

Directive to require Holders of Capital Markets Services License for the regulated activity of Dealing in Securities (CMSL holders) to collect email addresses from Newly On-Boarded Clients and Existing Clients who Trade Online

1. Brokerage Industry Digitisation Group (BRIDGE) was setup as a working group comprising the Securities Commission Malaysia (SC), Bank Negara Malaysia, Bursa Malaysia as well as industry participants to accelerate digitisation across the brokerage industry.
2. A key outcome of BRIDGE was the recognition that e-communication with the investor community is fundamental in the digital age, and that the database of investors' email addresses is currently insufficient to facilitate efficient e-communications.
3. In addition, the Malaysian equity market has moved into the T + 2 settlement cycle. This underscores the importance of having efficient means of delivering contract notes via email, which would be timelier compared to postal delivery.
4. In 2017, the SC had also issued Technical Note 2/2017 which required CMSL holders to phase out delivery of physical contract notes over a 12 period from August 2017. However, a recent survey by the Association of Stockbroking Companies Malaysia (ASCM) showed that approximately 75% of active investors still receive physical contract notes and statements. This highlights the need to address a fundamental issue in e-communication, i.e. the existing incomplete investor email address database.
5. Efficient e-communication is also fundamental to the success of e-corporate action initiatives outlined by BRIDGE, i.e. launch of e-DRP, greater e-rights offerings and launch of e-share conversion. With e-communications, notifications of corporate actions can reach a wider group of investors in a timely manner. Coupled with other digital initiatives by BRIDGE, greater investor take-up of corporate actions would be facilitated.
6. To facilitate the implementation of electronic notifications for all corporate action activities as well as promote full adoption of electronic contract notes and electronic statements, and thereby improving the effectiveness of communication between CMSL holders and investors, the SC now requires CMSL holders to expand their investor email address database by collecting email addresses from —
 - (a) newly on-boarded clients; and
 - (b) existing clients who trade online.
7. The requirement under paragraph 6 above shall come into effect on 1 September 2019.