

Supervisory Guideline – Prevention of Insider Trading

- ❑ **Prevention of Insider trading for securities from a customer who may commit unfair trading (Rules 68 (k))**
- ❑ **Implementation of measures necessary for the prevention of unfair trading (Rules 71 (a), Instruction (4/2016) Preventing Insider Trading)**

Basic Principle

- Securities companies are expected to assume a role of gatekeeper to prevent customers and SC's staff from committing insider trading – rejecting orders placed by a person using internal information such as undisclosed material facts of listed companies.

Check Point 1: Insider Data Base

- A Securities Company shall create and continue to update insider data base relating to insiders described in the categories below (“insider categories”), through requesting its customers to update A/C opening form.
 - (a) Directors of listed companies*
 - (b) Directors of parent companies or subsidiaries of listed companies*
 - (c) Directors of the prelisting Board (PLB) companies*
 - (d) Directors of the parent companies or subsidiaries companies of the prelisting Board companies*
 - (e) Government officials who can access to insider information of listed companies and prelisting Board companies*
 - (f) Directors and staffs Yangon Stock Exchange who can access to insider information of listed companies and prelisting Board companies*
 - (g) Major shareholders which are more than 20% of a listed companies and prelisting Board companies*
 - (h) Directors and staffs of on the counter market*
 - (i) family members (e.g. parents, spouse, children) of persons mentioned above*
- The insider data base shall include the following information for each insider:
 - 1) *Name or corporate name of the insider customer*
 - 2) *Address or location and contact point of the insider customer*
 - 3) *Date of birth of the insider customer*
 - 4) *Name of the company, managerial title and the division to which the insider customer belongs*
 - 5) *Name of the listed company of which the insider customer belongs to*

Check point 2: Examine Transactions Suspicious of Insider Trading

- When an insider customer tries to place an order, a securities company shall confirm that such customers do not hold internal information such as undisclosed material facts of the listed companies of which stocks they try to transact. Such confirmation shall be done by means of receiving written declaration for the transactions for each transaction

- A securities company shall check trading which is carried out by any customer just before the disclosure of internal information. Then, if such transaction is suspicious, the securities company shall provide relevant information to the SECM as much as possible.

Check point 3: Trading by Securities company's employees

- A Securities Company may allow its employees to open their securities accounts. It shall not allow other securities companies' employees to open their securities accounts.
- A Securities Company shall have a procedure to permit their employees' transactions in terms of insider trading and an operation of monitoring the transactions.
- A Securities Company shall not allow their employees to conduct securities transactions of listed shares underwritten by the said securities company.

Check point 4: Management of internal information

- A securities company shall identify the scope of internal information relating to the followings and facts inter alia which have influence on investment decisions provided in Section 184 of the Securities Exchange Rules:
 - 1) Financial results including unaudited financial statement
 - 2) Facts provided in Section 4 and 5 of Notification (1/2016) issued by SECM
 - 3) Matters to be disclosed in accordance with Outline of Timely Disclosure by Yangon Stock Exchange
- A compliance division shall strictly manage internal information obtained to make sure that such information shall be never shared without a prior approval from the compliance division, through the following measures but not limited to these:
 - 1) Establish an operational flow on the process of obtaining information and managing the information by the compliance division.
 - 2) Ensure SC's staffs who obtain corporate information in the course of their work to promptly report such information to the compliance division
 - 3) Set up a Chinese-wall between divisions or restrict access to the in-house servers in order to prevent the interactions of information without appropriate reasons between the compliance division and other divisions (in particular, the dealing division and the sales division).

- END-