**ADMs**").

Changes to the Rules of Bursa Depository are being proposed to facilitate the proposal ("**Proposed Amendments**").

Details of the proposal and the Proposed Amendments are set out below.

Note: As the Proposed Amendments are open to comments and feedback from the public, the final amendments may differ from those stated in this Consultation Paper. Further, the Proposed Amendments HAVE NOT been approved by the Securities Commission ("SC") and as such are not the final amendments. Bursa Depository will submit the Proposed Amendments to the SC for approval after receipt of comments pursuant to this Consultation Paper and making the relevant changes, where appropriate, to the Proposed Amendments.

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II. DETAILS OF PROPOSAL

A. Background

1. In the Rules of Bursa Depository, a securities account is designated as dormant ("**Dormant Account**") in the following circumstances:
 - (a) there is no security in that account ("Nil balance"); and
 - (b) there has not been any debit or credit entry in the securities account for 36 months from the date of the Nil balance.
2. Currently a Dormant Account remains in the CDS indefinitely despite there being no activity whatsoever. As at December 2013, there are a total of 2.37 million Dormant Accounts in the CDS which amounts to approximately 54% of the total securities accounts in the CDS. The owners of these Dormant Accounts are obviously not interested in using these accounts as they have been left unused over a long period of time.
3. Therefore, moving forward, Bursa Depository proposes to close a Dormant Account upon the expiry of a specified timeframe as explained below ("**Closure of Dormant Account Proposal**").

B. Proposal, Objectives and Benefits

4. Pursuant to the Closure of Dormant Account Proposal, Bursa Depository proposes to close a Dormant Account automatically upon expiry of the 4th year of such account being designated as dormant. This means that securities accounts that have not been utilised (i.e. no transactions have been effected and with a nil balance in the accounts) for at least 7 years in total, will be closed. The closure is automatic and will not require any submission of account closure forms on the part of the depositor in question.
5. The Closure of Dormant Account Proposal is aimed at improving the CDS and addressing the concerns raised by the ADAs/POs and ADMs. The benefits include:
 - (a) improving the operational efficiency of the ADAs/POs and ADMs since the ADAs/POs and ADMs no longer need to maintain such securities accounts (as well as the accompanying trading accounts) indefinitely;
 - (b) reducing the costs incurred by ADAs/POs and ADMs in keeping the documentation for such securities accounts even though there are no more trading activities and the trading accounts for such investors have been closed. We note that the ADAs/POs and ADMs would nevertheless need to comply with the relevant laws and rules on maintaining records; and
 - (c) mitigating risks to the depositors and Bursa Depository arising from such accounts being left idle for an indefinite period of time for example, the risk of misuse of the account by persons other than the depositor, even though these risks may be minimal.

6. In devising the framework for the Closure of Dormant Account Proposal, Bursa Depository was guided by the following considerations:
- (a) that prior notice of closure be given to a depositor before a Dormant Account is closed, in the manner set out in paragraph 8(a) below;
 - (b) that the relevant depositor be given ample opportunity in the manner as set out in paragraph 8(b) to check whether or not he/she has any Dormant Account which is to be closed (“Affected Accounts”); and
 - (c) that should a depositor wish to maintain the Affected Account, the depositor can reactivate the Affected Account before the closure of the same by Bursa Depository.

Further details on the framework for the Closure of Dormant Account Proposal are set out below.

C. Framework for Closure of Dormant Accounts

7. The first exercise to close the Affected Accounts will encompass those Dormant Accounts which have been made dormant for more than 4 years i.e. those securities accounts that were designated as dormant during and before the year 2010 (“**First Closure Exercise**”).
8. Based on the principles and considerations as highlighted in paragraph 6 above, Bursa Depository proposes to effect the closure of the Affected Accounts in the following manner:
- (a) In respect of an Affected Account, Bursa Depository will notify the relevant depositor of such closure in the following manner:
 - (i) for an Affected Account that will be closed during the First Closure Exercise, the notification will be via an advertisement in 3 daily national newspapers in the different languages i.e. Bahasa Melayu, English and Mandarin issued 1 month before the closure;
 - (ii) for an Affected Account that will be closed subsequent to the First Closure Exercise, a notice will be sent directly to the affected depositor (other than the ADA or ADM in respect of their principal or wholly owned nominee accounts) 1 month before the closure of the Affected Account. These closures will be done on a yearly basis. (It should be noted that as the affected depositor will be receiving a personal notice, no advertisement in the newspaper will be taken out in respect of these accounts);
 - (iii) for a Dormant Account in the name of an ADA, ADM, ADA’s or ADM’s wholly owned subsidiary, Bursa Depository will send a file 1 month before the closure of such account to the ADA or ADM.

- (b) A depositor (other than an ADA or ADM in respect of their principal or wholly owned nominee accounts) may check whether or not the depositor has any Affected Accounts in the following manner:
 - (i) by making an enquiry with the depositor's ADA where the depositor's Affected Account is maintained; or
 - (ii) via Bursa Malaysia Berhad's website at <http://www.bursamalaysia.com>.
 - (c) If a depositor wishes to re-activate the depositor's Affected Account, the depositor must do so in accordance with the relevant procedures of Bursa Depository. This includes having to go to the ADA where the depositor's account is maintained and completing the CDS Account Reactivation Form.
 - (d) Once the Affected Account is re-activated, the Dormant Account will be removed from the CDS Dormant Account list and will not be subjected to the automatic closure.
 - (e) If the depositor does not re-activate the Affected Account within 1 month from the advertisement date or the date of the notice referred to in paragraph 8(a), Bursa Depository will proceed to close the Affected Account. It should be noted that no further notice will be given to the depositor upon the closure of the Affected Account as the relevant notice is given to the depositor prior to the Affected Account being closed.
9. It should be noted that currently, under Rule 26.10(3) of Rules of Bursa Depository, Bursa Depository will issue a notice to inform the depositor of the designation of the depositor's securities account as dormant one month prior to such designation. Pursuant to the Closure of Dormant Account Proposal, Bursa Depository is proposing to do away with this notice on the basis that it may not be necessary especially since the account can still be used for participation in an Initial Public Offering ("IPO"). However, the depositor will need to activate the dormant account before being able to deal with the IPO securities. The notice before closure which Bursa Depository intends to send one month before closure is sufficient notice to enable the depositor to take the necessary steps to maintain the account, if he/she so wishes.
10. To facilitate the framework for the closure of the Dormant Accounts, the Rules of Bursa Depository are being proposed to be amended in the following manner:
- (a) to empower Bursa Depository to close a Dormant Account after such period as may be prescribed by Bursa Depository and upon providing notice of such closure to the depositor;
 - (b) to clarify that a depositor can only reactivate the depositor's dormant account if the same has not been closed by Bursa Depository in accordance with the rules; and
 - (c) doing away with the notice that is currently given to depositors upon the depositor's securities account being designated as a dormant account.
11. The mode in which notice of the closure of dormant accounts will be given will be set out in the CDS Guide for Depositors which will be made available at www.bursamalaysia.com.

D. Text of Proposed Amendments

12. The full text of the Proposed Amendments is attached as Annexure B.
13. The Proposed Amendments are reflected in the following manner:
 - (a) portions underlined are text newly inserted/added/replaced onto the existing rules; and
 - (b) portions struck through are text deleted.
14. This Consultation Paper which includes the Proposed Amendments can be downloaded from Bursa Malaysia Berhad's website at www.bursamalaysia.com.

E. Issues for Consultation

15. With regards to the above, we invite your comments on the Proposed Amendments. For your ease of reference, we enclose here Annexure A setting out the issues for consultation, for your comments.

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Annexure A **Comments to proposals in relation to the Closure of Dormant Accounts**
[Please see the table of comments enclosed with this Consultation Paper]

Annexure B **Proposed amendments to the Rules of Bursa Depository**
[Please see the proposed rule amendments enclosed with this Consultation Paper]

APPENDIX 1 **BURSA MALAYSIA DEPOSITORY SDN BHD'S PERSONAL DATA NOTICE**

In relation to the Personal Data Protection Act 2010 and in connection with your personal data provided to us in the course of this consultation, please be informed that Bursa Depository's personal data notice ("**Notice**") is available at www.bursamalaysia.com. Kindly ensure that you read and are aware of the Notice.

If you are submitting personal data of an individual other than yourself ("**data subject**"), please ensure that prior to such submission, you have provided the data subject with written notice of the Notice unless section 41 of the Personal Data Protection Act 2010 ("**PDPA**") applies or Bursa Depository otherwise specifies in connection with the PDPA.

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Berhubung Akta Perlindungan Data Peribadi 2010 dan berkenaan semua data peribadi anda yang diberikan di dalam proses konsultasi ini, sila ambil maklum bahawa notis Bursa Depository mengenai data peribadi ("**Notis tersebut**") boleh didapati di [www.bursamalaysia.com](http://www.bursamalaysia.com). Sila pastikan yang anda membaca dan memahami Notis tersebut.

Jika anda mengemukakan data peribadi individu pihak ketiga ("**Subjek Data**"), anda mesti memastikan bahawa Subjek Data telah diberi notis bertulis mengenai Notis tersebut terlebih dahulu kecuali seksyen 41 Akta Perlindungan Data Peribadi 2010 ("**APDP**") terpakai atau Bursa Depository sebaliknya menyatakan berkenaan dengan APDP.

**[End of the Appendix]**