

PART 02 ENSURING STABILITY AND CONTINUITY DURING COVID-19

INTRODUCTION

In the wake of the pandemic, the preventive measures under the MCO had impacted business operations and livelihood of Malaysians at large, which led to a period of increased market volatility. Amid this landscape, the SC took swift action across five key focus areas to help alleviate immediate challenges and risks faced by the capital market and its participants. Efforts were focused on maintaining continued orderly function of the market, providing relief measures to ease burdens faced by affected market participants, facilitating the continuity in operations of market institutions and intermediaries, monitoring of market and liquidity risks as well as ensuring investor protection.

FAIR AND ORDERLY MARKET

Smooth Functioning of the Market

The SC intensified its monitoring of trading activities in the equity and bond markets to manage the significant increase in volatility, pro-cyclical effects of rating downgrades and downstream effects of liquidity, among others. Similarly, the SC also monitored the impact of the pandemic on capital market infrastructure including the operations of the exchanges, resiliency of Central Counterparties (CCPs) and the trading engine capacity, all of which are fundamental components of a fair, orderly and efficient market.

To mitigate potential risk arising from exceptional levels of market volatility and global uncertainties, short selling activities covering intraday short selling (IDSS), regulated short selling (RSS) and intraday short selling by proprietary day traders (PDT) were temporarily suspended from March to end of April 2020. The suspension did not apply to permitted short selling (PSS), given that PSS is an important market

operation tool *vis-à-vis* market-making activities for products such as exchange-traded funds (ETF).

Subsequent to the SC's continuous review of market conditions, the suspension of short selling was further extended to end of June 2020 and subsequently December 2020. The phased approach was undertaken to allow greater agility in responding to the uncertain and challenging environment. The extensions were to ensure that excessive speculative activities and downside risks in the marketplace were appropriately mitigated and managed.

To provide added stability and confidence in the market, the SC in July 2020, approved Bursa Malaysia's proposal to implement temporary revisions to its existing market management and control mechanisms. The revisions were applicable for a six-month period from 20 July 2020, as follows:

- The lower dynamic price limit narrowed from -8% to -5% for FBMKLCI Component Stocks (Index Stocks);