YANGON
STOCK EXCHANGE

Guidelines for Online Trading

Version 1.0

Yangon Stock Exchange Joint-Venture Company Limited.

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I. Purpose

These guidelines describe points to be considered by securities companies in order to protect investor's interest, as well as ensure safety and soundness, while ensuring smooth online trading.

Online trading refers to trading conducted through online platforms where investors place buy/sell orders via securities companies to participate in YSX transaction by utilizing electronic devices such as their personal computers or mobile terminals.

When securities companies conduct online trading business, they shall still meet requirements of securities regulations. These guidelines shall not be interpreted as those reducing the said requirements.

II. Guidelines

Online trading requires investors a higher level of self-responsibility compared to normal trading because it is executed without any face-to-face contact. When securities companies provide online platforms for their customers, the following points should be taken into consideration.

1. When starting online trading business, securities companies should develop an operation and trading system by which customers can place orders via online and refer to the information on execution, delivery price, details of deposited funds and securities, etc. Securities companies should provide customers with sufficient services, based on customer's level (investment experience, knowledge, and assets). Furthermore, there need to be mechanisms for immediately and accurately informing customers of information that can significantly influence trading.
2. In addition to contracts for opening accounts, securities companies should conclude contracts pertaining to online trading. (This also applies to customers who have already concluded contracts for account opening in the past.)
3. Clear disclaimers are needed in order to prevent disputes with customers. It should be noted that the disclaimers must not unilaterally harm the interests of customers. Customers have to be notified of the disclaimers before they start trading.
4. Securities companies should notify customers of the mechanism and risks pertaining to online trading. Confirmation screens are necessary to prevent erroneous order placement, where customers can reconfirm what they have entered.
5. Customers need to be notified of the flow and procedures for order placements or cancellation before starting trading. Warnings need to be issued to customers in order to prevent customers from taking actions leading to illegal trading.
6. Customers have to be notified of handling fees, etc. before order placement. A report on the status of customer's trading needs to be provided to customers.
7. Securities companies should notify customers of possible treatment in the cases where customers have not satisfied the solicitation policies or criteria for opening a new account.

8. In case of failing in matching orders, customers have to be informed the fact without delay. Customers also have to be notified of the validity of order placement before starting trading.
9. Securities companies should maintain a dedicated department for internal management concerning online trading including a function for monitoring illegality.
10. Securities companies should develop their own internal criteria pertaining to suspicious trading, in light of controlling excessively speculative trading and securing safety of trading and settlement. Customers need to be notified of those criteria before starting trading.
11. If it is recognized that there is a possibility of illegality in customer trading, customers must be warned. It is also advisable that consultation with Securities and Exchange Commission of Myanmar (hereinafter SECM) or Yangon Stock Exchange (hereinafter YSX or the Exchange) should be made when necessary.
12. It is crucial not to accept orders related to insider trading. In this regard, customers have to be thoroughly notified about regulations on insider trading when these are identified.
13. If the Exchange halts trading, implements restrictions, or takes any other measures, or if each securities company does so on its own judgment, the details of the measures need to be indicated to the customers immediately.
14. Internal rules have to be established to prevent officers and employees of securities companies from acts that violate or possibly violate laws and regulations or that could become a breeding ground for such violations. Appropriate measures, such as giving guidance and monitoring, need to be implemented.
15. A customer service desk needs to be established to respond to customer inquiries and complaints as well as function an alternative measure to accept orders in case of system disruptions. It is desirable to set up a FAQ (i.e. Frequently Asked Questions) or Q&A (i.e. Questions and Answers) section up on the website showing typical inquiries from customers.
16. To secure fairness in trading and avoid disputes with customers, it is desirable to record communication with customers for a certain period.
17. Securities companies should introduce measures to prevent unauthorized access, data leakage, etc. such as listed below for customer's information
    a. Internal access authorization that limits access to the scope necessary for the staff's responsibility
    b. Storage and monitoring of access logs, etc.
18. Securities companies should introduce rules for controlling confidential information (E.g. Pin, Passwords), such as encryption and masking. Also, they should introduce rules regarding the management of encryption programs, encryption keys, and design specifications for encryption programs.
19. Securities companies should introduce secure authentication methods which securities companies choose according to the risks. Following measures are just possible examples:

   a. Authentication method that do not rely on fixed IDs / Passwords, such as variable passwords and digital certificates
   b. Two factor authentication, etc.

20. Securities companies should introduce preventative measures in line with operations, such as listed below
    a. Securities companies shall encourage users to take measures against computer viruses
    b. Securities companies should introduce systems to avoid/prevent virus infection from the user's PC. When securities companies detect possibility of user's PC's infection, they should issue a warning.
    c. Securities companies shall create mechanisms for detecting unauthorized access from user account and for transmitting feedback and reports to such user as necessary
21. Securities companies need to have a structure or function to immediately lock or logout a customer ID in the case where securities companies face a loss or damage such as a lost device or customer information leak, or for cases where customers have their devices stolen or their application go out of control.
22. To ensure safe online trading and respond to system disruptions, etc., internal management structures, such as appropriate staff allocation, need to be developed. To counter system disruptions, etc., sufficient backup structures as well as contingency plans need to be developed.
23. If a system disruption occurs, systemic measures (ex. halting order placement) need to be implemented immediately when necessary. In addition, the disruption needs to be immediately reported to relevant organizations (SECM, YSX, etc.). After the recovery, the status of the disruption needs to be reported to SECM and YSX.
24. Customers need to be notified of the possibility of system disruptions and alternative means that will immediately fulfill customer wishes for order placement if order placement is unavailable due to system disruptions. Such alternative means need to be in place before such notification.
25. Securities companies shall try to ensure not to harm the stability of YSX Trading System by managing customers' strange order (unduly large number of order, unduly frequently repeated order) so as to avoid any undue burden on the YSX Trading System, ensuring system security, etc.