



Guideline to prevent insider trading

-to avoid committing crimes-

Update: 8th June 2016

Yangon Stock Exchange Joint-Venture Co., Ltd.

Outline



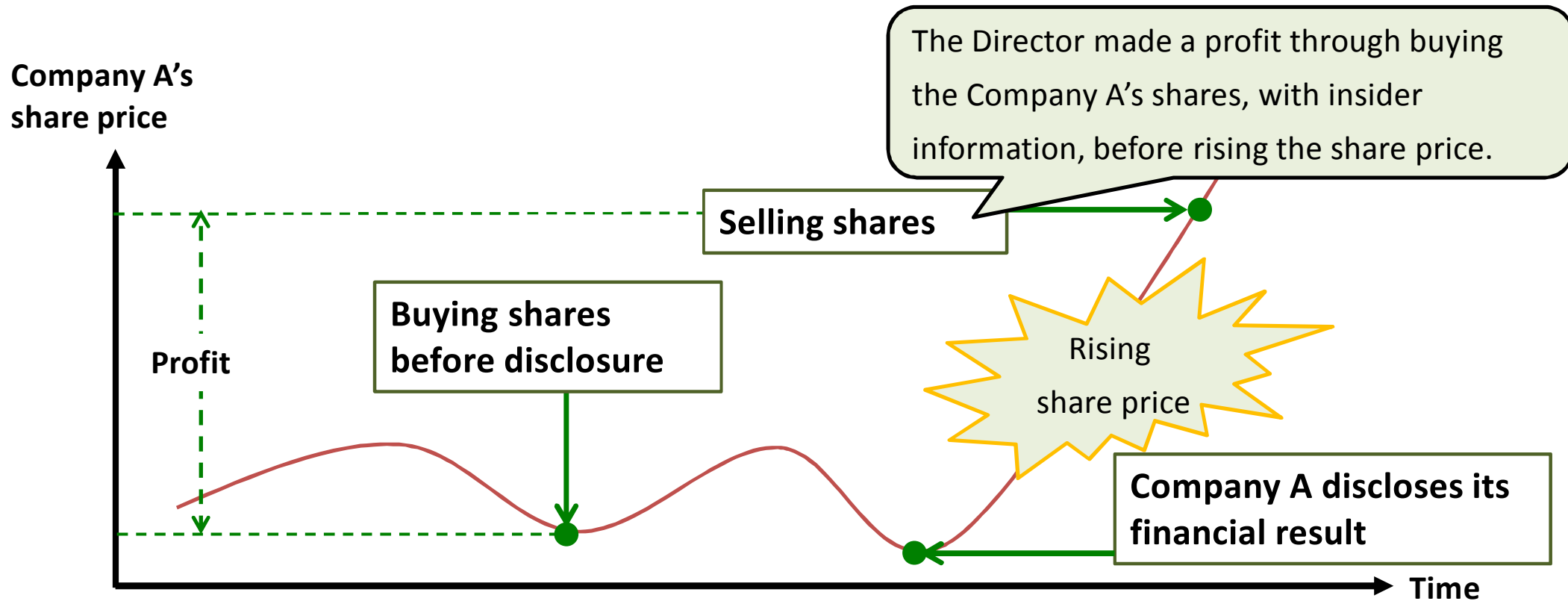
1. What is “insider trading”?
2. Why is insider trading prohibited?
3. Components of insider trading
4. Penalty
5. To prevent insider trading
6. Case study



1. What is “insider trading”?

● Typical insider trading case

- A director of a listed company A, through his/her assigned duties, got the company’s most recent financial result that would raise the company’s share price.
- The director bought the company’s shares at YSX before the company made disclosure of the information to the public, and then made a profit through selling the shares after rising share price due to publishing the information.



2. Why is insider trading prohibited?

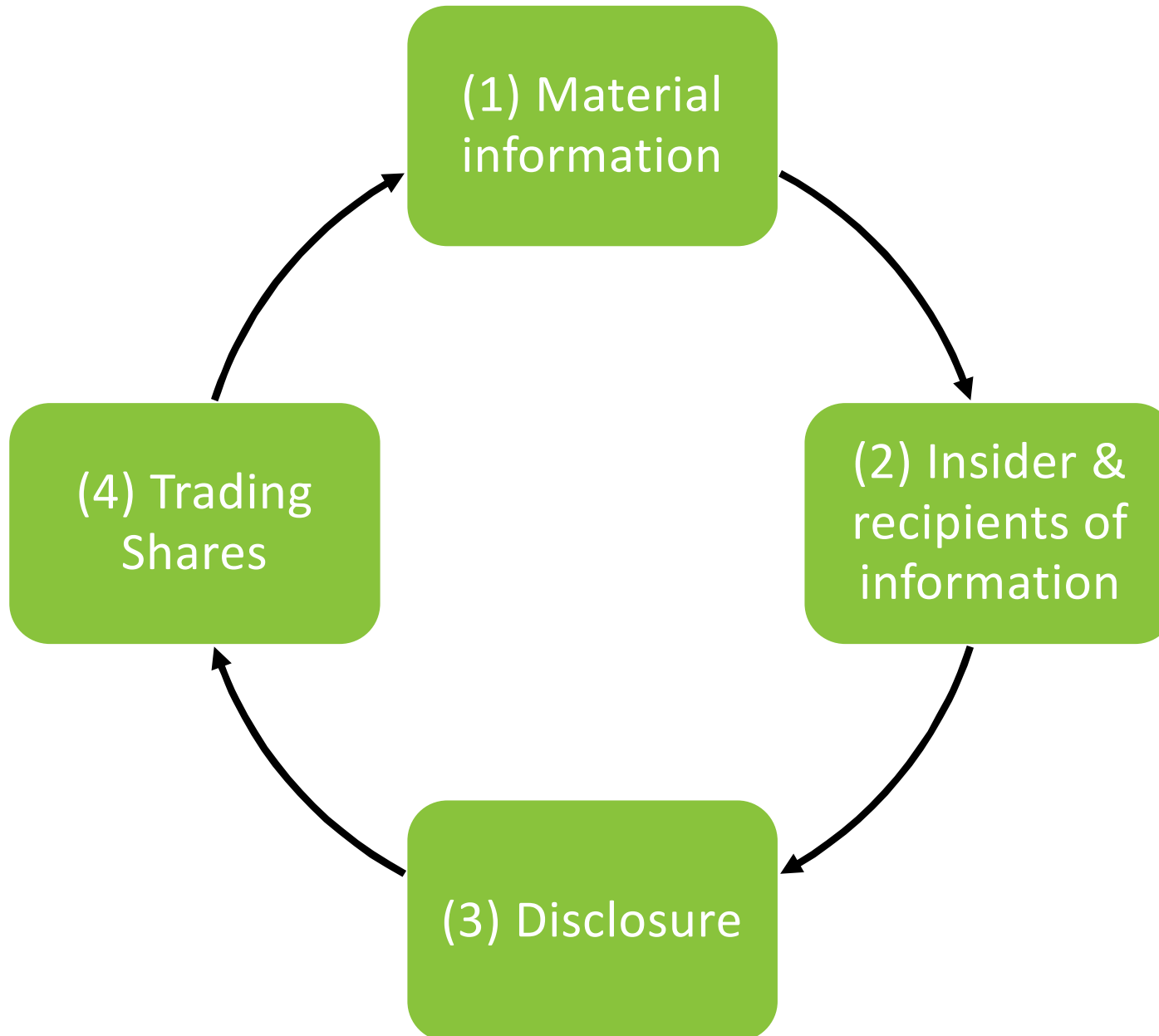


- An insider is a person such as members of the board and employees being in a special position that enables the person to know “material information related to business or financial situation of a listed company.
- An insider or a person receiving “unpublished material information” from an insider is in an advantageous position to trade shares compared to other investors not having such information.
- It is strictly prohibited for an above mentioned person to buy or sell shares based on unpublished material information in terms of keeping fairness among investors.

Insiders having unpublished material information might be able to obtain a profit without taking any risks.

→ Insiders are not in the level playing field of others and this is unfair.

3. Components of insider trading





3. Components of insider trading

(1) Material information

- The information significantly affects investment decisions made by investors.
- Material information is defined in section 184 of Securities Exchange Rules and section 6 of the SECM’s Instruction (4/2016) as well as YSX’s “Outline of Timely Disclosure”.

Examples of material information

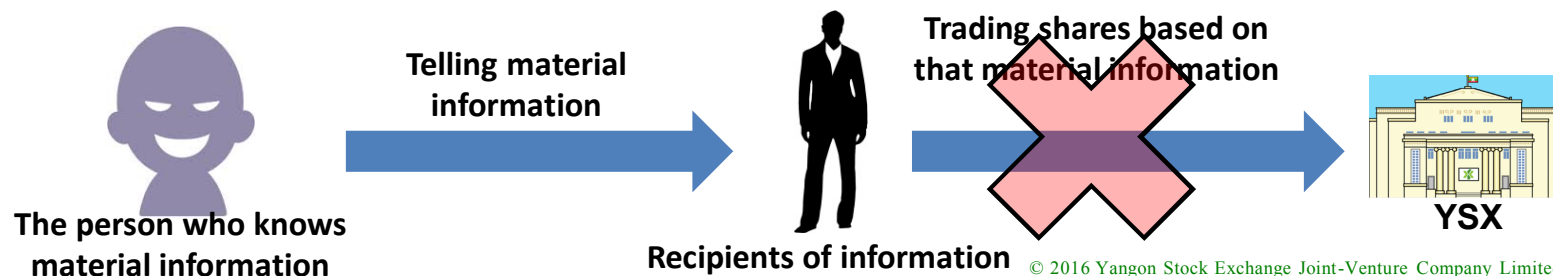
<ul style="list-style-type: none">• Offering of securities subscription	<ul style="list-style-type: none">• Change in managing director or CEO of the company
<ul style="list-style-type: none">• Transferring the company’s material business property to another entity or acquiring such property from another entity	<ul style="list-style-type: none">• Corporate reorganization such as merger, stock swap and stock transfer
<ul style="list-style-type: none">• Change in major shareholder	<ul style="list-style-type: none">• Occurrence of or recovery from a serious disaster that affects company business activities
<ul style="list-style-type: none">• Filing or settlement of a material lawsuit claiming damages against the company	<ul style="list-style-type: none">• Financial results

3. Components of insider trading (Cont'd)



(2) Insider and recipients of information

- **Examples of insiders (Corporate insiders)**
 - Directors of a listed company
 - Directors of the parent or subsidiary of a listed company
 - Government officials who are in position to obtain material information of a listed company
 - Major shareholders which own more than 20% of a listed company
 - Immediate family members living together (e.g. parents, a partner in marriage and children) of persons mentioned above
- **Recipients of information**
 - The persons who obtained material information from an insider, etc.
 - * Recipients of information are not limited employees of a listed company



3. Components of insider trading (Cont'd)



(3) Disclosure

- A listed company shall make an announcement /disclose its corporate information to general public. Disclosure information of a listed company is up-loaded on the YSX and/or SECM's website.
(YSX's website: <https://ysx-mm.com/en/disclosure/>)

YSX's website

Disclosure

Investors can see detailed information

Click!

Date	Time	Company	Announcement
1st Jun. 2016	9:00 am	ABC	Acquisition of shares
19th May 2016	11:00 am	DEF	Results of affiliated company

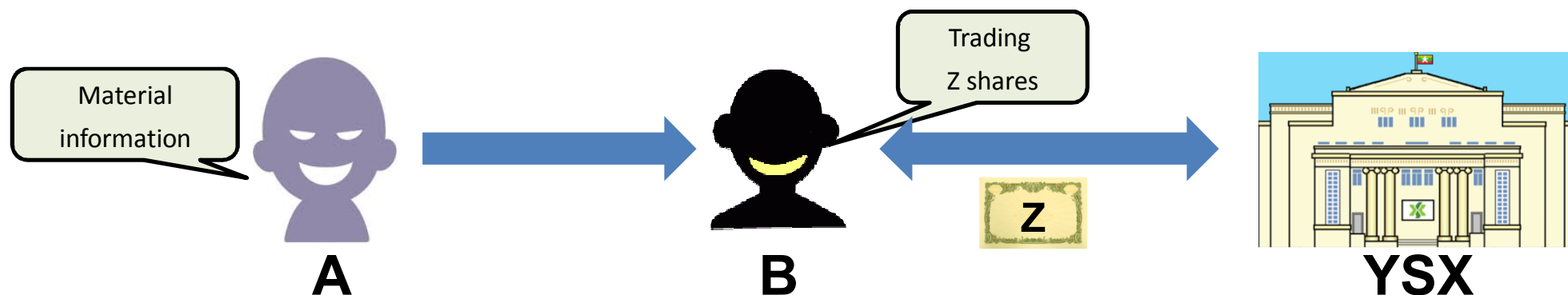
Dear. Shareholders.
ABC company Ltd. announces that the company decided to acquire entire shares of ZZZ company ...

3. Components of insider trading (Cont'd)



(4) Trading Shares

- If a person A having material information of a listed company Z gives advice to a friend B about trading of share Z at YSX, is the act deemed to be acting insider trading?
- Yes, A and B's act is deemed to be insider trading which is defined as a prohibited act stipulated in section 49 (c) of the Securities Exchange Law.



<Section 49 of the SE Law> The prohibited acts detrimental to the interests of the general public and to the protection of investors are as follows:

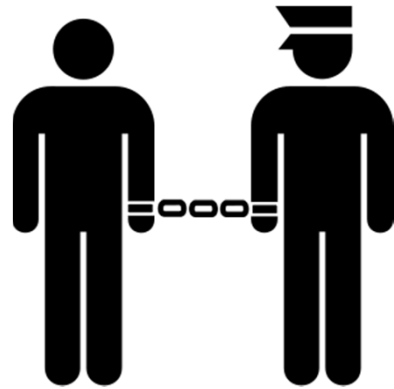
- (c) using internal information to buy or sell securities for its own account or for other persons or disclosing or providing internal information or giving advice to other persons to buy or sell securities based on undisclosed internal information;

4. Penalty



- **Penalty**

An offender of insider trading is subject to be punished under Section 60 of the Securities Exchange Law (imprisonment for a term not exceeding 10 years and/or fine)



<Section 60 of the SE Law>

Any person who violates prohibition contained in section 54 shall, on conviction, be punished with imprisonment for a term not exceeding 10 years and may also be liable to fine.

5. To prevent insider trading



● To know more about insider trading

- You should know what is material information.
- Even though you are not relating parties of a listed company, you should not conduct to trade shares of the company's shares until disclosure once you receive its unpublished material information from an insider.
- You should know insider trading is a criminal act.
- You should understand your insider trading damages your company's reputation.

● Developing internal rules in order to prevent insider trading

- A listed company should develop internal rules, such as information management rules, to prevent insider trading.
- Giving training for employees.

● Do not spread material information to others

- You should not share material information with even your families or friends before publishing.

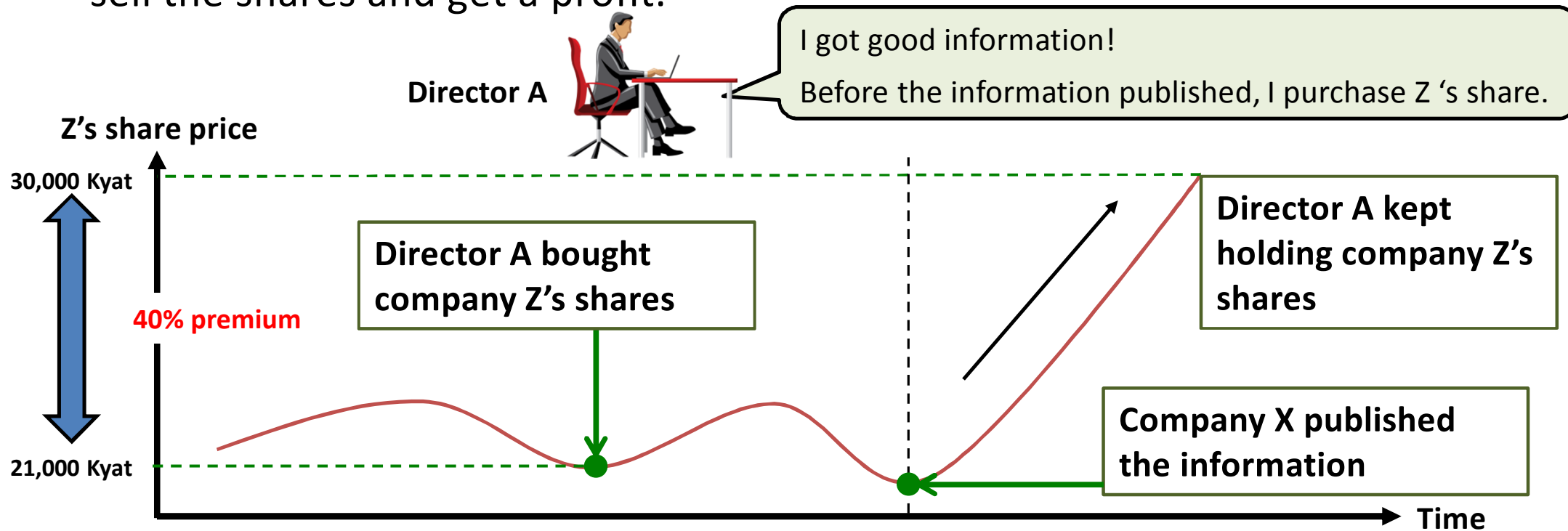


6. Case study



● Case 1

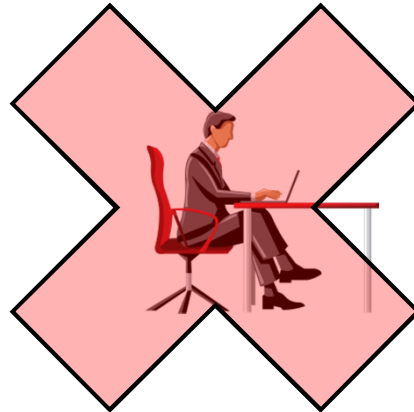
- A listed company Z's Director A had known that company Z's stake would be acquired by a listed company X.
- In an acquisition contract, the company Z's shares would be acquired with 40% premium by the company X.
- Then, Director A bought Z's shares before X's disclosure but Director A didn't sell the shares and get a profit.





6. Case study (Cont'd)

- Director A's act, buying Z's shares based on unpublished material information, becomes a prohibited act stipulated in Section 49 (c) of the Securities Exchange Law regardless of selling the shares or not.



Director A

<Section 49 of the SE Law> The prohibited acts detrimental to the interests of the general public and to the protection of investors are as follows:

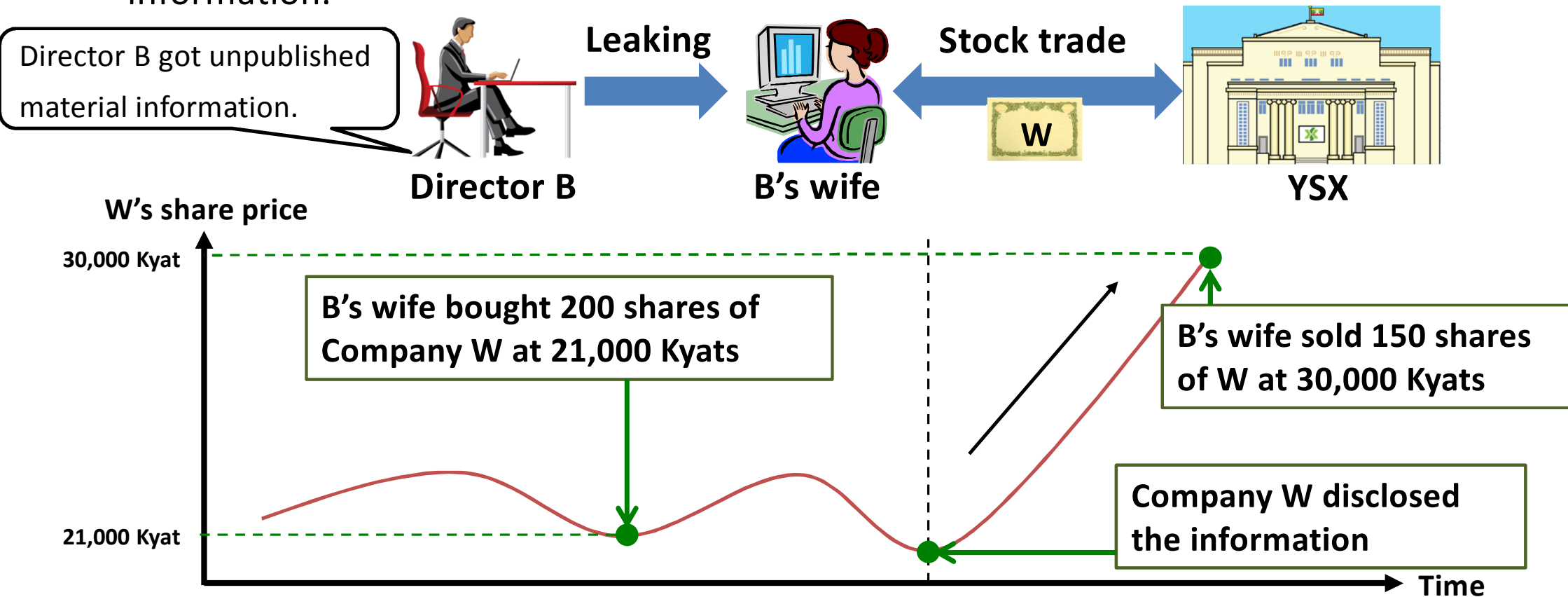
- (c) using internal information to buy or sell securities for its own account or for other persons or disclosing or providing internal information or giving advice to other persons to buy or sell securities based on undisclosed internal information;

6. Case study (Cont'd)



● Case 2

- Director B got unpublished information that his company W's stake would be acquired by a listed company Y with 40% premium.
- Director B leaked the information to his wife and she, on behalf of Director B, bought 200 shares of company W and sold 150 shares at YSX after disclosure of the information.

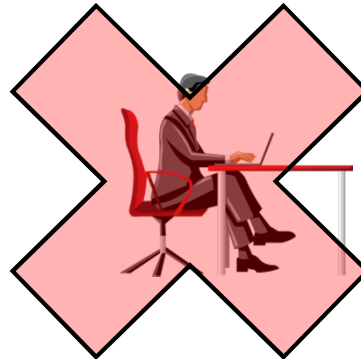




6. Case study (Cont'd)

- Both Director B and his wife's acts violate section 49 (c) of the Securities Exchange Law.
- Even though Director B was not a person to conduct company W's share trading, his act becomes prohibited act mentioned in the law.
- Even though B's wife was a person receiving the material information indirectly from her husband, B's wife's trading was based on unpublished material information and deems to be an insider trading.

Director B



B's wife



<Section 49 of the SE Law> The prohibited acts detrimental to the interests of the general public and to the protection of investors are as follows:

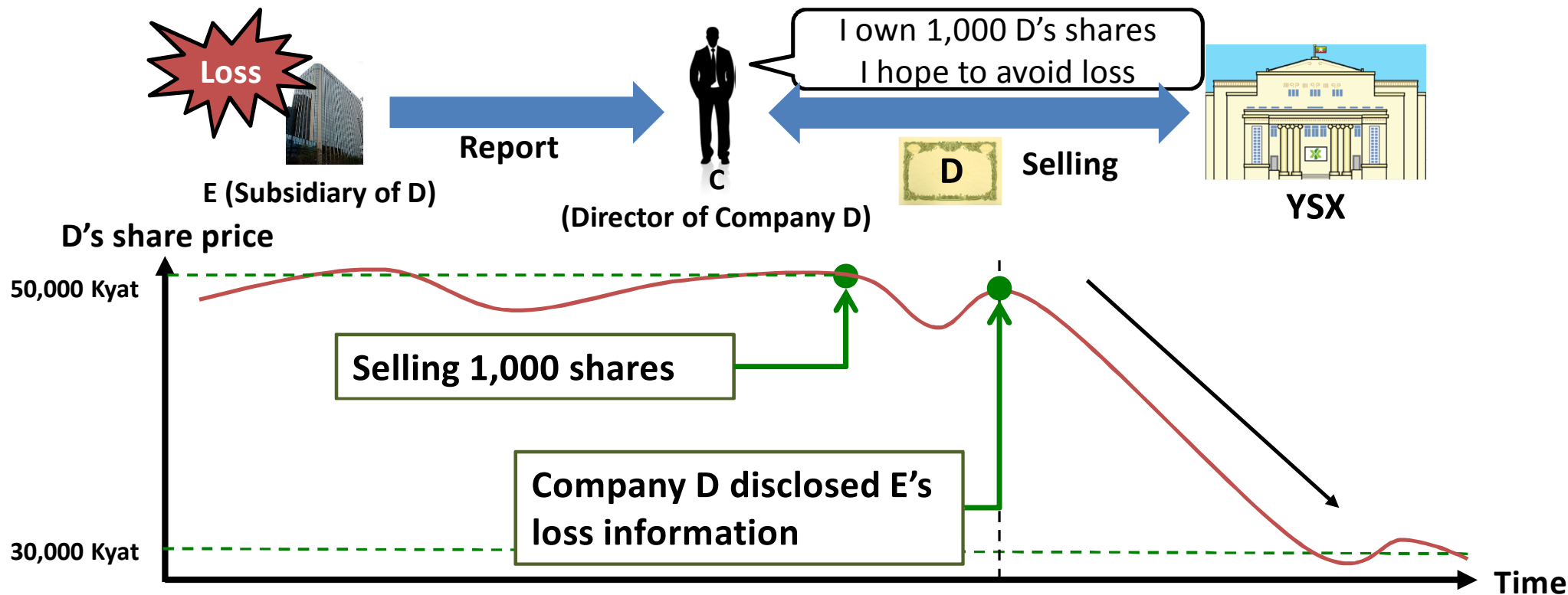
- (c) using internal information to buy or sell securities for its own account or for other persons or disclosing or providing internal information or giving advice to other persons to buy or sell securities based on undisclosed internal information;

6. Case study (Cont'd)



● Case 3

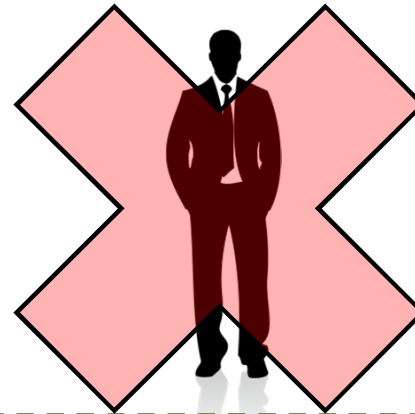
- C is a Director of listed company D and he has a responsibility for managing subsidiary companies.
- Director C had owned 1,000 shares of the company D.
- One day, C received information from a subsidiary company E that E suffered huge losses due to a cyclone. C estimated impact on company D arising from company E's losses and concluded the losses would greatly affect on D's business performance.
- To avoid loss by owning company D's shares, Director C sold all D's shares before its disclosure.





6. Case study (Cont'd)

- Director C got company D's material information submitted from subsidiary company E which could make a huge impact on D's share price.
- Even though Director C's intention was not to get a profit but to avoid a loss, a series of his acts, conducting shares trading based on unpublished information, deems as insider trading stipulated in section 49 of the Securities Exchange Law.



Director C

<Section 49 of the SE Law 49> The prohibited acts detrimental to the interests of the general public and to the protection of investors are as follows:

- (c) using internal information to buy or sell securities for its own account or for other persons or disclosing or providing internal information or giving advice to other persons to buy or sell securities based on undisclosed internal information;



● Securities Exchange Law

(Section 49)

(c) using internal information to buy or sell securities for its own account or for other persons or disclosing or providing internal information or giving advice to other persons to buy or sell securities based on undisclosed internal information

(Section 54)

Any person shall not commit the prohibited acts under Chapter 9, which are detrimental to the interests of the general public and to the protection of investors.

(Section 60)

Any person who commits the prohibition contained in section 54 shall, on conviction, be punished with imprisonment for a term not exceeding 10 years and may also be liable to fine.



Reference (Cont'd)

- **Securities Exchange Rules (Unofficial translation)**

(Section 184)

Internal information in sub-section (c) of the section 49 of the Law refers to the facts concerning issuers of securities or securities that have not been made public that would have a significant influence on investment decisions made by investors.

(Section 185)

Disclosing or providing internal information shall not include the public disclosure of internal information.

Reference (Cont'd)



● Securities Exchange Rules (Unofficial translation)

(Section 186)

The provisions of sub-section (c) of the section 49 of the Law shall not apply to the following acts:

- (a) where a person with the right to receive shares or warrants under the Myanmar Companies Act obtains shares or warrants through the exercise of said rights;
- (b) the buying or selling of shares or warrants based on a share purchase request under the Myanmar Companies Act or other legal obligation;
- (c) buying or selling of shares outside the securities market operated by the stock exchange or the over-the-counter market by persons in possession of the same internal information, except the case where both parties to the transaction know that the subsequent transaction following the transaction will violate sub-section (c) of the section 49 of the Law;

Reference (Cont'd)



● Securities Exchange Rules (Unofficial translation)

(Section 186)

- (d) where a person has concluded a written contract with the issuer to buy or sell securities issued by said issuer before knowing internal information and then conducts said transaction through performance of said contract during a period from ten days prior to the date specified in the contract or the deadline for executing the transaction specified in the contract until said deadline;
- (e) where the securities bought or sold are corporate bonds or warrants relating to corporate bonds, cases other than those in which the internal information has led to the emergence of fears that the issuer will be dissolved or default on the debt;
- (f) a series of buying and selling transactions in accordance with rule 187; or
- (g) where a person who has made a decision to buy or sell securities or another person who acts in concert with the said person buys or sells the securities knowing internal information that the said person has made a decision to buy or sell the securities.



● **SECM's instruction (4/2016): Preventing Insider Trading**

Introduction

1. According to section 49 (c) of Securities Exchange Law, it is prohibited that a person uses internal information such as undisclosed material facts of listed companies to buy or sell securities for its own account or for other persons or discloses or provides internal information or gives advice to other persons to buy or sell securities based on undisclosed internal information (Insider trading).

Governance

2. Securities companies, listed companies, Yangon Stock Exchange, and other related parties shall have an internal policy to prevent insider trading which involves their own staffs.
3. Securities companies shall not allow their employees to conduct securities transactions of listed shares underwritten by such securities companies.

Reference (Cont'd)



● **SECM's instruction (4/2016)**

4. In case where customers are in categories below, securities companies shall carefully examine the securities transactions by such customers.
 - Directors of listed companies
 - Directors of the parent or subsidiary of listed companies
 - Government officials who are in positions to obtain internal information of listed companies
 - Major shareholders which own more than 20% of a listed company
 - Immediate family members (e.g. parents, spouse, and children) of persons mentioned above
5. Yangon Stock Exchange shall examine if a listing applicant has sufficient internal system and internal control to prevent insider trading and disclosure framework.

Reference (Cont'd)



● SECM's instruction (4/2016)

Material information

6. SECM considers the following information and facts inter alia have influence on investment decisions provided in Section 184 of Securities Exchange Rules:
 - Financial results including unaudited financial statement
 - Facts provided in Section 4 and 5 of Notification (1/2016) issued by SECM
 - Matters to be disclosed in accordance with Outline of Timely Disclosure by Yangon Stock Exchange



● **SECM's Notification (1/2016) : Announcement of Continuous Disclosure**

Section 4

A public company shall make an extraordinary report if any of the followings occurs with the facts of information as mentioned therein:

- (a) change of its parent company or its subsidiary company;
 - (i) name and address of such company, name of its managing director or manager, the amount of the parent company's share capital or the amount of contribution in its subsidiary company's share capital, and principal business of such company,
 - (ii) in the case of changing its parent company, the number and percentage of voting rights held by the parent company before and after the change,
 - (iii) in the case of changing of its subsidiary company, the number and percentage of voting rights held by the company in its subsidiary company before and after the change,
 - (iv) reason of the change,
 - (v) date of the change

- (b) change of its major shareholders own more than 20% of voting rights of equity interest of the company,
 - (i) name of the major shareholder,
 - (ii) number and percentage of voting rights before and after the change,
 - (iii) date of the change

Reference (Cont'd)



● SECM's Notification (1/2016)

- (c) occurrence of a disaster from which the business of the company is suffered,
 - (i) date on which the disaster occurs and ceases,
 - (ii) place where the disaster occurred,
 - (iii) details of the damages suffered and amount of insurance payment received,
 - (iv) impact on its business

- (d) filing or settlement of a material lawsuit claiming damages against the company,
 - (i) date on which the lawsuit is filed,
 - (ii) name and address of the plaintiff, and, if the plaintiff is a juridical person, name of the representative person of the plaintiff,
 - (iii) summary of the complaint and the amount of the claimed damages,
 - (iv) in the case of settlement of a lawsuit, date on which the lawsuit is settled by way of judgment, compromise or otherwise, summary of the settlement, and the amount of payable damages,

- (e) transfer of the company's material undertakings to another person or transfer of material undertakings from another person to the company,
 - (i) name and address of the transferee or the transferor, and if such person is a company, name of its managing director or manager, the amount of its share capital or any equivalent value, and its principal business,
 - (ii) outline of the undertakings to be transferred,
 - (iii) summary of the transfer agreement, including date of the transfer

Reference (Cont'd)



● **SECM's Notification (1/2016)**

- (f) change of a managing director or manager of the company,
 - (i) name and title of a managing director or manager to be changed,
 - (ii) date of the change,
 - (iii) number of the company's shares owned by the managing director or manager on the date of the change,
 - (iv) in the case of a new managing director or manager, a summary of his/her academic and work history

- (g) a resolution of the annual general meeting or extraordinary general meeting of shareholders, other than a resolution approving the company's financial statements at an annual general meeting,
 - (i) date of the annual general meeting or the extraordinary general meeting,
 - (ii) details of the resolution passed

- (h) change of an auditor of the company,
 - (i) name and title of the auditor being change or to be change
 - (ii) date of the change,
 - (iii) date of the appointment,
 - (iv) reason of the change

Reference (Cont'd)



● SECM's Notification (1/2016)

- (i) filing of a petition against the company for any compulsory winding up, company voluntary arrangements, or compromise or under the supervision of court, arrangement with its creditors generally or any class of its creditors.
 - (i) name and address of the person who files the petition, and, if the person is a juridical person, name of its representative person,
 - (ii) date of the filing,
 - (iii) details of the petition

- (j) voluntary winding up or dissolution of the company,
 - (i) name of the liquidator,
 - (ii) cause of the winding up or dissolution,
 - (iii) in the case of a resolution of the annual general meeting or extraordinary general meeting of shareholders or the meeting of the company's creditors, the date on which such resolution is passed

- (k) failure to pay or occurrence of a concern for failure to pay a significant amount of the company's pecuniary claims by a debtor of the company or a debtor whose debt is guaranteed by the company,
 - (i) name and address of the debtor, and, if the person is a company, name of its managing director or manager and the amount of its share capital or any equivalent,
 - (ii) details of the facts that have arisen in respect of the debtor and the date on which those facts have arisen,
 - (iii) category, amount and details of the claims held by the company against the debtor,
 - (iv) effect on the company's business, profits or financial condition



Reference (Cont'd)

● SECM's Notification (1/2016)

- (l) occurrence of a matter or an event which falls under the subsequent events under the applicable accounting principles,
 - (i) date on which the matter or event occurs,
 - (ii) summary of the matter or event,
 - (iii) the amount of its effect on the profit or loss of the company”

Section 5

In case of the occurrence of any of the foregoing matters or events provided through 4 (a) to 4 (l) with respect to its significant subsidiary company, the company shall make an extraordinary report regarding the corresponding information respectively as mentioned above.