

SUMMARY OF AMENDMENTS
REVISED GUIDELINES ON RECOGNIZED MARKETS

(Date of Issuance: 6 February 2024)

The following table provides a summary of key amendments to the revised *Guidelines on Recognized Markets* (Guidelines) issued on 6 February 2024:

A. Overview
<ol style="list-style-type: none">1. As part of the Securities Commission Malaysia's (SC) efforts to reduce time-to-market for the registration of recognized market operators (RMO), the Guidelines were amended to facilitate the introduction of the Focused Scope Assessment (FSA) approach and enhance the compliance and governance requirements for RMO.2. These amendments, among others, include the requirement to submit a validation by an independent third-party validator by applicants, introduction of the role of compliance officer, enhancements to the role of key persons and other requirements relating to governance and controls.3. In addition, the Guidelines were also amended to:<ol style="list-style-type: none">(a) reflect the introduction of the categories of sophisticated investors as set out in the <i>Guidelines on Categories of Sophisticated Investors</i>; and(b) ensure its requirements are aligned with the International Organisation of Securities Commission (IOSCO) principles and Financial Action Task Force (FATF) recommendations.4. Housekeeping and editorial amendments throughout the Guidelines were made to provide greater clarity and consistency. These amendments include stylistic or formatting changes and necessary changes of an editorial nature such as renumbering of certain requirements.

B. Amendment Highlights			
No.	Prior to 6 February 2024	Revised Version Dated 6 February 2024	Comments
Chapter 1: Introduction			
1.	-	Paragraph 1.17	<p>Introduced the definitions of "compliance officer", "fit and proper", "third-party validator" and "senior management" and amended the definition of "officer" for the purposes of clarity.</p> <p>Amended the definition of "sophisticated investors" to ensure alignment with the <i>Guidelines on Categories of Sophisticated Investors</i>.</p>
Chapter 2: Registration and Application for Registration			
2.	-	Paragraph 2.04A	Inserted requirement for all prospective applicants to consult with the SC prior to making an application for registration as a RMO.
Chapter 3: Criteria for Registration			
3.	Subparagraphs 3.01(g)(i) to 3.01(g)(x)	-	Expanded the fit and proper requirement to apply to the applicant's senior management and compliance officer, and deleted the subparagraphs pursuant to the insertion of new Appendix 1.

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4.	-	Subparagraph 3.01(p)	Inserted to require applicants to submit to the SC a validation by an independent third-party validator as to whether its operational policies and procedures are in compliance with SC's relevant guidelines.
5.	Subparagraphs 3.04(a) and (b)	Subparagraphs 3.04(a) and (b)	Amended to require the RMO's board and responsible person to submit a written declaration to the SC on system and operational readiness of the RMO as well as the finalised rulebook which complies with the relevant SC's Guidelines.
Chapter 4: Key Persons			
6.	Paragraph 4.02	Paragraph 4.02	Amended the requirement to notify the SC to include redesignation or vacancy of the position of a director.
7.	Paragraph 4.04	Paragraph 4.04	Amended the notification requirement to the SC to include where the director becomes unfit to hold the position.
8.	Paragraph 4.05	Paragraph 4.05	Amended to require the RMO to appoint at least one responsible person on a full-time basis.
9.	-	Paragraph 4.05A	Inserted the requirement that the RMO must ensure its responsible persons are fit and proper.

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10.	-	Paragraph 4.07A	Inserted the requirement to notify the SC on the appointment or vacancy of the position of responsible person.
11.	-	Paragraphs 4.09 to 4.11	Inserted requirements and obligations in relation to the senior management including the requirement to be fit and proper and requirements relating to the appointment or vacancy of the position of chief executive.
12.	-	Paragraphs 4.12 to 4.17	Introduced the requirement to appoint a dedicated compliance officer. Inserted requirements and obligations in relation to the compliance officer including minimum competencies criteria, requirements to enable the compliance officer to discharge his duties properly and independently, and requirements relating to the appointment or vacancy of the position.
Chapter 5 – Terms and Conditions and Directions			
13.	-	Paragraph 5.01A	Inserted to clarify that the terms and conditions imposed by the SC in registering a RMO may include terms and conditions prior to the operationalisation of a RMO's platform or on-going terms and conditions.

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14.	-	Paragraph 5.01B	Inserted to clarify that the terms and conditions imposed by SC may include capital requirements and requirements to operationalise a RMO's platform and to host an issuer or facilitate the offering of a product within a specified period.
15.	Paragraph 5.03	Paragraph 5.03	Amended to allow the SC to direct the removal of key persons to also include senior management and compliance officer under the specified circumstances.
16.	-	Paragraph 5.03A	Inserted to allow the SC to direct a RMO to conduct a periodic assessment of its compliance with its regulatory obligations.
17.	-	Paragraph 5.06	Inserted to clarify when a direction issued by the SC takes effect.
Chapter 6 – Obligations			
18.	-	Subparagraph 6.01(n)	Introduced the requirement to establish and maintain contingency arrangements to protect client's funds.
19.	-	Subparagraph 6.01(o)	Introduced the requirement to conduct an audit at least once every three years to assess the RMO's compliance with the Guidelines.

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20.	-	Subparagraph 6.01(p)	Inserted requirement for the RMO to establish controls and appropriate approval processes in relation to changes made to its operating system.
21.	-	Subparagraph 6.01(q)	Inserted to strengthen the requirements relating to complaints handling procedures.
22.	-	Subparagraphs 6.01(r), (s) and (t)	Inserted requirements to set out the standard of conduct expected by the SC in relation to communication with regulators, submission of documents and information requested by the SC and safeguards for clients' assets protection.
23.	-	Subparagraph 6.01(u)	Inserted a requirement for a RMO to establish, maintain and consistently reviews its controls, policies and procedures to ensure compliance with the Guidelines.
24.	-	Paragraph 6.04A	Introduced the requirement to notify the SC on any change in the RMO's business particulars.
25.	-	Paragraph 6.06A	Inserted obligations required to be fulfilled by the RMO's senior management.
Chapter 7 – Submission of Rules			
26.	-	Paragraph 7.01	Inserted new definition of "rules" for the purposes of clarity.

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No.	Prior to 6 February 2024	Revised Version Dated 6 February 2024	Comments
27.	Subparagraph 7.01(c)	Subparagraph 7.02(c)	Amended to require the submission of the RMO's board resolution on the proposed rules or amendments.
28.	-	Paragraph 7.03	Introduced the requirement to notify the SC of any proposed rules or proposed amendments as set out under Form 12 as opposed to a submission for SC's review.
29.	-	Paragraph 7.04	Inserted to clarify that the SC may direct a RMO if the SC is of the opinion that the proposed rules or proposed amendment does not fall within the specified scope.
Chapter 8 – Reporting Requirements			
30.	-	Paragraph 8.02	Inserted an obligation for the RMO to comply with all reporting requirements in an accurate and timely manner.
Chapter 9 – Cessation of Business or Operations			
31.	-	Paragraph 9.01A	Inserted to clarify when the cessation of the RMO's business or operations can take effect.
Chapter 13 – Equity Crowdfunding Platform (RMO-ECF)			
32.	-	Paragraph 13.03	Introduced financial requirements for RMO-ECF applicants to have a minimum paid up capital of RM5 million.

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33.	-	Subparagraphs 13.04(b) and (c)	Introduced requirements for RMO-ECF to obtain the relevant information relating to the prospective issuer and fundraising exercise, and to review and consider such information when assessing the prospective issuer.
34.	Subparagraphs 13.24(e)(ii)(A)ii	Subparagraphs 13.24(e)(ii)(A)ii	Amended “certified financial statements” to “certified management account” for clarity.
Chapter 14 – Peer-to-Peer Financing Platform (RMO-P2P)			
35.	Subparagraph 14.05(a)	Subparagraph 14.05(a)	Amended to require RMO-P2P to have an efficient and transparent risk assessment framework, policies and procedures.
36.	-	Subparagraphs 14.05(c) and (d)	Introduced requirements for RMO-P2P to obtain the relevant information relating to the prospective issuer and fundraising exercise, and to review and consider such information when assessing the prospective issuer.
37.	Subparagraph 14.05(g)	Subparagraph 14.05(g)	Amended to clarify that a RMO-P2P must have effective policies and procedures to manage any late payments as opposed to defaults only.
38.	Paragraph 14.10	Paragraph 14.10	Amended to allow release of funds to relevant suppliers.

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39.	-	Paragraph 14.12A	Inserted to allow RMO-P2P to release funds to relevant suppliers subject to the specified conditions.
40.	-	Paragraph 14.12B	Inserted to require a RMO to maintain a list of all the relevant suppliers.
41.	Paragraph 14.25	Paragraph 14.25	Amended to provide that the RMO-P2P is fully accountable for risk assessment and is not limited to risk scoring.
42.	-	Subparagraph 14.29(d)	Inserted disclosure requirement for an issuer to provide the RMO-P2P with the relevant information relating to the issuer's credit exposure.
Chapter 15 – Digital Asset Exchange (DAX)			
43.	Subparagraph 15.03(b)(ii)	Subparagraph 15.03(b)(ii)	Amended to provide clarity on the capital requirements for DAX operators.
44.	Paragraph 15.25	Paragraph 15.25	Amended to clarify when the proposed rules or proposed amendments of a DAX operator takes effect.
45.	Subparagraphs 15.26(a), (b) and (c)	Subparagraphs 15.26(a), (b) and (c)	Amended the obligations of a DAX operator that operates a Digital Broker model in relation to anti-money laundering and counter financing.

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46.	-	Subparagraph 15.28(f)	Amended to require DAX operators that undertake custody of Digital Assets on behalf of its investors to use its best endeavours to comply with Chapter 27 and 28 of the <i>Guidelines of Digital Assets</i> .
47.	-	Subparagraph 15.28(g)	Inserted obligation for DAX operators offering separate trading models to maintain separate Digital Assets wallets for client's asset under each respective model.
48.	-	Paragraph 15.40A	Inserted disclosure requirement on the DAX operator's platform in relation to arrangements and processes to manage system errors and investors' assets.
49.	-	Paragraph 15.44	Amended to require a DAX operator to obtain SC's prior approval on any proposed processes, criteria and rules to facilitate any market making activities.
Chapter 19 – Submission			
50.	-	Paragraphs 19.04 and 19.05	Inserted to provide clarification on the submission process for an application for registration.
51.	-	Paragraph 19.06	Inserted to provide clarification on the payment of fees to the SC for an application.

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Appendix 1 – Documents to be Submitted			
52.	-	Appendix 1	Inserted the list of forms and documents to be submitted to the SC by an applicant or a RMO.
Appendix 2 – Fit and Proper Criteria			
53.	-	Appendix 2	Inserted fit and proper criteria for applicants and its key persons.
Appendix 3 – Third-Party Validators			
54.	-	Appendix 3	Inserted the categories of persons who is eligible to be a third-party validator.
Schedule 1 – Declaration on System and Operational Readiness			
55.	-	Schedule 1	Inserted the template for a declaration on system and operational readiness for a RMO.