

LICENSING HANDBOOK

SC-GL/LH-2007 (R6-2018)

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Chapter 1

INTRODUCTION

- 1.01 The *Capital Markets and Services Act 2007* (CMSA) repeals the *Securities Industry Act 1983* (SIA) and the *Futures Industry Act 1993* (FIA). The CMSA which takes effect on 28 September 2007 introduces a single licensing regime for capital market intermediaries. Under this regime, a capital market intermediary will only need one licence to carry on the business in any one or more regulated activities. This will mean less cost and paperwork for capital market intermediaries who carry on more than one regulated activity.
- 1.02 This handbook sets out–
- (a) the single licensing regime under the CMSA;
 - (b) the criteria to be met for applying and varying a licence;
 - (c) the application procedures; and
 - (d) ongoing obligations imposed on licensed persons, including conditions and restrictions attached to a licence.
- 1.03 This handbook replaces the following guidelines:
- (a) *Guidelines for Dealers and Dealer's Representatives Under the SIA;*
 - (b) *Guidelines for Fund Managers and Fund Manager's Representatives Under the SIA;*
 - (c) *Guidelines for Investment Advisers and Investment Representatives Under the SIA;*
 - (d) *Guidelines for Futures Brokers and Futures Broker's Representatives Under the FIA;*
 - (e) *Guidelines for Futures Fund Managers and Futures Fund Manager's Representatives Under the FIA;*
 - (f) *Guidelines for Futures Trading Advisers and Futures Trading Adviser's Representatives Under the FIA;*
 - (g) *Guidelines for Submission Through the Electronic Licensing Application System; and*
 - (h) *Guidelines on Permitted Activities for Stockbroking Companies.*
- 1.03A The SC may, upon an application, grant an exemption from or a variation to the requirements of this handbook if the SC is satisfied that–
- (a) such variation, if granted, is not contrary to the intended purpose of the relevant provision in this handbook; or
 - (b) there are mitigating factors which justify the said exemption or variation.

Note that:

1. This handbook is issued pursuant to section 377 of the CMSA and has the effect of a guideline issued by the Securities Commission Malaysia (SC). The SC can institute an action against any person contravening the requirements specified in this handbook, including administrative actions against licensed persons; and
2. Unless otherwise defined, all words used have the same meaning as defined by the CMSA.

1.04 Acronyms and Definitions

For the purposes of this handbook:

Adviser	means an Approved Adviser or Continuing Adviser admitted by Bursa Malaysia Securities Berhad to the Register of Advisers to carry out initial listing activities or post-listing activities in the Leading Entrepreneur Accelerator Programme (LEAP) Market.
Approved Adviser	means an Adviser admitted by Bursa Malaysia Securities Berhad to the Register of Advisers for the LEAP Market to carry out initial listing activities or post-listing activities in the LEAP Market.
back office function	means any administrative or operational function other than a regulated activity as specified under Schedule 2 of the CMSA.
BNM	means Bank Negara Malaysia.
business trust	has the meaning assigned to it in subsection 2(1) of the CMSA.
CFD	means contract for difference. A contract made between a buyer and a seller to gain exposure in the allowable underlying instrument whereby differences in settlement are made through cash payments.
chief executive	has the meaning assigned to it in subsection 2(1) of the CMSA
clearing for securities or derivatives	means whether as principal or agent, carrying on the business of assuming obligations for the delivery and payment of a person's transaction relating to listed securities or standardised derivatives as set out in the rules of the approved clearing house.
clearing participant (CP)	means a participant admitted under the rules of the clearing house.

clearing house	has the meaning assigned to it in subsection 2(1) of the CMSA.
CMSL	means Capital Markets Services Licence.
CMSR	means the <i>Capital Markets Services Regulations 2007</i> .
CMSRL	means Capital Markets Services Representative's Licence.
compliance officer	means the principal person responsible for compliance function.
ComRep	means Common Reporting platform which is a web-based system for reports submission in the form of eXtensible Business Reporting Language (XBRL) instance documents.
Continuing Adviser	means an Adviser admitted by Bursa Malaysia Securities Berhad to the Register of Advisers to carry out only post-listing activities in the LEAP Market.
controller	has the same meaning as defined under subsection 60(7) of the CMSA, which means a person who— (a) is entitled to exercise, or control the exercise of, not less than 15% of the votes attached to the voting shares in the CMSL holder; (b) has the power to appoint or cause to be appointed a majority of the directors of the CMSL holder; or (c) has the power to make or cause to be made, decisions in respect of the business or administration of such CMSL holder, and to give effect to such decisions or cause them to give effect to.

derivatives exchange	has the meaning assigned to it in subsection 2(1) of the CMSA.
external auditor	means an auditor who is not the current statutory auditor appointed by the CMSL holder.
group	means the CMSL holder's direct or ultimate holding company or any of its related corporations.
investment bank (IB)	means an entity that holds a CMSL pursuant to section 58 of the CMSA for the regulated activity of dealing in securities and holds a licence under section 10 of the <i>Financial Services Act 2013</i> to carry on an investment banking business, and duly established pursuant to the <i>Guidelines on Investment Bank</i> issued jointly by BNM and the SC
manager	has the meaning assigned to it in subsection 60(8) of the CMSA.
management company	has the meaning assigned to it in subsection 2(1) of the CMSA.
non-participating organisation (non-PO)	means a holder of a CMSL for the regulated activity of dealing in securities but is not a participating organisation of the stock exchange.
outsourced functions	means back office, internal audit, risk management, compliance functions and any other function that may be determined by the SC.
outsourcing arrangement	means any arrangement for the outsourcing of outsourced functions between a CMSL holder and a service provider or a sub-contractor.
over-the-counter or OTC bonds	means bonds issued by private and public corporations that are traded over-the-counter (OTC).
participating organisation (PO)	means any person who carries on the business of dealing in securities and is recognised as a participating organisation by the rules of the stock exchange and the terms "participant" and "participation" shall be construed accordingly.

policy on permitted activities for stockbroking companies	means the <i>Policy on Permitted Activities for Stockbroking Companies</i> as set out under Appendix 1 of this handbook.
real estate investment trusts (REIT)	or “property trust fund” means unit trust scheme that invests or proposes to invest primarily in income-generating real estate.
service provider	means an entity within the group or an external entity to which the CMSL holder has outsourced the outsourced functions and includes any subsequent service provider(s) to whom the initial service provider or any subsequent service provider has further contracted the outsourced functions.
sophisticated investors	means persons prescribed under Part 1 of Schedules 6 and 7 of the CMSA.
special scheme broker	means a foreign stockbroking company established pursuant to the <i>Application for Establishment of Foreign Stockbroking Companies Under the Special Scheme</i> .
special scheme fund manager	means a holder of a CMSL for the regulated activity of fund management established pursuant to the <i>Application for Establishment of Foreign Fund Management Companies Under the Special Scheme</i> .
stockbroking company	means a holder of a CMSL for the regulated activity of dealing in securities and is registered as a participating organisation under the rules of the stock exchange and the terms "stockbroker" or "broker" shall be construed accordingly.
stock exchange	has the meaning assigned to it in subsection 2(1) of the CMSA.
sub-contracting	means the act of further contracting any outsourced functions or a sub-component of that function to another service provider.
trading participant	has the meaning assigned to it in the rules of the derivatives exchange.
trading representative	means a person who executes securities trades for a participating organisation and is registered with the SC under section 76 of the CMSA.
universal broker (UB)	means a stockbroking company that has

merged with or acquired at least three other stockbroking companies and has satisfied all the conditions and requirements stipulated by the SC under the *Policy Framework for Stockbroking Industry Consolidation*.

1+1 broker

means a stockbroking company that has complied with the *Policy Framework for Stockbroking Industry Consolidation* and has acquired, taken-over, amalgamated or merged with at least one other stockbroking company.

Chapter 2

LICENCES UNDER THE CMSA

2.01 What is a CMSL and a CMSRL?

- (1) The CMSA provides for two types of licences:
 - Capital Markets Services Licence (CMSL) which entitles an institution to carry on the business in any one or more regulated activities; and
 - Capital Markets Services Representative's Licence (CMSRL) which entitles an individual to carry on any one or more regulated activities on behalf of his principal.
- (2) Only a holder of a CMSL or a CMSRL can carry on any of the regulated activities that the CMSL or CMSRL permits.

Note to representatives:

Note 1

You can only carry on regulated activities that your principal is licensed to carry on.

For example, if you carry on the regulated activity of financial planning, then your principal must be licensed to carry on that activity.

Note 2

The combination of activities that a representative is allowed to carry on depends on the nature of the activities, and whether there are inherent conflicts arising from simultaneously carrying on the activities.

For example, if you are an employee of an investment bank licensed to carry on the full range of regulated activities, including dealing in securities and advising on corporate finance activities, it is unlikely that you will be allowed to carry on dealing in securities and advising on corporate finance, both at the same time.

Note 3

If your activity of corporate finance also involves assisting your principal in its underwriting arrangements, you will need to be licensed for the two regulated activities, i.e. advising on corporate finance and dealing in securities. In this instance, your dealing capability will be restricted to the underwriting arrangements that relates to the transaction which you had provided corporate finance advice on. You will not, however, be required to sit for any additional licensing examination for your dealing activities.

Obligations on anniversary of licence

- (3) The licence of CMSL and CMSRL holders is valid in perpetuity. However, both CMSLs and CMSRLs will continue to have obligations on the anniversary of their licences.

2.02 What are regulated activities?

- (1) There are eight types of regulated activities under the CMSA. The list of regulated activities is set out in Schedule 2 of the CMSA. They are–
- dealing in securities;
 - dealing in derivatives;
 - clearing for securities or derivatives;
 - fund management;
 - dealing in private retirement schemes;
 - advising on corporate finance;
 - investment advice; and
 - financial planning.
- (2) The licence issued under the CMSA will set out the specific regulated activities that you can conduct.

Illustration 1

An investment bank applies to the SC for approval to carry on the full range of regulated activities under the CMSA. In this case, the licence will indicate that the investment bank is allowed to carry on all the following regulated activities:

- Dealing in securities;
- Dealing in derivatives;
- Clearing for securities or derivatives;
- Fund management;
- Dealing in private retirement schemes;
- Advising on corporate finance;
- Investment advice; and
- Financial planning.

Illustration 2

A 1+1 broker applies to the SC for approval to carry on the range of regulated activities allowed under the policy on permitted activities for stockbroking companies. In this case, the licence will indicate that the broker is allowed to carry on all the following regulated activities:

- Dealing in securities;
- Dealing in derivatives;
- Clearing for securities or derivatives;
- Dealing in private retirement schemes;
- Advising on corporate finance;
- Investment advice; and
- Financial planning.

2.03 Licences for dealing in securities

Dealing in securities – general

- (1) If you carry on the business of dealing in securities, you will be granted a CMSL for dealing in securities. You may deal in all securities, including equities, debentures, unit trust products and any other structured product.

Dealing in securities – Restricted

- (2) If you carry on the business of dealing in securities but is not registered as a PO, you will be granted a restricted dealing in securities licence. Currently, there are three categories of restricted dealing in securities licence:
- (a) restricted dealing in unit trust products
 - (b) restricted dealing in listed securities; or
 - (c) restricted dealing in OTC bonds.
- (3) The restricted dealing in securities licence will indicate which category that you will be dealing in. If you intend to expand your respective restricted dealing in securities licence to include any of the categories referred to in paragraph 2.03(2) above, you will need to seek SC's approval by way of an application for variation of licence.

Restricted dealing in unit trust products

- (4) The requirement to obtain a CMSL for dealing in unit trust products is only applicable to a principal who deals in unit trust products, including:
 - (a) A unit trust management company;
 - (b) A CMSL holder licensed for fund management in relation to portfolio management who also wishes to deal in unit trust products;
 - (c) A CMSL holder licensed for financial planning distributing unit trust products; and
 - (d) Any other person as the SC deems appropriate.
- (5) Such principal is required to be a member of or registered with a body approved by the SC, which is the Federation of Investment Managers Malaysia (FIMM).

Agents and employees of a holder of a CMSL for dealing in unit trust products

- (6) Agents and employees of a holder of a CMSL for dealing in unit trust products only will not be required to hold a CMSL. However, they must be registered with FIMM and comply with the provisions of Chapter 3 on Registered Persons and any other guidelines issued by the SC.

2.03A Licences for dealing in derivatives

Dealing in derivatives – general

- (1) If you carry on the business of dealing in derivatives and is registered as a TP, you will be granted a CMSL for dealing in derivatives.

Dealing in derivatives – Restricted

- (2) If you carry on the business of dealing in derivatives in relation to CFD, you will be granted a restricted dealing in derivatives licence, under the category of restricted dealing in CFD.

2.04 Licences for dealing in private retirement schemes

- (1) The requirement to obtain a CMSL for dealing in private retirement schemes is only applicable to a principal who deals in private retirement schemes, including:
 - (a) An approved private retirement scheme provider under the CMSA;
 - (b) Unit trust management companies;
 - (c) A CMSL holder licensed for fund management in relation to portfolio management;
 - (d) A CMSL holder licensed for financial planning distributing private retirement schemes;
 - (e) A CMSL holder licensed for dealing in securities;

- (f) A CMSL holder licensed for dealing in securities restricted to unit trusts;
 - (g) An insurance company licensed under the *Financial Services Act 2013* (FSA);
 - (h) An approved insurance broker under section 11 of the FSA 2013 to carry on insurance broking business or approved takaful broker under section 11 of the Islamic FSA 2013 to carry on takaful broking business;
 - (i) Financial advisers licensed under the *Insurance Act 1996*; and
 - (j) Any other person as the SC deems appropriate.
- (2) Such principal is required to be a member of or registered with a body approved by the SC, which is the Federation of Investment Managers Malaysia (FIMM).

Agents and employees of a holder of a CMSL for dealing in private retirement scheme or of a Registered Person dealing in private retirement schemes

- (3) Agents and employees of a holder of a CMSL for dealing in private retirement schemes or of a Registered Person dealing in private retirement schemes only will not be required to hold a CMSRL. However, they must be registered with FIMM and comply with the provisions of Chapter 3 on Registered Persons and any other relevant guidelines issued by the SC.

2.05 Licences for fund management in relation to portfolio management

Portfolio management

- (1) If you carry on the business of fund management in relation to portfolio management, a licence for fund management in relation to portfolio management will be granted to manage a portfolio of securities or derivatives or a combination of both.

Portfolio management – Digital investment management

- (2) If you carry on the business of fund management incorporating innovative technologies into your automated discretionary portfolio management services offered to your clients, you will be granted a licence for fund management in relation to portfolio management as a digital investment manager.

Portfolio management – Boutique portfolio management company

- (3) If you carry on the business of fund management in relation to portfolio management that–
- (a) manage assets of not more than RM750 million;
 - (b) only deal with sophisticated investors; and
 - (c) has total number of clients which does not exceed 50, and where such clients are funds or collective investment schemes, the maximum number of such funds or collective investment schemes is 15,

you will be granted a licence for fund management in relation to portfolio management as a boutique portfolio manager.

Note to portfolio management

A holder of CMSL in relation to portfolio management including digital investment management company and boutique portfolio management company may provide investment advisory services to its clients, pursuant to an advisory mandate.

2.06 Licences for fund management in relation to asset management

- (1) If you carry on the business of a trustee manager only, you will be granted a fund management in relation to asset management licence, restricted to business trust, i.e. a restricted CMSL for fund management to manage business trust only.
- (2) If you carry on the business of a REIT manager only, you will be granted a fund management in relation to asset management licence, restricted to real estate investment trusts, i.e. a restricted CMSL for fund management to manage REITs only.
- (3) The requirement to obtain a fund management in relation to asset management licence restricted to real estate investment trusts is only applicable to a principal who deals in REITs, except where the management company is licensed by the SC, and is a subsidiary of the following:
 - (a) a company involved in the financial services industry in Malaysia;
 - (b) a property-development company;
 - (c) a property-investment holding company; or
 - (d) any other person as the SC deems appropriate

2.06A Licences for clearing for securities or derivatives

- (1) If you carry on the business of clearing for securities or derivatives, you will be granted a licence for clearing for securities or derivatives.
- (2) In respect of clearing for derivatives, persons who carry on the business of dealing in derivatives and intend to continue undertaking clearing activity for derivatives are deemed to be licensed under the CMSA for such clearing activity. Therefore, such persons are not required to make any new application for a licence to undertake clearing for derivatives.
- (3) Employees of a holder of a CMSL for clearing for securities or derivatives will not be required to hold a CMSRL.

2.07 Temporary licence for foreign intermediaries

- (1) A foreign intermediary may be considered for a temporary CMSRL provided the foreign intermediary satisfies the following conditions:

- (a) That the foreign intermediary is appropriately licensed, registered or approved in its home jurisdiction;
 - (b) In the SC's opinion, the regulation of the foreign intermediary by its home regulator is sufficiently equivalent to the regulation of the SC; and
There are effective co-operation arrangements between the home regulator and the SC. Effective co-operation arrangements will provide for–
 - (i) prompt sharing of information by the relevant home regulator; and
 - (ii) effective co-operation on supervision, investigation and enforcement.
- (2) The temporary CMSRL granted to the foreign intermediary is subjected to the following conditions:
- (a) The regulated activities carried out in Malaysia must only be provided to sophisticated investors set out in paragraphs 9, 10 and 11 of Schedule 6 of CMSA;
 - (b) The regulated activities carried out in Malaysia must comply with the requirements of the foreign intermediary's home regulatory regime;
 - (c) Throughout the duration of its licence the foreign intermediary must remain licensed, registered or approved under its home regulatory regime; and
 - (d) In the SC's opinion, the foreign intermediary's home regulatory regime must continue to be sufficiently equivalent to our own regime.
- (3) The tenure of the temporary CMSRL granted to the foreign intermediary will be for a maximum period of three months. The foreign intermediary must submit a fresh application for a further three-month period if more time is required to complete the work assignment. We may grant a temporary licence for a total maximum period of six months within a 24-month period. The 24-month period will commence on the date of issue of the first temporary licence.
- (4) Applications for a temporary CMSRL licence must be made in the form and manner as specified by the SC.

Product support by foreign intermediaries

If a foreign intermediary is invited by a CMSL holder to provide support and training for a particular product, he will not be required to hold a licence provided that–

- (a) the foreign intermediary has an arrangement or understanding with the CMSL holder;
- (b) all marketing activities are conducted by the CMSL holder;
- (c) intermediation is carried out by the CMSL holder who takes full responsibility and

- accountability for any marketing or provision of investment advice for the product;
- (d) the foreign intermediary does not distribute any of his own promotional materials to the clients of the CMSL holder;
 - (e) the foreign intermediary is appropriately licensed, registered or approved in his home jurisdiction.

2.08 In what situation is a licence not required?

- (1) In a limited number of situations, persons or entities may engage in a regulated activity without having to hold a licence. These situations are set out in Schedule 3 (Specified Persons) and Schedule 4 (Registered Persons) of the CMSA. It is important that these activities are carried on within the parameters set out in Schedule 3 and Schedule 4 by Specified Persons and Registered Persons respectively, such as being solely incidental to the carrying on of the practice of their profession, or where such activities are being performed solely for the benefit of a related corporation or restricted to the activities provided for in Schedule 4.

Chapter 3

REGISTERED PERSONS

3.01 What is the status of registered persons under the CMSA?

- (1) Registered persons are allowed to carry out certain regulated activities without having to apply for a CMSL. These persons include the financial institutions set out in Schedule 4 of the CMSA and other entities, such as credit rating agencies and bond pricing agencies. The scope of regulated activities which may be carried out by registered persons are set out in the Second Column of Schedule 4. Financial institutions engaging in regulated activities will, however, be required to comply with certain integral investor protection and conflict management provisions in the CMSA in ensuring that minimum standards of conduct are observed.
- (2) Registered persons also include unit trust agents who are registered with the Federation of Investment Managers of Malaysia (FIMM).

3.02 Who is a registered person?

- (1) Section 76 of the CMSA sets out the following to be registered persons:
 - (a) Persons set out in Parts 1 and 2 of Schedule 4 of the CMSA;
 - (b) Individuals registered with a recognised self-regulatory organisation;
 - (c) Individuals registered with a body approved by the SC; and
 - (d) Persons who are registered with the SC.

Financial institutions who are registered persons

- (2) Persons set out in Part 1 of Schedule 4 of the CMSA are—
 - licensed banks;
 - licensed merchant banks;
 - licensed Islamic banks;
 - licensed finance companies;
 - licensed insurance companies;
 - registered takaful operators;
 - Bank Kerjasama Rakyat Malaysia Bhd;
 - Bank Simpanan Nasional Bhd;
 - Bank Pembangunan; and
 - KAF Investment Bank Bhd.
- (3) For clarification, an investment bank is not a registered person for purposes of the CMSA. This is because an investment bank may be licensed as a CMSL holder for all eight regulated activities.

Other registered persons

- (4) Registered persons other than financial institution who are described in Part 2 of Schedule 4 are–
- (a) any venture capital corporation and venture capital management corporation registered under the SC's *Guidelines for the Registration of Venture Capital Corporations and Venture Capital Management Corporations*;
 - (b) any credit rating agency registered under the SC's *Guidelines on Registration of Credit Rating Agencies*;
 - (c) any bond pricing agency registered under the SC's *Guidelines on the Registration of Bond Pricing Agencies*; and
 - (d) Pengurusan Danaharta Nasional Bhd and all its subsidiaries prescribed under subsection 60(2) of the *Pengurusan Danaharta Nasional Bhd Act 1998*.

Individuals registered with a body approved by the SC

Agents and employees of a holder of a CMSL for dealing in unit trust products

- (5) Agents and employees who deal in unit trust products on behalf of a holder of CMSL for dealing in unit trust products will not be required to hold a CMSRL. Such agents and employees are, however, required to be registered with FIMM.
- (6) Further, these agents and employees must pass the examinations for persons dealing in unit trusts (PDUT) or any other qualification recognised by FIMM and approved by the SC in order to carry on their dealing in unit trust products.

Agents and employees of a holder of a CMSL for dealing in private retirement schemes

- (7) Agents and employees who deal in private retirement schemes on behalf of a holder of CMSL for dealing in private retirement schemes will not be required to hold a CMSRL. Such agents and employees are however, required to be registered with FIMM.
- (8) Further, these agents and employees must pass the examinations for persons dealing in private retirement schemes or any other qualification recognised by FIMM and approved by the SC to carry out their dealing in private retirement schemes.

Persons registered under subsection 76(2) of the CMSA

- (9) An employee of a PO who only accept clients' orders (order taking) and executes securities trades for the PO must be registered with the SC under subsection 76(2) of the CMSA as a trading representative. The requirements relating to trading representative are set out in Chapter 11 of this handbook.

Note to registered persons:

Except for the category of registered persons under subsection 76(2) of the CMSA, you do not need to apply for registration with the SC as your registered person status is provided for by operation of law.

3.03 Who is responsible for supervising registered persons?

Financial institutions

- (1) BNM is responsible for supervising this category of registered persons in terms of ensuring that–
 - (a) this category of registered persons complies with the integral investor protection provisions in sections 91, 92, 93 and 97 of the CMSA and any regulation or guideline made pursuant to these sections; and
 - (b) individuals employed by this category of registered persons are fit and proper and that the registered persons maintain a register of these individuals.

Note to financial institutions:

The CMSA provides a one-year transitional period from 28 September 2007 for financial institutions to comply with the relevant requirements in the CMSA. In supervising such financial institutions, BNM and the SC will co-ordinate to ensure that similar standards and requirements are applied to the financial institutions and the employees with regard to the regulated activities that the financial institutions carry on.

Other registered persons

- (2) The SC is responsible for supervising all categories of registered persons other than financial institutions.
- (3) The SC may withdraw a registration which has been accorded to a person–
 - (a) who has been registered with the SC; or
 - (b) specified in Part 2 of Schedule 4 of the CMSA,if it is necessary for the protection of investors or public interest or for the maintenance of an orderly market.

Chapter 4

LICENSING CRITERIA

In authorising¹ any person wishing to undertake capital market activities², the Securities Commission Malaysia (SC) will not grant authorisation unless the application is in the best interest of Malaysia. In determining the best interest of Malaysia, the SC will give regard to any one or more of the following:

- (a) the area of specialisation and level of expertise that can be offered to the capital market including the effect on productivity, transference of skills and efficiency and quality of capital market services;
- (b) the risk posed on the systemic stability of the capital market including activities and conduct that will likely impact the orderly functioning of the capital market;
- (c) contribution towards attracting investments, enhancing market linkages and promoting vibrancy in the capital market;
- (d) ability in developing strategic or nascent sectors in the capital market; or
- (e) the degree and significance of participation of Malaysians in the capital market.

4.01 Fit and proper

- (1) Persons who apply to be licensed under the CMSA must be fit and proper, as set out in section 64 and 65 of the CMSA. In assessing if you are fit and proper, we refer to the following criteria:

- Your organisational requirements;
- Your shareholding composition;
- The adequacy of your financial resources; and
- Requirements relating to representatives' competencies.

In assessing a licence application, the SC is also guided by relevant policies and guidelines, such as the policy on permitted activities for stockbroking companies and the *Guidelines on Investment Banks*.

- (2) Every CMSL applicant will be required to submit its business model and scope of activities that it plans to carry on.

¹ Authorising includes grant of licence, registration or approval, as the case may be.

² Capital market activity means any type of regulated activity or capital market services as defined under the *Capital Markets and Services Act 2007*.

What are the requirements for a CMSL?

4.02 Organisational requirements *Incorporation*

- (1) If you want to carry on any of the following regulated activities, you must be a company incorporated in Malaysia:
- Dealing in securities;
 - Dealing in derivatives;
 - Clearing for securities or derivatives;
 - Fund management;
 - Dealing in private retirement schemes;
 - Advising on corporate finance; and
 - Investment advice.
- (2) However, if you want to carry on the regulated activity of financial planning, you may do so either as a company, sole proprietorship or partnership. If you are a sole proprietor or in a partnership, you will be granted a CMSL but you will not be allowed to have any licensed representative acting on your behalf.

Member of an alternative dispute resolution body

- (2A) CMSL holders who carry on one or more of the following regulated activities are required to be a member of an alternative dispute resolution body (ADR body) that is approved by the SC:
- Dealing in securities;
 - Dealing in derivatives;
 - Fund management but excluding asset manager managing listed unit trust schemes; and
 - Dealing in private retirement schemes.
- (2B) A CMSL holder who is a member of an alternative dispute resolution body must comply with the rules of the ADR body.

Audit Oversight Board

- (2C) As a public interest entity, CMSL holders who carry on one or more of the following regulated activities are required to engage auditors that are registered with the Audit Oversight Board:
- Dealing in securities;
 - Dealing in derivatives; and
 - Fund management.

Organisational competence

- (3) As a CMSL applicant, you must ensure that your business is properly established, which includes the following:
- An organisational structure with clear lines of responsibility and authority;
 - Necessary IT systems and infrastructure including policies and procedures for IT audit as well as plans for continuous investment in systems development and security system;
 - Adequate internal control systems;
 - Risk management policies and processes;
 - Policies and processes on conflict management and the monitoring of unethical conduct and market abuse that are appropriate to the nature, scale and complexity of its business; and
 - Policies and procedures to ensure compliance with applicable laws and regulations.
- (3A) If you are applying for a CMSL to carry out digital investment management activities, you must ensure that you have technology capabilities and support to undertake the digital investment management business. You must -
- (a) have sufficient understanding of the rationale, risks and rules behind the algorithm underpinning the digital investment management business;
 - (b) ensure at all times the outcomes produced by the algorithm are-
 - (i) consistent with the digital investment management company's investment strategies;
 - (ii) commensurate with the risk profile of the investor; and
 - (iii) compliant with securities laws and relevant guidelines;
 - (c) have the system to support the digital investment management business which includes maintaining a secure environment pursuant to the *Guidelines on Management of Cyber Risk* and other relevant guidelines.
- (4) In situations where you want to carry on more than one regulated activity, you must demonstrate that you have—
- (a) the requisite system and procedures to monitor all relevant activities within your organisation; and
 - (b) control procedures in place to monitor any conflict of interest, unethical conduct and market abuse.
- (4A) As part of the business model and scope of activities to support the application for a CMSL, the following may also be required:
- (a) Value proposition of the business model;
 - (b) Investments in creating investor awareness, product understanding and development of the industry; and

- (c) An independent report on operational and systems readiness.

Digital Value Proposition

- (4B) In addition to the above, if you carry on the activity of digital investment management, you must also comply with the digital value proposition, which includes but is not limited to the following:

(a) *Digital business model*

The business model must have a clear value proposition that demonstrates how digital innovations can deliver positive outcomes to its target investors and any other target beneficiaries.

(b) *User-centric delivery*

Delivery of services to target investors and any other target beneficiaries must include user-centric interface and experience, integrated investor education on the services offered to create greater confidence, trust and engagement, and transparent fee structure.

(c) *Automated investment proposition*

Automated proposition must involve core components of portfolio management services including risk profiling, suitability assessment, asset allocation and rebalancing. Applicants may not be eligible if only limited parts or only non-core parts of the investment service are automated.

Fit and proper requirements for directors, chief executive, managers and controllers of a CMSL applicant

General requirements

Your directors, chief executive, managers and controllers must be fit and proper. As a CMSL applicant, you must ensure that none of the grounds specified in paragraphs 64(1) (h), (i), (l) and (m) of the CMSA applies to any of them.

Prior approval for establishment of new business or acquisition of shares/interests in or outside Malaysia

- (5) A CMSL must obtain the SC's prior approval when establishing a new business or acquiring shares/interests in or outside Malaysia in relation to capital market-based activities.

Notification on establishment of new business or acquisition of shares/interests in or outside Malaysia

- (6) A CMSL must notify the SC within 14 days of establishing a new business or acquiring shares/interests in or outside Malaysia in relation to non-capital market-based activities.

Notification on disposal of business or shares/interests in or outside Malaysia

- (7) A CMSL must notify the SC within 14 days of disposing of a business or shares/interests in or outside Malaysia.

Prior approval for change in controller

- (8) A CMSL holder is required to obtain the SC's prior approval in circumstances where any proposed change in the direct or indirect shareholding of the CMSL holder will result in the change in its controller.
- (9) Controller has the same meaning as defined under section 60(7) of the CMSA, which means a person who—
- (a) is entitled to exercise, or control the exercise of, not less than 15% of the votes attached to the voting shares in the CMSL holder;
 - (b) has the power to appoint or cause to be appointed a majority of the directors of the CMSL holder; or
 - (c) has the power to make or cause to be made, decisions in respect of the business or administration of such CMSL holder, and to give effect to such decisions or cause them to be given effect to.

Prior approval for the appointment of chief executive

- (10) All CMSL holders, including investment banks should seek the SC's prior approval for the appointment of its chief executive.
- (11) The chief executive is expected to demonstrate the capability and competence to lead the company. The chief executive must act honestly and exercise due skill and diligence and be suitably qualified to assume the position.

Process flow for the appointment of directors

- (12) You can appoint directors without prior approval of the SC. However, before appointing a director, you must undertake the necessary due diligence to ensure that the candidate is fit and proper, and suitably qualified to assume the position.
- (13) You are required to notify the SC in writing on the appointment or reappointment of a director within **two business days** of the appointment or reappointment, or prior to any public announcement, whichever is earlier.
- (14) We will carry out a post-appointment assessment of directors of a CMSL holder. If our assessment reveals that a director is not fit and proper, we may direct you to remove the person from the post.

Note to investment banks:

You will also need to comply with the *Guidelines on Investment Banks* for the appointment of your directors and chief executive officers.

Requirement for director to attend Capital Market Director Programme (CMDP)

- (15) Effective from 1 May 2015, directors of CMSL holders for dealing in securities, dealing in derivatives and fund management in relation to portfolio management must complete the CMDP.
- (16) Newly appointed directors must complete CMDP within six months from the date of their appointment. Directors who were appointed prior to 1 May 2015 must complete the CMDP within the timeline specified by the SC.

Requirement of a licensed director

- (17) Except as provided in paragraphs 4.02(18) to (22) below, you must have at least one director who -
 - (a) has a minimum of 10 years' relevant experience in the licensed regulated activity;
 - (b) holds a CMSRL for the regulated activity; and
 - (c) must be approved by the SC prior to undertaking the function as a licensed director.
- (18) The requirement in paragraph 4.02(17) above is not mandatory if you are an investment bank, a boutique portfolio management company or only licensed for clearing for securities or derivatives.
- (18A) If you are licensed for digital investment management, your director is required to have a minimum of five years' relevant experience in fund management and holds a CMSRL for portfolio management.
- (19) If you are licensed for dealing in unit trust products or dealing in private retirement schemes, your director need not hold a CMSRL. However, he must be registered with the FIMM and have a minimum of 10 years' relevant experience in the capital market industry.
- (20) If you are licensed for both dealing in unit trust products and dealing in private retirement schemes, you can appoint one director who must be registered with FIMM for dealing in both private retirement schemes and in unit trust products and also have a minimum of 10 years' experience in the capital market industry.
- (21) If you are licensed for financial planning and for dealing in private retirement schemes, your director must hold a CMSRL for the regulated activity of financial planning and must be registered with FIMM for dealing in private retirement schemes and also have a minimum of 10 years' relevant experience in the capital market industry.
- (22) If you are licensed for fund management in relation to asset management, your director must hold a CMSRL for the regulated activity of fund management in relation to asset management restricted to business trust or REITs. Your director must show the relevant experience and knowledge in the management of the specific assets invested in by the asset manager, or in the management of a class of asset in a unit trust scheme.

Note: The requirement for appointing a licensed director for a regulated activity is to ensure that a person with board representation will be able to provide direction and feedback to the board on issues relating to the carrying on of the regulated activity, as well as supervising representatives with respect to such an activity.

Requirement of a head of regulated activity

- (23) If you are licensed to carry on more than one type of regulated activity, then in addition to the requirement of a licensed director, you must also have a person with a minimum of eight years of relevant experience to head each additional regulated activity. The requirement for appointing a head for each regulated activity is to ensure that a person with the necessary skills and expertise will provide guidance and supervision to the representatives carrying on that particular regulated activity. However, this requirement is not applicable for the regulated activity of clearing for securities or derivatives.
- (24) An individual can be appointed to be the head of more than one regulated activity, provided he is fit and proper, and there is no conflict in him performing such functions. The head must –
 - (a) hold a CMSRL;
 - (b) have sufficient authority to supervise the business of the licensed regulated activity; and
 - (c) be approved by the SC prior to undertaking the function as a head of regulated activity.
- (25) If you are an investment bank where it is not mandatory to have a licensed director, a head is required for each regulated activity.

Requirement for Head of Operations

- (26) If you are licensed to carry on the regulated activity of dealing in securities and you are a participating organisation (PO) of the stock exchange, you must have a head of operations and this person must not be involved in dealing in securities. This is to avoid any conflict of interest that may arise if such a person deals in securities. In addition, such person must be approved by the SC prior to undertaking the function as a Head of Operations.

Requirement for Compliance Officer

- (27) If you are licensed to carry on the regulated activity of dealing in securities and you are a PO, dealing in derivatives or fund management in relation to portfolio management or clearing for securities or derivatives, you are required to have a compliance officer. This person must carry out the compliance function pertaining to the securities laws, regulations and guidelines and any other applicable law governing the regulated activities. He must not deal in securities, deal in derivatives or manage funds. This is to avoid potential conflicts of interest. In addition, such person must be approved by the SC prior to undertaking the function as a Compliance Officer.

Note:

If you are licensed to carry on the activity of dealing in securities (restricted to listed securities or OTC bonds or unit trust), fund management in relation to asset management, digital investment management or boutique portfolio management, you may have a responsible person for compliance instead of a dedicated compliance officer.

Requirement for Head of Compliance

- (28) If you are licensed to carry on the regulated activity of dealing in securities and you are an investment bank or a universal broker, you are required to have a head of compliance. This person must not be involved in dealing in securities. The head of compliance is responsible for overall supervision of compliance with securities laws, regulations and guidelines, and any other applicable law governing the regulated activities. In addition, such person must be approved by the SC prior to undertaking the function as a Head of Compliance.
- (29) Where the regulated activities are carried on through a group of companies, the function of the head of compliance can be centralised.

Requirement for Responsible Person for Clearing for Derivatives

- (29A) If you are licensed to carry on the regulated activity of clearing for securities or derivatives, you are required to have a responsible person for each of the following functions:
- (a) Risk management of the clearing activity; and
 - (b) Overall clearing business.

These persons are responsible in ensuring compliance with securities laws and any other relevant guidelines. Such person must be approved by the SC prior to undertaking the function as a responsible person.

Note:

If you are already licensed to carry on the regulated activity of dealing in derivatives and wish to continue with the clearing activity, you are required to register a responsible person for risk management and a responsible person for overall clearing business. These responsible persons shall not hold a CMSRL.

Requirement for minimum number of CMSRL holders

- (30) You must have at least two CMSRL holders for each regulated activity. If the number of CMSRL holders falls below the minimum requirement of two, you must take immediate steps to recruit a new candidate. If you are licensed for dealing in unit trust products and/or dealing in private retirement schemes, you must have at least two individuals who are registered with FIMM.
- (31) If you are licensed as a boutique portfolio management company and if the assets under management are RM300 million or less, you must have at least one CMSRL holder and that CMSRL holder must be a substantial shareholder and/or director of the boutique portfolio management company.

- (32) A CMSRL holder may be licensed for more than one regulated activity, provided he is fit and proper, and there is no conflict in him performing such activities.
- (33) Given the importance of the positions of head of regulated activity, head of operations, compliance officer and head of compliance, you must ensure that individuals appointed to these positions satisfy the requirements of paragraph 4.06.

Note to applicants:

You must always have adequate and competent personnel for conducting your business efficiently, honestly and fairly, and with the integrity and professional skills appropriate to the nature and scale of your activities.

Bumiputera directors, representatives and employees composition

- (34) The composition of your board of directors, representatives and employees must be in accordance with the national policy of Malaysia. The specific requirements applicable to a CMSL holder operating as an investment bank are set out in the *Guidelines on Investment Banks*. Therefore, the following requirements regarding the Bumiputera director, representative and employee composition do not apply to an investment bank.

Director

- (35) You must at all times have a Bumiputera director on your board. However, this requirement does not apply if you are—
- a special scheme broker, including a special scheme broker promoting investments from the Middle East;
 - a special scheme fund manager, including an Islamic fund management company; or
 - a company which deals in derivatives; or
 - a company which is licensed for clearing for securities or derivatives; or
 - a digital investment management company, boutique portfolio management company or an asset management company; or
 - an approved insurance broker under Section 11 of the *Financial Services Act 2013* (FSA) that deals in private retirement scheme or approved takaful broker under section 11 of the Islamic FSA that deals in private retirement scheme.

Representative

- (36) You must at all times maintain at least 30% Bumiputera composition of your representatives for your licensed activities. This requirement is not applicable if you are a company which deals in derivatives, an Islamic fund management company, a digital investment management company, a boutique portfolio management company or an asset management company.

- (37) If you are licensed to deal in securities and you are a PO and employ remisiers (commissioned representatives), you must maintain a minimum of 15% Bumiputera composition of all your remisiers.

Illustration:

A CMSL holder, who is licensed to carry on the regulated activities of dealing in securities and dealing in derivatives, employs the following number of licensed representatives:

Salaried CMSRL holders licensed to deal in securities	40
Commissioned CMSRL holders licensed to deal in securities	60
Total number of CMSRL holders licensed to deal in securities	100
CMSRL holders licensed to deal in derivatives	20
Total number of CMSRL holders	120

Of the total 100 CMSRL holders licensed to deal in securities, at least 30 must be Bumiputera. Of the 60 commissioned CMSRL holders licensed to deal in securities, at least nine must be Bumiputera. However, the Bumiputera representative composition does not apply to the 20 CMSRL holders licensed to deal in derivatives.

Employee

- (38) You must at all times maintain a Bumiputera composition of at least 30% of your employees. However, this requirement does not apply if you are a company which deals in derivatives, a digital investment management company, a boutique portfolio management company, an asset management company or approved insurance and takaful brokers that deal in private retirement scheme or undertakes clearing for securities or derivatives.

Participants of exchange

- (39) A CMSL applicant needs to become a participant with the relevant exchange or the clearing house for carrying on one or both of the following regulated activities:
- Dealing in securities as a PO;
 - Dealing in derivatives; and
 - Clearing for securities or derivatives

through the facilities of the stock exchange or the derivatives exchange or the clearing house.

You must obtain an approval in principle from the following:

- (a) Bursa Malaysia Securities Bhd to become a PO;
- (b) Bursa Malaysia Derivatives Bhd to become a TP;
- (c) Bursa Malaysia Securities Clearing Bhd to become a clearing participant; or
- (d) Bursa Malaysia Derivatives Clearing Bhd to become a clearing participant

Readiness assessment

- (40) A CMSL applicant is required to undertake a readiness assessment by completing and submitting a readiness checklist to the SC or Bursa Malaysia, as the case may be, when applying to be licensed for a regulated activity or to add on another regulated activity.
- (41) The readiness assessment may include the applicant's risk management system, capital adequacy, system security, organisational structure, operational manuals, information technology, policies and procedures, internal controls and systems, and procedures for compliance with applicable laws and regulations.
- (42) The SC may conduct an examination to ascertain the readiness of CMSL applicants to commence business in the regulated activity, even if a readiness assessment has been submitted to Bursa Malaysia (in the case of PO or TP).

4.03 Shareholding composition

- (1) Except for the shareholding requirement for investment banks which is a minimum of 30% local shareholding, there are no other specific shareholding requirements for the other regulated activities.
- (2) If you carry on the regulated activity of fund management in relation to portfolio management, you must also satisfy the following:
 - (a) You must be a "related corporation" of an entity regulated by the SC or BNM or such other entities as may be approved by SC; or
 - (b) If you are a company owned by individuals, two of your shareholders whose total shareholding forms the majority (51% or more) in the company must have the requisite track record, as follows:
 - (i) Each of the two shareholders must have at least 10 years' relevant experience in the capital market; and
 - (ii) At least one of the two shareholders must have five years' direct experience in fund management in relation to portfolio management activities.

Note:

This requirement is a continuing obligation and must be maintained even if there are changes to your shareholders and/or your shareholding composition.

- (2A) Paragraph 4.03(2) is not applicable if you carry on the regulated activity of fund management in relation to portfolio management as a digital investment management company.

Change in shareholding for a holder of a CMSL for dealing in securities

- (3) In the case of a stockbroking company that is not an investment bank–
 - (a) a person who wishes to acquire more than 51% of the total paid-up capital of a PO must be a company or corporation with shareholders' funds of not less than RM100 million; and

- (b) no individual other than a Malaysian citizen, may hold up to 10% of the total paid-up capital of a stockbroking company. The aggregate total participation of individuals in the share capital of the stockbroking company shall not be more than 49% of the total paid-up capital.

Notification of other changes to shareholding

- (4) For changes in shareholding composition or paid-up capital that does not result in a change of controller, the Authorisation & Licensing Department of the SC must be notified within 14 days of the occurrence of the event.

Note to investment banks:

Any proposed change to your shareholding will be subject to the *Guidelines on Investment Banks*.

4.04 Adequacy of financial resources

- (1) You must satisfy the minimum financial requirement for a regulated activity and any other requirement specified by the SC or the rules of a stock exchange or a futures exchange.
- (2) The minimum financial requirements for a CMSL are set out in Table 1.
- (3) If you carry on more than one regulated activity, the highest of the minimum financial requirement applies to you.

Table 1: Minimum Financial Requirements for a CMSL

Regulated Activity	Minimum Financial Requirement
Dealing in securities	<p>Investment bank</p> <ul style="list-style-type: none"> • Minimum capital funds unimpaired by losses of RM500 million or minimum capital funds unimpaired by losses of RM2 billion on a banking group basis • Minimum risk-weighted capital ratio of 8%. <p>Universal broker</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM100 million • Minimum shareholders' funds of RM100 million to be maintained at all times • Minimum capital adequacy ratio of 1.2 or any other financial requirement as determined by the SC from time to time. <p>Stockbroking company (other than IB or UB)</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM20 million • Minimum shareholders' funds of RM20 million to be maintained at all times • Minimum capital adequacy ratio of 1.2 or any other financial requirement as determined by the SC from time to time.

Regulated Activity	Minimum Financial Requirement
	<p>Issuing house</p> <ul style="list-style-type: none"> Minimum shareholders' funds of RM2 million to be maintained at all times. <p>Dealing in unit trust products</p> <p>(a) Applicable to an applicant dealing in unit trust products as a principal business (for own products and/or third-party products). Such companies may use a nominee system.</p> <ul style="list-style-type: none"> Minimum paid-up capital of RM5 million Minimum shareholders' funds of RM5 million to be maintained at all times. <p>(b) Applicable to persons licensed to carry on the regulated activity of financial planning and who want to deal in unit trust products.</p> <ul style="list-style-type: none"> Minimum paid-up capital of RM50,000 Minimum shareholders' funds of RM50,000 to be maintained at all times <p>Dealing in Unlisted Debt Securities Advising on Corporate Finance (to carry out the activity of principal adviser)</p> <ul style="list-style-type: none"> Minimum shareholders' funds of RM100 million to be maintained at all times <p>Dealing in Securities – restricted to listed securities or OTC bonds</p> <ul style="list-style-type: none"> Minimum paid up capital and shareholders' funds of RM5 million to be maintained at all times, depending on the scale and complexity of the business
<p>Dealing in derivatives</p>	<p>TP</p> <ul style="list-style-type: none"> Minimum paid-up capital of RM5 million Minimum adjusted net capital: The higher of <ul style="list-style-type: none"> RM500,000; or 10% of aggregate margins required at all times. <p>TP with trading kiosks or branch offices</p> <ul style="list-style-type: none"> Minimum paid-up capital of RM10 million Minimum adjusted net capital: The higher of <ul style="list-style-type: none"> RM500,000; or 10% of aggregate margins required at all times. <p>TP and offering CFD</p> <ul style="list-style-type: none"> Minimum paid-up capital and shareholders' funds of RM10 million Minimum adjusted net capital: The higher of <ul style="list-style-type: none"> RM500,000; or 10% of aggregated margins required at all times.

Regulated Activity	Minimum Financial Requirement
	<p>Offering CFD only</p> <ul style="list-style-type: none"> • Minimum paid-up capital and shareholders' funds of RM10 million • Minimum 50% total shareholders' funds in the form of liquid capital at all times.
Clearing for derivatives	<ul style="list-style-type: none"> • Minimum paid-up capital and shareholders' funds unimpaired by losses of RM10 million • Minimum adjusted net capital: The higher of <ul style="list-style-type: none"> - RM500,000; or - 10% of aggregate margins required. <p>at all times.</p>
Fund management	<p>Portfolio management company</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM2 million • Minimum shareholders' funds of RM2 million to be maintained at all times. <p>Digital investment management company</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM2 million • Minimum shareholders' funds of RM2 million to be maintained at all times. <p>Boutique portfolio management company</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM500,000 • Minimum shareholders' funds of RM500,000 to be maintained at all times. <p>Trustee-manager for Business trust</p> <ul style="list-style-type: none"> • No specific paid up capital <p>REIT Managers</p> <ul style="list-style-type: none"> • Minimum shareholders' funds of RM1 million at all times.
Advising on corporate finance	<ul style="list-style-type: none"> • Minimum paid-up capital of RM500,000 • Minimum net tangible asset of RM50,000 at all times.
Investment advice	<ul style="list-style-type: none"> • Minimum paid-up capital of RM500,000 • Minimum net tangible asset of RM50,000 at all times.
Financial planning	<ul style="list-style-type: none"> • Minimum paid-up capital of RM50,000 • Minimum net tangible asset of RM50,000 at all times.

Regulated Activity	Minimum Financial Requirement
Dealing in private retirement schemes	<ul style="list-style-type: none"> • Minimum paid-up capital of RM5 million • Minimum shareholders' funds of RM5 million to be maintained at all times. <p><i>Applicable to holders of a CMSL for financial planning only</i></p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM50,000 • Minimum shareholders' funds of RM50,000 to be maintained at all times. <p><i>Applicable to insurance and takaful brokers only</i></p> <ul style="list-style-type: none"> • Minimum paid-up capital and shareholders' funds of RM750,000 at all times • Minimum Professional Indemnity Insurance of RM750,000. <p>Note: Companies licensed for dealing in private retirement schemes may not use a nominee system.</p>

Illustration:

If you apply for a CMSL to carry on the regulated activities of fund management and investment advice, the following financial requirements are relevant:

For fund management in relation to portfolio management

- Minimum paid-up capital of RM2 million; and
- Minimum shareholders' funds of RM2 million to be maintained at all times.

For investment advice

- Minimum paid-up capital of RM500,000; and
- Minimum net tangible assets of RM50,000 at all times.

The highest of the financial requirement will apply to you and this means that you must have a paid-up capital of RM2 million.

Once licensed, you must maintain the minimum financial requirement throughout your licence. Therefore, your shareholders' funds must be maintained at a minimum of RM2 million while you hold the licence.

- (4) If your financial condition falls below the minimum financial requirement, you must not continue to carry on the licensed regulated activity without the written consent of SC.

Clearance on loans and credit facilities

- (5) If you intend to carry on the regulated activity of fund management and are a company owned by individuals, you are required to ensure that your shareholders, directors and licensed representatives provide the SC with a declaration that they have satisfactorily maintained their accounts, loans and other credit facilities extended by banks and financial institutions within or outside Malaysia.

- (6) The declaration is to be in a format specified by the SC. The SC reserves the right to verify the information provided.

4.05 What are the requirements for a CMSRL?

General requirements

- (1) You must be at least 21 years old.
- (2) You must be fit and proper and satisfy yourself that none of the grounds specified under section 65(1) of the CMSA apply to you.
- (3) You must provide all relevant information to your principal to enable it to undertake the necessary due diligence before supporting your application. This is to ensure that you have satisfied the minimum requirements for carrying on the regulated activity.

Qualification and experience requirement

- (4) In assessing your competency to carry on a regulated activity, we will consider your educational and professional background. If your academic or professional qualification is lacking, we will consider your working experience and previous track records.

Licensing examinations

- (5) In addition to the qualification and experience requirements, you must also pass the relevant licensing modules as set out in Table 3.

Validity of the licensing examination

- (6) Your examination result is valid for two years from the date of passing each module of the SC licensing examination. You must ensure that your examination results are valid at the time of your application.
- (7) There are three instances in which we will not apply the general rule on validity of licensing examination. These are as follows:
 - (a) You have passed the SC licensing examination while under the employment of a CMSL holder and remain working in the capital market industry. You may apply for a CMSRL without having to resit the licensing examination;
 - (b) You have passed the SC licensing examination while under the employment of a CMSL holder, and you resign to take up employment outside the industry before being licensed. If you return to the industry, you may apply for a CMSRL without having to resit the licensing examination, provided your application is made within three years from the date you left the industry; and
 - (c) You were previously licensed and have left the industry. You may reapply for a CMSRL to undertake the same regulated activity for which you were previously licensed without having to resit the SC licensing examination, provided your application is made within three years from the date you left the industry.

Table 2: Minimum Qualification and Experience Requirement for CMSRL Applicants for Regulated Activities

Regulated Activities	Minimum Qualification and Experience Requirements for CMSRL Applicants
<p>Dealing in securities</p> <p>Dealing in derivatives</p>	<ul style="list-style-type: none"> • A degree or professional qualification from an institution recognised by the government of Malaysia; • A diploma in the relevant field of study, including finance, economics, accounting, or commerce from an institution recognised by the government of Malaysia; or • A diploma in other field of study recognised by the government of Malaysia with at least two years of relevant experience in the capital market. <p>In exceptional circumstances, the SC may consider an applicant-</p> <ul style="list-style-type: none"> • with Sijil Pelajaran Malaysia/Malaysia Certificate of Education or its equivalent with at least four years of relevant experience in the capital market; or • without any of the above qualifications but has been licensed for at least three years in a recognised jurisdiction to undertake dealing in securities or dealing in derivatives. The applicant must have at least five years direct and relevant experience in the capital market.
<p>Fund management in relation to portfolio management (including digital investment management and boutique portfolio management company)</p>	<ul style="list-style-type: none"> • A degree or professional qualification from an institution recognised by the government of Malaysia with at least two years of relevant experience in fund management in relation to portfolio management activity; or • Applicants without any degree or professional qualification must have at least five years of relevant experience in fund management in relation to portfolio management activity.
<p>Fund management in relation to asset management</p>	<ul style="list-style-type: none"> • No specific qualification requirement
<p>Advising on corporate finance</p> <p>Investment advice</p>	<ul style="list-style-type: none"> • A degree or professional qualification from an institution recognised by the government of Malaysia; or • Applicants without any degree or professional qualification must have at least five years of relevant experience in the regulated activity.
<p>Financial planning</p>	<p><u>Financial Planning Association of Malaysia (FPAM)</u></p> <ul style="list-style-type: none"> • The Certified Financial Planner (CFP) / Islamic Financial Planner (IFP) qualification and a member of FPAM; or • Complete a minimum of 3 modules (either CFP or IFP) as stipulated below and become an Associate Member of FPAM;

Regulated Activities	Minimum Qualification and Experience Requirements for CMSRL Applicants	
	CFP	IFP
	Module 1: Foundation in Financial Planning	Module 1: Fundamentals of Islamic Financial Planning
	Module 3: Investment Planning and Retirement Planning	Module 3: Islamic Investment Planning
	Module 4: Financial Plan Construction and Professional responsibilities (attend the familiarisation programme)	Module 4: Financial Plan Construction and Professional Responsibilities (attend the familiarisation programme)
	or	
	<u>Malaysian Financial Planning Council (MFPC)</u>	
	<ul style="list-style-type: none"> • The Registered Financial Planner (RFP) / Shariah Registered Financial Planner (Shariah RFP) qualification and an ordinary member of MFPC; or • Complete a minimum of 3 modules (either RFP or Shariah RFP) as stipulated below, obtain a Certificate of Proficiency in Financial Planning and become an Affiliate Member of MFPC; 	
	RFP	Shariah RFP
	Module 1: Fundamentals of Financial Planning	Module 1: Fundamentals of Shariah Financial Planning
	Module 3: Investment Planning	Module 3: Shariah Investment Planning
	Module 6: Retirement Planning	Module 6: Retirement Planning
	or	
	<u>Malaysia Financial Planners and Advisers Association (MFPAA) [formerly known as Malaysian Association of Chartered Financial Consultant (MACHFC)]</u> The Chartered Financial Consultant (ChFC) qualification and a member of the MFPAA (formerly known as MACHFC).	

Table 3: Licensing Examinations for CMSRL Applicants

Regulated Activities	Licensing Examinations for CMSRL Applicants
Dealing in securities	<p>Dealing in securities</p> <ul style="list-style-type: none"> • Applicants must pass the SC Licensing Examination: Modules 6 and 7 or 6 and 18 or 7 and 17 or 17 and 18 • CFA charter holders are exempted from Module 7 of the SC Licensing Examination <p>Dealing in unlisted debt securities or OTC Bonds</p> <ul style="list-style-type: none"> • Applicants for a CMSRL for a dealing in securities restricted to unlisted debt securities or OTC Bonds must be certified by Financial Markets Association or Persatuan Pasaran Kewangan Malaysia (PPKM)
Dealing in derivatives	<ul style="list-style-type: none"> • Applicants must pass the SC Licensing Examination: Modules 14 and 16 or 17 and 18 or 14 and 17 or 16 and 18 • CFA charter holders are exempted from Module 14 of the SC Licensing Examination
Fund management in relation to portfolio management (including digital investment management and boutique portfolio management company)	<ul style="list-style-type: none"> • Applicants must pass the SC Licensing Examination: Modules 9 and 10 • CFA charter holders are exempted from Module 10 of the SC Licensing Examination
Fund management in relation to asset management	<ul style="list-style-type: none"> • No specific licensing examination required
Advising on corporate finance	<ul style="list-style-type: none"> • Applicants must pass the SC Licensing Examination: Modules 12 and 19 or 12, 19A and 19B • CFA charter holders are exempted from Module 12 of the SC Licensing Examination
Investment advice	<ul style="list-style-type: none"> • Applicants must pass the SC Licensing Examination: Modules 12 and 19 or 12 and 19A • CFA charter holders are exempted from Module 12 of the SC Licensing Examination
Financial planning	<ul style="list-style-type: none"> • No specific licensing examination required

Exemption from the licensing examination

- (8) You may apply for exemption from the relevant SC licensing examination modules if you are an individual with distinguished service, which includes having–
- (a) a total of at least 20 years' working experience;
 - (b) spent at least 10 years in the capital market or the financial services industry or in a regulatory body which regulates the capital market or the financial services

industry and you were directly involved in the specific area in which you seek exemption; and

- (c) held a senior management position during your tenure in the capital market or the financial services industry or in the regulatory body.

Dual licence arrangements

- (9) You will only be considered to carry on both dealing in securities and dealing in derivatives if–
 - (a) your principal is licensed for both dealing in securities and dealing in derivatives as allowed under the policy on permitted activities for stockbroking companies; or
 - (b) the sponsoring CMSL holder carrying on dealing in derivatives is–
 - (i) a subsidiary of the holding company of your principal; or
 - (ii) a separately incorporated company held by the individual shareholders of your principal.
- (10) The sponsoring CMSL holder must be approved by the SC to enter into an arrangement with your principal to facilitate the carrying on of dealing in derivatives. In this case, you will be operating under a dual principal arrangement which requires you to hold separate CMSRL for dealing in securities and dealing in derivatives respectively.

4.06 What are the requirements for key management of a CMSL holder and compliance officer?

General requirements

- (1) If you are a candidate for a key management position or compliance officer, you must be at least 21 years old. For purposes of clarity, "key management" refers to the head of regulated activity, head of operations and head of compliance.
- (2) You must be fit and proper, and satisfy yourself that none of the grounds specified under section 65(1) of the CMSA applies to you.
- (3) The CMSL holder to whom you are employed with or attached to, must undertake the necessary due diligence to ensure minimum requirements are satisfied.

Prior approval

- (4) You must obtain the SC's prior approval before being appointed as a key management personnel or a compliance officer.
- (5) If any key management personnel or compliance officer position becomes vacant, the CMSL holder is expected to take the necessary steps to recruit a new candidate within three months from the date of the vacancy.

Qualification and experience requirement

- (6) A licensed director and head of regulated activity are required to hold a CMSRL. Table 2 sets out the qualification and experience requirements for obtaining a CMSRL, according to the type of regulated activity. A CMSL holder must ensure that the candidate appointed as a licensed director or head of regulated activity has a minimum of 10 years and eight years of relevant experience, respectively.

If you are a CMSL holder for fund management in relation to asset management, your director must show the relevant experience and knowledge in the management of the specific assets invested in by the asset manager, or in the management of a class of asset in a unit trust scheme.

- (7) The candidate for head of operations, head of compliance and compliance officer will also be expected to possess relevant and adequate experience in carrying out the respective functions. Table 5 sets out the minimum qualification and experience requirements for the head of operations, head of compliance and compliance officer.
- (8) In addition to the above, a candidate is also expected to have an adequate level of knowledge about developments in the market, products and regulation and possess skills and technical know-how. The candidate for licensed director and head of regulated activity must pass the relevant modules as set out in Table 3. The candidate for head of operations, head of compliance and compliance officer must pass the relevant modules as set out in Table 5.

Table 4: Minimum Qualification and Experience Requirement

Key Management Positions	Minimum Qualification and Experience Requirement
Head of operations	A candidate must possess the following experience: <ul style="list-style-type: none"> • Employed at a senior management position for a minimum of two years by a CMSL holder carrying in dealing in securities; • Relevant working experience for a minimum of five years at level of middle management of an institution in the capital market; or • Previously a participant of a recognised exchange.
Head of compliance	A candidate must possess– <ul style="list-style-type: none"> • a degree or professional qualification from an institution recognised by the government of Malaysia; and • at least three years direct experience as a compliance officer in the capital market; or • at least five years relevant experience in the capital market; or • a relevant diploma from an institution recognized by the government of Malaysia and has at least eight years of relevant experience in the capital market.
Compliance officer	A candidate must possess– <ul style="list-style-type: none"> • a degree or professional qualification from an institution recognised by the government of Malaysia with at least three years of relevant experience in the capital market; or • a relevant diploma from an institution recognised by the government of Malaysia with at least five years relevant experience in the capital market.

Key Management Positions	Minimum Qualification and Experience Requirement
<p>Compliance officer with companies that has a head of compliance</p>	<p>A candidate must possess–</p> <ul style="list-style-type: none"> • a degree or professional qualification from an institution recognised by the government of Malaysia; or • a relevant diploma from an institution recognised by the government of Malaysia with at least three years relevant experience in the capital market.

Table 5: Licensing Examinations

Key Management Positions	Licensing Examinations
Head of operations	Candidates must pass the SC Licensing Examination - Modules 6 and 7 or 6 and 18 or 7 and 17 or 17 and 18.
Head of compliance and compliance officer	<p>Candidates must pass the SC Licensing Examination - Module 11 and the relevant modules as determined by the regulated activities of his principal:</p> <p>Dealing in securities</p> <ul style="list-style-type: none"> • Modules 6 and 7 or 6 and 18 or 7 and 17 or 17 and 18; <p>OR</p> <ul style="list-style-type: none"> • Attend the SC Licensing Examination Revision Courses on the relevant modules which the applicant will be responsible with regard to compliance. <p>Dealing in derivatives</p> <ul style="list-style-type: none"> • Modules 14 and 16 or 17 and 18 or 14 and 17 or 16 and 18; <p>OR</p> <ul style="list-style-type: none"> • Attend the SC Licensing Examination Revision Courses on the relevant modules which the applicant will be responsible with regard to compliance. <p>Clearing for derivatives</p> <ul style="list-style-type: none"> • Complete the familiarisation programme <p>Fund Management in relation to portfolio management</p> <ul style="list-style-type: none"> • Modules 9 and 10; <p>OR</p> <ul style="list-style-type: none"> • Attend the SC Licensing Examination Revision Courses on the relevant modules which the applicant will be responsible with regard to compliance.

Note for applicants:

Interview

- (1) Where necessary, the SC may require applicants for a CMSL or a CMSRL or key management personnel to attend an interview to demonstrate credibility and knowledge in their regulated activities.

Exemption or variation of requirement

- (2) The SC may, where it deems appropriate, allow exemption or variation from any requirement based on the merits of the case, whether on a permanent basis or for a specified period of time.

Chapter 5

LICENSING CRITERIA FOR AN INDIVIDUAL APPLYING FOR A CMSL TO CARRY ON FINANCIAL PLANNING

5.01 General

- (1) A CMSL is issued only to a company. However, in the case of financial planning, a CMSL may be issued to an individual who is fit and proper, as set out in section 64 of the CMSA and complies with the following criteria set out below.

General requirements

- (2) You must be at least 21 years old.
- (3) Unless otherwise approved, you must have your business registered with the Companies Commission of Malaysia.
- (4) You must at all times have net total personal assets (net worth) of at least RM50,000 or its equivalent in foreign currencies.
- (5) You must be a resident of Malaysia.
- (6) You must also complete and submit a readiness checklist to us, which may include your operational manuals, information technology, policies and procedures, internal controls and systems and procedures for compliance with applicable laws and regulations. We reserve the right to conduct a readiness examination to ascertain if you are ready to commence your business.

Qualification and experience requirements

- (7) In assessing your competency, we will consider your educational and professional background, working experience and previous track record. Table 6 sets out the minimum qualification and experience requirements for an individual CMSL applicant.

Table 6: Minimum Qualification and Experience Requirement for Individual CMSL Applicants in Financial Planning

Regulated Activity	Minimum Qualification and Experience Requirement for Individual CMSL Applicants in Financial Planning	
Financial planning	<u>Financial Planning Association of Malaysia (FPAM)</u> <ul style="list-style-type: none"> • The Certified Financial Planner (CFP) / Islamic Financial Planner (IFP) qualification and a member of FPAM; or • Complete a minimum of 3 modules (either CFP or IFP) as stipulated below and become an Associate Member of FPAM; 	
	CFP	IFP
	Module 1: Foundation in Financial Planning	Module 1: Fundamentals of Islamic Financial Planning
	Module 3: Investment Planning and Retirement Planning	Module 3: Islamic Investment Planning
	Module 4: Financial Plan Construction and Professional responsibilities (attend the familiarisation programme)	Module 4: Financial Plan Construction and Professional Responsibilities (attend the familiarisation programme)

Regulated Activity	Minimum Qualification and Experience Requirement for Individual CMSL Applicants in Financial Planning								
	<p>Or</p> <p><u>Malaysian Financial Planning Council (MFPC)</u></p> <ul style="list-style-type: none"> • The Registered Financial Planner (RFP) / Shariah Registered Financial Planner (Shariah RFP) qualification and an ordinary member of MFPC; or • Complete a minimum of 3 modules (either RFP or Shariah RFP) as stipulated below, obtain a Certificate of Proficiency in Financial Planning and become an Affiliate Member of MFPC; <table border="1" data-bbox="535 598 1356 829"> <thead> <tr> <th data-bbox="535 598 938 640">RFP</th> <th data-bbox="938 598 1356 640">Shariah RFP</th> </tr> </thead> <tbody> <tr> <td data-bbox="535 640 938 714">Module 1: Fundamentals of Financial Planning</td> <td data-bbox="938 640 1356 714">Module 1: Fundamentals of Shariah Financial Planning</td> </tr> <tr> <td data-bbox="535 714 938 787">Module 3: Investment Planning</td> <td data-bbox="938 714 1356 787">Module 3: Shariah Investment Planning</td> </tr> <tr> <td data-bbox="535 787 938 829">Module 6: Retirement Planning</td> <td data-bbox="938 787 1356 829">Module 6: Retirement Planning</td> </tr> </tbody> </table> <p>or</p> <p><u>Malaysia Financial Planners and Advisers Association (MFPAA) [formerly known as Malaysian Association of Chartered Financial Consultant (MACHFC)]</u></p> <ul style="list-style-type: none"> • The Chartered Financial Consultant (ChFC) qualification and a member of the Malaysian Association of Chartered Financial Consultant (MACHFC); and • the applicant must have a minimum of eight years' relevant experience in financial planning. 	RFP	Shariah RFP	Module 1: Fundamentals of Financial Planning	Module 1: Fundamentals of Shariah Financial Planning	Module 3: Investment Planning	Module 3: Shariah Investment Planning	Module 6: Retirement Planning	Module 6: Retirement Planning
RFP	Shariah RFP								
Module 1: Fundamentals of Financial Planning	Module 1: Fundamentals of Shariah Financial Planning								
Module 3: Investment Planning	Module 3: Shariah Investment Planning								
Module 6: Retirement Planning	Module 6: Retirement Planning								

Note to applicants:

- Unless specifically mentioned, the requirements set out under Chapter 4 will not apply to you.
- As an individual CMSL holder, you cannot have any licensed representative to act on your behalf.
- If your business is carried out through a partnership, only the licensed partner can carry on financial planning.

Chapter 6

APPLICATION PROCEDURES AND FEES

6.01 General

- (1) This chapter will provide you with information on—
 - forms to be used for various applications and notifications;
 - application procedures;
 - fees to pay for applications or notifications; and
 - time lines to adhere to as licensed persons.

6.02 What is the electronic licensing application system?

- (1) All licensing applications, except for applications for a new CMSL and submission of Fit and Proper Compliance Report (Form 6A), are to be made online to the SC via the Electronic Licensing Application system (ELA). As licensed persons, you must familiarise yourselves with the system. Further information on ELA can be found in Appendix 2.
- (2) When submitting an application or notification to the SC through ELA, you must ensure that all forms are printed out and duly signed by the relevant persons as indicated in the forms. The particulars on your printed copy must be the same in content as that which you will submit through ELA.
- (3) We will notify your application results via e-mail, except under circumstances where we have grounds for a refusal to grant a licence. In such cases, we will issue a letter.
- (4) As a CMSL holder, you must apply to the SC for access to ELA within three months from the date you obtain your licence. This is necessary because specific applications and notifications to us, including the appointment of directors, chief executives and notification of any material change to information submitted earlier, must be made through ELA.
- (5) In addition, you must also ensure that sufficient funds in the ELA account are maintained at all times to facilitate any payments or changes on the application or notification made to the SC.

6.03 What is our commitment?

- (1) In reviewing your licence application, the Authorisation & Licensing Department of the SC will comply with our clients' charter which is ISO 9001:2008 certified.
- (2) We are committed to satisfy all market participants by providing quality, professional and excellent service through a transparent process in a timely manner, and to strive for continuous improvement.
- (3) Our clients' charter for processing time is as follows:
 - a) Six weeks for new CMSL applications which are complete upon submission and meet the SC's fit and proper criteria; and

- b) Two weeks for all new CMSRL applications which are complete upon submission and meet the SC's fit and proper criteria.

6.04 How to apply for a new licence?

- (1) Upon satisfying relevant requirements as set out in Chapter 4 or 5, you must fill the relevant forms outlined in Table 7 to apply for a CMSL or CMSRL to carry on any one or more regulated activities. You can refer to Appendix 3 for the list of documents which must accompany your applications.
- (2) Due to the nature and amount of information and documents required for a new CMSL, you cannot apply through ELA. Instead, you must submit the relevant information and documents required in printed and soft copies (thumb drive or CD-ROM). You must also submit the fees together with the application, in the form of bank drafts or cheques, made payable to the "Securities Commission Malaysia" and sent to the address stated in paragraph (8) of Appendix 2.

Table 7: Forms for New Licences

Type of Licence	Forms
CMSL	Form 1: Application for New Capital Markets Services Licence
	Form 1A: Application for New Capital Markets Services Licence (to be filled by directors/key management/company secretary)
	Form 1B: Application for New Capital Markets Services Licence (to be filled by directors/key management/company secretary who are also the proposed representative)
	Form 1C: Application for New Capital Markets Services Licence (to be filled by the first two proposed licensed representatives)
CMSL (Individual)	Form 2: Application for New Capital Markets Services Licence (individual)
CMSRL (only applicable for subsequent application through ELA)	Form 3: Application for New Capital Markets Services Representative's Licence

- (3) If you apply for a new CMSL, you must also submit at least two applications for a CMSRL for every regulated activity you intend to carry on as a principal.
- (4) Upon receiving your application for a new CMSL, we may conduct the necessary background checks on you, your directors, managers, and controllers to ensure that none of the grounds for refusal of a licence as provided for under sections 64 of the CMSA applies.
- (5) If you apply for a new CMSRL with an existing CMSL holder, you must submit your application through ELA. Such an application must be made through your principal, who must be responsible for verifying your good character, reputation and competency.
- (6) Upon our approval, details of your new licence will be published at the SC's website under public register of licensed holder at <http://www.sc.com.my/licensing/public-register-of-licence-holders>.
- (7) With effect from 1 January 2015, the SC no longer issues a physical licence. All licence persons who hold the physical licences that have been issued prior to this

date must return their physical licences to the SC upon variation, revocation or cessation of their regulated activities.

Note to applicants:

Before you apply for a CMSL, you must make sure that you–

- know your business and understand which regulated activity you need to apply for to enable you to carry on your business;
- understand the obligations of a CMSL holder and have appropriate systems and processes in place to meet them; and
- are able to support your application with any document we may request.

You should only apply for the regulated activity that is relevant to your business. Do not apply for a regulated activity just in case you might want to do it in the future. If your business changes, you can apply to vary your licence at that time. Paragraph 6.06 explains how to apply to vary your licence.

6.05 Submission of Anniversary Reporting for Authorisation of Activity (ARAA)

- (1) CMSL holders are required to submit the ARAA report to the SC on the anniversary date of their licences. Such report needs to be submitted within 7 business days before the anniversary date. ARAA report is represented by Forms 4 and 5.

Table 8: Forms on Anniversary Date

Type of Licence	Forms
CMSL	Form 4: Anniversary Reporting for Authorisation of Activity (CMSL)
CMSL (Individual)	Form 5: Anniversary Reporting for Authorisation of Activity (Individual)

- (2) If you are an individual CMSL holder who wishes to continue to be licensed, you must satisfy the Continuing Professional Education (CPE) requirement before submitting your ARAA.
- (3) Similarly for a CMSRL holder who wishes to continue to be licensed, you must satisfy the Continuing Professional Education (CPE) requirement before the anniversary date of your licence.
- (4) A CMSL holder must ensure that its ELA account has adequate funds before it submits ARAA through the system. The licence fees will be deducted from the ELA account on the anniversary date of the company and its representatives.

6.05 (A) Submission of Fit and Proper Compliance Report (Form 6A)

- (1) All CMSL holders are also required to submit a semi-annual Fit and Proper Compliance Report (Form 6A) on the fit and proper standing of its licensed representatives whose anniversary date fall due within the reporting period. Such report needs to be submitted via ComRep Platform within 7 business days from the reporting period.

6.06 How to vary a licence?

- (1) If you add or reduce any regulated activity under your CMSL or CMSRL, or you wish to change your principal, you will need to complete the relevant form(s) set out in Table 9.
- (2) Your applications to add or reduce your regulated activity and your applications for variation of your principal, are to be submitted through ELA.
- (3) As a CMSL holder, ensure that your ELA account has an adequate sum of money before you apply for a variation through the system (you can refer to Appendix 4 for the schedule of application and licence fees).

Table 9: Forms for Variation of Regulated Activity and Variation of Principal

Type of Licence	Forms
CMSL	Form 7: Application for Variation of Regulated Activity for Capital Markets Services Licence
CMSRL	Form 8: Application for Variation of Regulated Activity for Capital Markets Services Representative's Licence
	Form 9: Application for Variation of Principal by Representative

Note to stockbroking companies and investment banks:

Your ability to add on any additional regulated activity to your CMSL is subject to the policy on permitted activities for stockbroking companies and the *Guidelines on Investment Banks*.

- (4) Upon our approval, a new licence reflecting your new regulated activity or principal will be made available on the SC's public register of licensed holder at <http://www.sc.com.my/licensing/public-register-of-licence-holders/>. The anniversary date of the new licence will be the same as that of your existing licence.

Illustration:

Existing licence

Type of regulated activity: Dealing in securities

- Anniversary date of licence: 1 December 2011
- Proposed additional regulated activity: Dealing in derivatives
- Application to add new regulated activity approved by the SC: 1 November 2011

New licence

- Type of regulated activity: Dealing in securities and dealing in derivatives
- Anniversary date of new licence: 1 December 2011.

6.07 How much is the application and licence fee?

(1) If you are a CMSL holder which is a company, the annual licence fee payable is–

- (a) for any first regulated activity, RM2,000; and
- (b) for any subsequent additional regulated activity, RM1,000 each.

If you carry on more than one regulated activity, the licence fees payable will be the aggregate amount.

Illustration:

If you are a CSML holder who conducts the following activities:

- Dealing in securities;
- Dealing in derivatives; and
- Advising on corporate finance,

This is the first regulated activity, therefore the licence fee is RM2,000 per annum.

The licence fee for these two activities is RM1,000 each per annum.

You are required to pay RM4,000 per annum to carry on the above regulated activities.

(2) If you are a CMSL holder who is an individual licensed to carry on financial planning activity, the annual licence fee payable is RM1,000.

(3) If you are a CMSRL holder, the annual licence fee payable is RM200, regardless of the number of regulated activities you carry on for your principal.

Illustration:

If you are a CMSRL holder who conducts the following activities:

- Dealing in securities; and
- Dealing in derivatives

You are required to pay RM200 per annum.

Illustration:

You are a CMSL holder who is licensed for dealing in securities. You decide to expand your business to include a new regulated activity of dealing in derivatives. Assume your current licence anniversary date is on 31 January 2012 and your company's application to carry on dealing in derivatives was approved by the SC on 1 November 2011.

The computation of fees for the new regulated activity on a pro-rated basis:

$$\begin{aligned}
 &= 1 \text{ November 2011 to 31 January 2012} = 3 \text{ months} \\
 &= \text{RM}1000 \times 3/12 \\
 &= \text{RM}250
 \end{aligned}$$

6.08 How to withdraw an application?

- (1) You may withdraw an application made through ELA whose status is "In Process" by using the "Withdraw" button appearing at the bottom of ELA's submissions page. The application fees will be deducted by the system if your withdrawal takes place after your application has been reviewed by the SC.
- (2) Similarly, for the withdrawal of applications submitted manually, your application fees will not be refunded if your application has been reviewed by the Licensing Department.

6.09 What information requires a notification to the SC after being licensed?

- (1) The SC maintains a public, searchable register of current licence holders as required under section 77 of the CMSA. After you have received your CMSL and CMSRL, you are obliged to notify us of such information as required under section 78 of the CMSA.
- (2) There are some changes that require our prior approval while other changes only require you notifying us after the change has taken place.

Changes that require prior approval

- (3) Changes that require our prior approval are stated in Table 10. Such changes must be lodged through ELA (you can refer to Table 10 for type of changes and relevant forms required).

Table 10: Changes Requiring Prior Approval

CMSL	
Variation of Regulated Activity	Form 7: Application for Variation of Regulated Activity for Capital Markets Services Licence
Variation of name	Form 10: Application for Change in Corporation's Name * After obtaining the SC's approval on the application made under Form 10, you must submit Form 15 within 14 calendar days of the change occurring.
	Form 11: Application for Change in Individual's Business Name * After obtaining the SC's approval on the application made under Form 11, you must submit Form 16 within 14 calendar days of the change occurring.
Change of shareholders/shareholding structure which results in a change of controller	Form 12: Application for Change of Shareholders/ Shareholdings * After obtaining the SC's approval on the application made under Form 12, you must submit Form 13 within 14 calendar days of the change occurring.
Application for compliance officer	Form 24: Application for compliance officer
Application for Establishment of New Business or Acquisition of Shares/Interests In or Outside Malaysia (for capital market based activities)	Form 26: Application for Establishment of New Business or Acquisition of Shares/Interests In or Outside Malaysia * After obtaining the SC's approval on the application made under Form 26, you must submit Form 15 within 14 calendar days of the change occurring.
Application for Appointment of Chief Executive and Key Management <ul style="list-style-type: none"> • Chief Executive • Head of Regulated Activity • Head of Operations • Head of Compliance 	Form 27: Application for Appointment of Chief Executive and Key Management * After obtaining the SC's approval on the application made under Form 27, you must submit Form 14 within 14 calendar days of the change occurring.
CMSRL	
Variation of Regulated Activity	Form 8: Application for Variation of Regulated Activity for Capital Markets Services Representative's Licence
Variation of Principal	Form 9: Application for Variation of Principal by Representative

Changes that require notification

- (4) As licensed persons, you must notify the SC of the particulars stated in Table 11. This notification must be made within 14 calendar days of the occurrence of the event. However, in the case of your directors, you must notify us within **two business days** of their appointment or reappointment or prior to any public announcement, whichever is earlier.
- (5) For any resignation of Chief Executive/Directors/Key Management/Compliance Officer/Responsible Persons, the company must inform the SC immediately via email to the Head of Authorisation & Licensing Department followed by submission of the relevant forms.

Table 11: Changes Requiring Notification

CMSL	
Change in shareholders/ shareholding details	Form 13: Notice of Change of Shareholders/ Shareholdings
Appointment of– <ul style="list-style-type: none"> • director • chief executive • company secretary • head of regulated activity • head of operations • head of compliance • responsible person Change of designation for– <ul style="list-style-type: none"> • director • head of regulated activity • head of operations • head of compliance 	Form 14: Notice of Appointment of Chief Executive/Directors/Key Management/Company Secretary/Responsible Person
Change of corporation’s particulars: <ul style="list-style-type: none"> • Name of CMSL holder • Registered address • Business address • Correspondence address • New branch • Branch closure • Establishment of new business or acquisition of shares/interests in or outside Malaysia (for capital market based activities) • Establishment of new business or acquisition of shares/interests in or outside Malaysia (for non-capital market based activities) • Disposal of business or shares/interests in or outside Malaysia including closure of business 	Form 15: Notice of Change in Corporation’s Particulars
Change of individual's particulars: <ul style="list-style-type: none"> • Name of CMSL holder • Business address • Correspondence address 	Form 16: Notice of Change in Individual's Particulars
Cessation of CMSL/ CMSL (individual)	Form 18: Notice of Cessation for Capital Markets Services Licence
	Form 19: Notice of Cessation for Capital Markets Services Licence (individual)

Cessation of chief executive/ directors/key management/company secretary/responsible person	Form 21: Notice of Cessation for Chief Executive/Directors/Key Management/ Company Secretary/Responsible Person
Cessation of compliance officer	Form 25: Notice of Cessation of Compliance Officer
Variation of particulars: <ul style="list-style-type: none"> • Name of CMSRL holder • Residential address • Location • Passport number (for non-Malaysian) • remuneration type 	Form 17: Notice of Change in Representative's Particulars
Cessation of CMSRL	Form 20: Notice of Cessation of Capital Markets Services Representative's Licence
General	
Place where register of securities is to be kept for CMSL/CMSRL	Form 22: Notice of Place Where Register of Securities Is to Be Kept <i>* Note that this form is not relevant if a licensed person had already provided the information in an earlier application to the SC, eg. in Form 1 or 3 when applying for a new licence.</i>
Cessation/change of place where register of securities is to be kept for CMSL/CMSRL	Form 23: Notice of Change of Place or Cessation of Keeping of Register of Securities <i>* Note that this form is not relevant if a licensed person had already provided the information in an earlier application to the SC, e.g. in Form 18, 19 or 20 when notifying the SC on cessation of business or in Form 9 when applying for variation of principal.</i>

6.10 What other submissions can be made through ELA?

- (1) You may also lodge the auditor's report as required under section 127 of the CMSA through ELA.
- (2) We may, from time to time, add new categories of submissions to be included under ELA.

Chapter 7

CONDITIONS AND RESTRICTIONS OF LICENCE

7.01 General

- (1) The SC may grant a licence subject to such conditions or restrictions as it thinks fit under section 61 of the CMSA. This chapter sets out the general conditions or restrictions applicable to a CMSL and CMSRL granted by the SC. A licensed person must comply with these conditions and restrictions as long as the CMSL and the CMSRL remain valid. The SC may also impose other conditions or restrictions on a licensed person at the time of granting a CMSL or a CMSRL to an applicant.
- (2) If a licensed person contravenes or fails to comply with any condition or restriction, the SC is empowered under the CMSA to initiate and administer a broad range of actions against the licensed person under Part XI of the CMSA.

7.02 What are the conditions and restrictions in relation to a CMSL holder?

General conditions and restrictions

You must satisfy the following:

- (1) Remain fit and proper as required by the CMSA.
- (2) Comply with the requirements set out in Chapter 4 or 5 (where applicable) and 6 of this handbook.
- (3) Comply with securities laws, its regulations and guidelines and any other applicable law that may govern the business activities carried on by you.
- (4) Obtain the SC's prior approval if there are any changes to your core business which you are licensed to carry on.
- (5) If you are a company, you are required to notify the SC of any change to your shareholding, paid-up capital, any establishment of a new business or acquisition of shares/interests in or outside Malaysia (for capital market-based activities and non-capital market-based activities) and disposal of business or shares/interests in or outside Malaysia within 14 days of the change. Where a change in your shareholding, directly or indirectly results in a change of your controller and there is a proposal for the establishment of a new business or acquisition of shares/interests in or outside Malaysia in relation to capital market-based activities, you require the SC's prior approval for such change.
- (6) Carry on your business for which you are licensed for efficiently, honestly and fairly.
- (7) Supervise and monitor your business to ensure compliance to securities laws, its regulations, guidelines and relevant code of conduct. Such supervision and monitoring should also be able to prevent and identify breaches to securities laws, its regulations, guidelines and relevant code of conduct.

- (7A) You have not –
- (a) been charged for any offence; or
 - (b) had any civil action initiated against you,
- in any court of law.
- (8) For those that are licensed prior to 1 January 2015, you are required to surrender the existing physical licence to the SC upon variation, revocation or if you cease to carry on your licensed regulated activities.

Illustration 1

Company A has received its new CMSL on 30 November 2014. Company A decides to cease being a CMSL on 30 November 2015. Company A would need to submit the cessation form for CMSL and surrender the physical licence to the SC immediately.

- (9) For those that are licensed after 1 January 2015, submission of cessation form is deemed as surrender of licence as there will not be any issuance of physical licence effective 1 January 2015.

Illustration 2

Company B has received its new CMSL on 2 January 2015. Company B decides to cease being a CMSL on 1 September 2017. Company B would need to submit the cessation form for CMSL only.

- (10) Ensure that the carrying on of any licensed regulated activity on your behalf is performed by persons who are appropriately licensed.
- (11) Ensure that your employees, including your licensed representatives, where applicable, comply with securities laws, its regulations and guidelines and any other applicable law that may govern your regulated activity.
- (12) Ensure that your licensed representatives are–
- (a) adequately supervised in the performance of their duties;
 - (b) sufficiently trained for those duties before acting as a representative; and
 - (c) kept abreast of developments by means of continuing training programmes.
- (13) Immediately inform the SC of any occurrence of these events:
- (a) Where any of your employees has misappropriated clients' funds or committed any act that is detrimental to the interests of your clients;
 - (b) Where any of your licensed representatives, where applicable, ceases to be fit and proper to hold a CMSL; or

- (c) Where any of your licensed representatives, where applicable, fails or ceases to perform their function.

Additional conditions and restrictions

Fund management

You must satisfy the following if you are a CMSL holder who carries on the business of fund management:

- (14) Immediately disclose to your clients–
 - (a) any legal or disciplinary event that is material to an evaluation of your integrity and ability to meet contractual commitments to your clients; and/or
 - (b) any material fact about your financial condition which will impair your ability to meet your contractual commitments to your clients.
- (15) Undertake the purchase/sale of securities listed on Bursa Malaysia through a CMSL holder who carries on the business of dealing in securities. However, in the case of a purchase/sale of fixed income securities listed on Bursa Malaysia, you may also do so through a licensed institution who is authorised to deal in fixed income securities.
- (16) Undertake the purchase/sale of derivatives on a derivatives exchange through a CMSL holder who carries on the business of dealing in derivatives who is a clearing member of Bursa Derivatives Bhd or a clearing member of a specified exchange.
- (17) Not undertake the purchase/sale of securities or derivatives which involves or potentially involves a conflict of interest between you and the funds under your management.
- (18) Not for your own account, undertake, directly or indirectly, the purchase/sale of securities from or to the funds under your management.
- (19) Obtain the SC's prior approval for investments in assets other than conventional and Shariah-compliant securities, derivatives, money market instruments and deposits in conventional and Shariah-compliant deposit accounts.
- (20) Submit any advertisement and/or promotional material to the SC for purposes of post-vetting.

Financial planning

You must satisfy the following if you are an individual CMSL holder who carries on the business of financial planning:

- (21) Comply with the requirements of the Continuing Professional Education in accordance with the format specified by the SC.

7.03 What are the conditions and restrictions in relation to a CMSRL holder?

General conditions and restrictions

You must satisfy the following:

- (1) Remain fit and proper at all times as required by the CMSA.
- (2) Comply with the requirements in Chapter 4 of this handbook.
- (3) Comply with securities laws, its regulations and guidelines and any other applicable law that may govern the business activities carried on by you.
- (4) Not allow any unlicensed person to perform any of your licensed regulated activities on your behalf.
- (5) Ensure that you carry on your licensed regulated activity efficiently, honestly and fairly.
- (6) Comply with the requirement of the Continuing Professional Education (CPE) by obtaining 20 CPE points a year, in accordance with the format specified by the SC.
- (7) For those that are licensed prior to 1 January 2015, you are required to surrender the existing physical licence to the SC upon variation, revocation or if you cease to carry on your licensed regulated activities.

Illustration 1

Mr. A has received his new CMSRL on 30 November 2014. Mr. A decides to cease being a CMSRL holder on 30 November 2015. Mr. A would need to submit the cessation form for CMSRL and surrender the physical licence to the SC immediately.

- (7A) You have not–
 - (a) been charged for any offence; or
 - (b) had any civil action initiated against you,in any court of law.
- (8) those that are licensed after 1 January 2015, submission of cessation form is deemed as surrender of licence as there will not be any issuance of physical licence affective 1 January 2015.

Illustration 2

Mr. B has received his new CMSRL on 2 January 2015. Mr. B decides to cease being a CMSRL holder on 1 September 2017. Mr. B would need to submit the cessation form for CMSRL only.

7.04 Permitted Activities

General conditions and restrictions

Advising on corporate finance

A CMSL holder for advising on corporate finance is allowed to carry out placement activities in the Leading Entrepreneur Accelerator Programme (“LEAP”) Market, subject to the conditions set out in this paragraph.

(1) Eligibility Criteria

- (a) Only a CMSL holder who is an Adviser is allowed to carry out such placement activities;
- (b) The CMSL holder can only undertake placement activities in relation to a corporate proposal to which it is an Adviser; and
- (c) Only a CMSL holder of such CMSL holder referred to in subparagraphs 1(a) and (b) is allowed to carry out such placement activities.

(2) The placement activities in the LEAP Market must comply with the following requirements:

- (a) The placement activities are limited to the LEAP Market only; and
- (b) The placement activities must not include provision of underwriting services.

(3) Obligations of the CMSL in undertaking placement activities:

- (a) The CMSL must notify SC of their registration with Bursa Malaysia Securities Berhad as an Adviser for the LEAP Market prior to carrying out the placement activities;
- (b) The CMSL holder is responsible and accountable for the conduct of its CMSRL holders; and
- (c) The CMSL holder must establish proper policies and controls on the placement activities carried out.

- (4) The undertaking of placement activities permitted under this paragraph does not extend to the provision of underwriting services in the LEAP Market.**

Chapter 8

CONTINUING PROFESSIONAL EDUCATION (CPE) PROGRAMME

[This Chapter has been deleted]

CHAPTER 9

TREATMENT OF EXISTING LICENCE HOLDERS

[This Chapter has been deleted]

Chapter 10

OUTSOURCING ARRANGEMENT BY CMSL HOLDERS

10.01 General

- (1) This Chapter sets out the requirements for outsourcing processes, services or activities by CMSL holders to service providers. CMSL holders must select an appropriate and efficient service provider as well as to monitor the outsourcing arrangements on a continuous basis to ensure that it does not lead to business disruption and negative consequences to the CMSL holder's clients.
- (2) This Chapter replaces the *Guidelines on Outsourcing for Capital Market Intermediaries*.
- (3) This Chapter does not apply to investment banks, unless otherwise stipulated in any laws, regulations or guidelines as may be amended or issued from time to time by the SC.
- (4) Except for functions set out under paragraph 10.02(2) below, all functions of the CMSL holder can be outsourced subject to the requirements of this Chapter.

10.02 Material Outsourcing Arrangement

- (1) The outsourcing of the following functions by a CMSL holder are considered as material outsourcing arrangement and can be outsourced to the following service provider:
 - (a) internal audit function to its group or an external auditor;
 - (b) compliance function to its group;
 - (c) risk management function to its group;
 - (d) clearing and settlement to any service provider;
 - (e) fund accounting to any service provider;
 - (f) fund valuation to any service provider;
 - (g) the maintenance of register of unit holders to any service provider; and
 - (h) any other function of the CMSL holder that the SC may determine.
- (2) A CMSL holder is not allowed to outsource any back office function that involves:
 - (a) the decision-making functions of the CMSL holder; or
 - (b) any interaction or direct contact with the clients of the CMSL holder.

- (3) Other than the material functions set out in the paragraph 10.02(1) above, other outsourcing arrangements will also be considered as material outsourcing arrangement in the following circumstances:
 - (a) there may be a financial, reputational or operational impact on the CMSL holder in the event of a default or failure of the service provider;
 - (b) the CMSL holder's services or support rendered to its clients may be potentially impacted by the outsourcing arrangement;
 - (c) the CMSL holder's ability and capacity to comply with regulatory requirements may be impacted by the outsourcing arrangement; and
 - (d) if the appointed service provider may not be able to perform the outsourced function, there is a degree of difficulty and time required for the CMSL holder to select an alternative service provider or to bring the outsourced function in-house.
- (4) Internal audit, compliance and risk management functions cannot be sub-contracted.
- (5) A CMSL holder must notify the SC within **two (2) weeks** upon signing the service level agreement for **any material outsourcing arrangement** in accordance with the notification requirements in this Chapter.
- (6) A CMSL holder who is also a participating organisation and trading participant must concurrently forward a copy of the notification in paragraph 10.02(5) to the stock exchange or derivatives exchange as the case may be.
- (7) Where the compliance function is outsourced to the group level, a CMSL holder must ensure that the group appoints at least one registered compliance officer to perform the compliance function.
- (8) Where a service provider or a sub-contractor is located outside Malaysia, the CMSL holder must:
 - (a) analyse the economic, legal and political conditions of the country that the service provider and the sub-contractor are operating from, which may impact the undertaking of any outsourced functions;
 - (b) refrain from outsourcing to jurisdictions where the SC, the stock exchange, derivatives exchange or their agents is/are hindered from having prompt access to information;
 - (c) commit to retrieve information readily available from the service provider and the sub-contractor should the SC, the derivative exchange, stock exchange or their agents request for such information; and
 - (d) inform the SC, the derivatives exchange or stock exchange if any foreign authority were to seek access to its clients' information.

10.03 Responsibilities and oversight over service providers or sub-contractors

- (1) The Board of the CMSL holder remains accountable for all outsourced functions.
- (2) The Board of the CMSL holder and the CMSL holder shall be responsible to establish effective policies and procedures for its outsourcing arrangement including a monitoring framework to monitor the service delivery, performance reliability and processing capacity of the service provider which should, among others, include periodic review and update the service level agreement and hold regular meetings to discuss performance of the service provider, sub-contractor and regulatory matters. A CMSL holder must also ensure that the service provider has adequate policies and procedures to monitor the conduct of the appointed sub-contractor.
- (3) A CMSL holder must perform an assessment on a service provider on a periodic basis, as part of its monitoring mechanism under paragraph 10.03(1) and submit a report of the assessment to its board of directors and senior management. This assessment should be performed by the CMSL holder's internal audit or external auditor or compliance officer and the report should be submitted to the SC as and when requested. However, if the assessment is on a service provider providing an outsourced compliance function, the assessment must be performed by the CMSL holder's internal audit or external auditor only. This assessment should take into account the service provider's policies and procedures in monitoring conduct of the sub-contractor and any new material risk arising from the outsourcing arrangement and strategies for managing such risk.

10.04 Notification to the SC

- (1) **The information required in the notification form** on material outsourcing arrangement is set out under Appendix 5 of this handbook and a template of the notification form can be found at www.sc.com.my/
- (2) **A letter of undertaking** is also required from the service provider or sub-contractor stating that the SC, stock exchange, derivative exchange and their agents will have access to all information, records and documents relating to the material outsourced arrangement(s). The letter of undertaking must be attached to the notification form.
- (3) A CMSL holder must notify the SC of any variation or termination of the service level agreement and sub-contracting agreement in relation to any material outsourcing arrangement signed by the service provider or any adverse development arising in such material outsourcing arrangement that could significantly affect the CMSL holder, within **two (2) weeks** from the occurrence of the event.
- (4) A CMSL holder must also notify the SC of any adverse development arising in the outsourcing arrangement of any outsourced function that could significantly affect the CMSL holder, within two (2) weeks from the occurrence of the event.
- (5) A CMSL holder who is also a participating organisation or trading participant must concurrently forward a copy of the notification form and/or any variation or termination of service level agreement and sub-contracting agreement or any

adverse development as mentioned in paragraphs 10.04(1) and 10.04(3) and 10.04(4) above, to the stock exchange or derivative exchange as the case may be.

10.05 Contact

- (1) For any enquiries in relation to this Chapter, you may contact:

Intermediary and Fund Supervision Business Group
Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Telephone: 03-20910720

Chapter 11

TRADING REPRESENTATIVE

11.01 General

- (1) A participating organization (PO) is permitted to have a Trading Representative (TR) as a registered person under section 76 of the CMSA to carry out permitted activities as specified in this Chapter.
- (2) An application by an individual to be registered with SC as a TR must be made through a PO.
- (3) This chapter sets out the following:
 - (a) Qualifying criteria for an individual to be registered with the SC as a TR;
 - (b) Activities that may be carried out by a TR; and
 - (c) Duties of the PO for which the TR acts for.
- (4) The board of directors of a PO shall be ultimately responsible and held accountable for the acts of the PO's TR.

11.02 Permitted Activities and Obligations of a Trading Representative

- (1) A TR must only act on behalf of one PO at all times.
- (2) [deleted]
- (3) A TR is only permitted to accept clients' orders (order taking) and execute securities trades.
- (4) In carrying out the above activities, a TR must not induce, or attempt to induce, any client to enter into, or to make or offer to any client to enter into, any transaction or trade.
- (5) A TR must continuously comply with the fit and proper criteria as set out under Schedule 1 of this handbook.

11.03 Registration

- (1) The SC may register an individual applicant provided the following requirements are satisfied:
 - (a) the applicant must be at least 21 years old;
 - (b) the applicant satisfy fit and proper criteria as set out under Schedule 1 of this handbook; and
 - (c) the applicant have completed a two-day familiarisation programme and passed the required assessment at the end of the familiarisation programme.

11.04 Entry Requirements

- (1) The applicant must satisfy the following minimum qualification and experience requirement as set out below:
 - (a) Degree or professional qualification from an institution recognised by the Government of Malaysia;
 - (b) Diploma from an institution recognised by the Government of Malaysia; or
 - (c) Sijil Pelajaran Malaysia (SPM) or an equivalent qualification recognised by the Government of Malaysia, provided that the applicant has at least three

years prior experience as a trading clerk registered with Bursa Malaysia Securities Berhad.

11.05 Procedures for Registration

- (1) An applicant must have his application made through a PO which he is acting for.
- (2) The PO must submit to the SC the relevant form, the documents specified in Schedule 2 below and pay the fees as may be prescribed by the SC.
- (3) The PO may be required to furnish any other information or documents as may be required by the SC for the purposes of the application.

11.06 Duties of the Principal

Pre-Registration

- (1) A PO, through whom the application is made, must-
 - (a) conduct proper screening of the applicant to ensure that the applicant has satisfied the entry requirements and the fit and proper criteria as set out in Schedule 1 of this handbook before the application is submitted to the SC; and
 - (b) satisfy itself that any information or document that is furnished by an applicant is not false or misleading, including conducting due diligence checks.

Post-Registration

- (2) A principal must conduct on-going supervision over its TR and ensure that they satisfy the training requirement as specified in this Chapter.
- (3) The principal must ensure that the ratio of 1 licensed dealer representative (DR): 3 TRs is maintained. However, the SC may allow a variation of ratio from the current 1 DR : 3 TRs to 1 DR: 10 TRs subject to the following conditions:
 - (a) The TR is recruited directly by the PO;
 - (b) The TR is placed under the direct supervision of the PO and there is a clear supervision arrangement in place; and
 - (c) Clear accountability has been assigned within the PO for oversight of the TR.

11.07 Refusal of Registration

- (1) The SC may refuse an application for registration where the applicant failed to meet the following grounds:
 - (a) Non-compliance of any of the requirements as specified in the handbook;
 - (b) The SC has reason to believe that the applicant may not be able to act in the best interest of the clients of the principal having regard to his reputation, character, financial integrity and reliability;
 - (c) The SC is not satisfied as to the record of past performance or expertise of the applicant having regard to the nature of the duties which he may perform as a TR;
 - (d) The SC has reason to believe that the applicant will not carry out the regulated activity efficiently, honestly or fairly;
 - (e) there are other circumstances which are likely to lead to the improper conduct of business by, or reflect discredit on the manner of conducting the

business of, the applicant or any person associated with him for the purpose of his business; or

- (f) The SC is of the opinion that it would be contrary to the interests of the public to register such applicant.

11.08 Procedures for Cessation

- (1) Where a TR ceases to act on behalf of a PO, the PO must submit the relevant [form](#) to the SC and such person shall cease to be a TR. In the event he wishes to act for a new PO, the new PO must submit a fresh application to the SC to register him as a TR.

11.09 Deregistration

- (1) The SC may deregister a TR where:
 - (a) the TR or the PO does not comply with any of the requirements as specified under this handbook;
 - (b) any of the grounds under paragraph 11.07 applies; or
 - (c) the TR contravenes any conditions or restrictions imposed on the registration.
- (2) The SC will not exercise its power to deregister without first giving the affected person an opportunity to be heard.

11.10 Reporting Requirement

- (1) On the PO's anniversary date of licence, it must submit an annual report to the SC containing-
 - (a) a declaration to the SC that all its TRs are in compliance with the fit and proper requirements;
 - (b) an update on training undertaken by each of the TR, including any specific training and development activities carried out for the TR;
 - (c) details of complaints received against any of its TR, if any; and
 - (d) the outcome of its supervision and findings against any of its TR, if any.

11.11 Training Requirements for Trading Representative

- (1) A PO must ensure that its TR undergoes training from time to time to increase his knowledge and technical know-how and keep abreast with the current development in the industry.
- (2) The PO must:
 - (a) Ensure that a TR attends five days of training every year;
 - (b) Ensure that the training attended by its TR is relevant to his functions; and
 - (c) Maintain a training register to log in training days completed by each TR.

Appendix 1

POLICY ON PERMITTED ACTIVITIES FOR STOCKBROKING COMPANIES

Introduction

A stockbroking company is authorised to carry on the business of dealing in securities. Additional activities that may be carried out by a stockbroking company are listed in the schedule below, according to the different type of entity.

Prior to undertaking the additional activities, a stockbroking company shall comply with all applicable requirements stipulated in the CMSA, the licensing handbook, relevant guidelines or any other condition imposed by the SC and the rules of the relevant stock exchange.

Column 1 Entity	Column 2 Activity	Column 3 Conditions attached
1. Investment banks	Dealing in derivatives	Nil
	Dealing in debt securities	All types of activities in the primary and secondary market.
	Fund management	Provided that the dedicated fund management personnel shall not engage in proprietary trading.
	Unit trust	<ul style="list-style-type: none"> Permitted to undertake activities pertaining to unit trust funds without having to set up a separate management company subject to obtaining the SC's approval under section 289 of the CMSA, and compliance with the <i>Guidelines on Unit Trust Funds</i> Permitted to engage in the business of managing investment portfolios/funds and the business of marketing and distributing unit trust funds, either of its own or those of other management companies, subject to compliance with all relevant requirements of the <i>Guidelines on Unit Trust Funds</i>.
	Investment advice	Nil
	Advising on corporate finance	For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.
	Financial planning	Nil
	Dealing in private retirement schemes	Nil

Column 1 Entity	Column 2 Activity	Column 3 Conditions attached
	Branching and electronic access facility	<ul style="list-style-type: none"> Permitted to establish branches and electronic access facilities (EAFs) in the manner stipulated in the <i>Guidelines on the Establishment and Location of a Branch Office by Universal Brokers and Eligible Non-universal Brokers</i>; Practice Note 1 – Flexibilities Granted to Stockbroking Companies in Relation to Branch Offices and Branching Policy; and <i>Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-universal Brokers</i> Allowed unrestricted branching. Those intending to set up new branches shall be subject to a readiness assessment or audit to the satisfaction of the stock exchange and prior approval of the SC.
	Structured products and structured warrants	Permitted to issue and/or undertake all activities pertaining to structured products and structured warrants, subject to compliance with the <i>Guidelines on the Offering of Structured Products and Guidelines for the Issue of Structured Warrants</i> .
2. Universal brokers	Dealing in derivatives	Nil
	Dealing in debt securities	All types of activities in the primary and secondary market.
	Fund management	Provided that the dedicated fund management personnel shall not engage in proprietary trading.
	Unit trust	<ul style="list-style-type: none"> Permitted to undertake activities pertaining to unit trust funds without having to set up a separate management company subject to obtaining the SC's approval under section 289 of the CMSA, and compliance with the <i>Guidelines on Unit Trust Funds</i> Permitted to engage in the business of managing investment portfolios/funds and the business of marketing and distributing unit trust funds, either of its own or those of other management companies, subject to compliance with all relevant requirements of the <i>Guidelines on Unit Trust Funds</i>.
	Investment advice	Nil
	Advising on corporate finance	For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.

Column 1 Entity	Column 2 Activity	Column 3 Conditions attached
2. Universal brokers	Financial planning	Nil
	Dealing in private retirement schemes	Nil
	Access to money market for universal brokers	Permitted to access the interbank market to undertake borrowing or lending of funds, subject to compliance with the <i>Guidelines on Access to Interbank Market by Universal Brokers</i> as may be amended by BNM and/or prudential standards as may be prescribed from time to time.
	Branching and electronic access facility	<ul style="list-style-type: none"> Permitted to establish branches and electronic access facilities (EAFs) in the manner stipulated in the <i>Guidelines on the Establishment and Location of a Branch Office by Universal Brokers</i> and Eligible Non-universal Brokers; Practice Note 1 – Flexibilities Granted to Stockbroking Companies in Relation to Branch Offices and Branching Policy; and <i>Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-universal Brokers</i> Allowed unrestricted branching. Those intending to set up new branches shall be subject to a readiness assessment or audit to the satisfaction of the stock exchange and prior approval of the SC.
	Structured products and structured warrants	Permitted to issue and/or undertake all activities pertaining to structured products and structured warrants, subject to compliance with the <i>Guidelines on the Offering of Structured Products</i> and <i>Guidelines for the Issue of Structured Warrants</i> .
3. Special scheme brokers	Dealing in derivatives	Nil
	Dealing in debt securities	Permitted to deal in unlisted debt securities subject to the requirements as specified in the rules of the stock exchange.
	Investment advice	Nil
	Advising on corporate finance	For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.
	Financial planning	Nil
	Dealing in private retirement schemes	Nil
	Structured products and structured warrants	Permitted to issue and/or undertake all activities pertaining to structured products and structured warrants, subject to compliance with the <i>Guidelines on the Offering of Structured Products</i> and <i>Guidelines for the Issue of Structured Warrants</i> .

Column 1 Entity	Column 2 Activity	Column 3 Conditions attached
4. 1+1 Brokers	Dealing in derivatives	Nil
	Dealing in debt securities	Permitted to deal in unlisted debt securities subject to the requirements as specified in the rules of the stock exchange.
	Investment advice	Nil
	Advising on corporate finance	For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.
	Financial planning	Nil
	Dealing in private retirement schemes	Nil
	Branching and electronic access facility	<ul style="list-style-type: none"> Permitted to establish branches and electronic access facilities (EAFs) in the manner stipulated in the <i>Guidelines on the Establishment and Location of a Branch Office by Universal Brokers and Eligible Non-universal Brokers</i>; Practice Note 1 - Flexibilities Granted to Stockbroking Companies in Relation to Branch Offices and Branching Policy; and <i>Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-universal Brokers</i> Allowed unrestricted branching. Those intending to set up new branches shall be subject to a readiness assessment or audit to the satisfaction of the stock exchange and prior approval of the SC.
	Structured products and structured warrants	Permitted to issue and/or undertake all activities pertaining to structured products and structured warrants, subject to compliance with the <i>Guidelines on the Offering of Structured Products</i> and <i>Guidelines for the Issue of Structured Warrants</i> .
5. Stockbroking company that has not complied with the <i>Policy Framework for Stockbroking Industry Consolidation</i>	Dealing in debt securities	Permitted to deal in unlisted debt securities subject to the requirements as specified in the rules of the stock exchange.
	Investment advice	Nil
	Advising on corporate finance	Advisory only
	Financial planning	Nil
	Dealing in private retirement schemes	Nil

APPENDIX 2

ELECTRONIC LICENSING APPLICATION (ELA)

1. All CMSL holders, must, within three months of being licensed, apply to the SC for access to ELA. The CMSL holders will be required to sign the Acceptance of Terms and Conditions, evidencing the principal's agreement to be bound by the Terms and Conditions of Use of ELA. All CMSL holders and their authorised users³ will thereupon comply with the Terms and Conditions of Use of ELA at all times, including any amendments, variations or modifications thereto. The Terms and Conditions of Use of ELA are available at ers.seccom.com.my/ela.
2. The list of applications/submissions which can be made through ELA is available on—
 - (a) the SC website at www.sc.com.my; and
 - (b) the ELA website at ers.seccom.com.my/ela.
3. The printed copy of all ELA submissions together with relevant supporting documents must be kept by the CMSL holder and/or the relevant person at the business address or the principal address or a designated place approved by the SC at all times for as long as the person is licensed or is in the employment of the CMSL holder, and for a period of seven years after the person leaves the principal.
4. For this purpose, the SC reserves the right to conduct an examination at the business address or principal address of the applicant or at the designated place to ascertain that this requirement is being complied with.

General requirement for a supporting document

5. A document to be uploaded and submitted to the SC through ELA shall not exceed 512KB and be in the following format:
 - (a) Joint Photographic Experts Group (JPEG);
 - (b) Adobe Portable Document (PDF);
 - (c) Microsoft Word;
 - (d) Microsoft Excel; or
 - (e) ASCII Text.

³ Persons authorised by the CMSL holder to access or establish a connection to ELA.

Unavailability of ELA

6. If ELA is unavailable for more than five consecutive days, either due to an electrical power failure, a natural disaster, an emergency or any other event which is beyond the control of the SC, applicants may manually submit applications or notifications to the SC.
7. For manual submissions, all duly completed forms and relevant supporting documents must be submitted in printed and soft copies (diskette or CD-ROM). The SC may, through its website or via the mass media, inform the public of measures put in place for accepting such submissions until the ELA system resumes operation.
8. Under such circumstances, all applications or notifications are to be submitted with the required fees to the SC at:

Authorisation and Licensing Department
Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
9. A CMSL holder and its directors are ultimately responsible for all information entered into the ELA system through the use of the principal's account. As such, the CMSL holder is expected to have in place the necessary policies and procedures to ensure that the information submitted via ELA whether on its behalf, or on behalf of its representatives and/or key personnel, are true and accurate.
10. For further enquiries on ELA or assistance on submissions, applicants may contact the Helpdesk at 603-6204 8977 or e-mail elahelp@seccom.com.my.
11. An applicant must ensure that all information submitted through ELA is true and correct.

General

12. Where necessary, the SC may require other relevant or additional information to be submitted.
13. All licensed persons must comply with the requirements of ELA at all times. In addition, all licensed persons must comply with all relevant provisions in the laws and the conditions for each type of regulated activities.
14. The SC may, where appropriate, allow any exemption and variation from the requirements of ELA, based on the merits of the case, whether on a permanent basis or for a specified period of time.

Appendix 3

SUPPORTING DOCUMENTS

FORM 1 - APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE

No.	Description
1.	Processing fees – RM50.00 <ul style="list-style-type: none"> Corporation's cheque/bank draft/postal or money order made payable to "Securities Commission Malaysia" or "Suruhanjaya Sekuriti Malaysia".
2.	Corporate profile describing in detail the– <ul style="list-style-type: none"> management and organisation structure; and business plan for the next three years, e.g. target clients, target market, etc.
3.	Profile of corporation's holding companies – immediate and ultimate.
4.	Profile of corporation's individual shareholders.
5.	Provide details of any of the applicant's related, subsidiary and associate companies which are or were involved in any regulated activity in Malaysia or elsewhere and their licence/ registration status.
6.	Description of corporation's structure in the form of a tree diagram depicting the following details: <ul style="list-style-type: none"> Corporation's shareholding structure; Corporation's group structure depicting related, subsidiary and associate companies; and Percentage of shareholdings of each shareholder.
7.	Constitution of the corporation/ Memorandum and Articles of Association.*
8.	*Certificate of incorporation under section 17 of the <i>Companies Act 2016</i> .
9.	** Annual Return lodged under section 68 of the <i>Companies Act 2016</i> . If a corporation is newly incorporated and has not lodged its Annual Return, to submit the form under section 14 of the <i>Companies Act 2016</i> .
10.	**Form under section 46 of the <i>Companies Act 2016</i> .
11.	Details of directors/managers of the company via Company Search with Companies Commission of Malaysia.
12.	Notice of registration of new name under section 28 of the <i>Companies Act 2016</i> .
13.	Instrument of transfer form under section 105 of the <i>Companies Act 2016</i> .*
14.	A copy of the corporation's latest audited financial statements.
15.	A copy of the corporation's latest management accounts (<i>if audited financial statements are more than three months old</i>).
16.	A copy of the director's report on the financial standing, affairs, current assets and contingent liabilities of the corporation (<i>for the period between the date of last account and a date not earlier than 14 days before the date of this application</i>).
17.	List of employees indicating the Bumiputera/non-Bumiputera/foreign status, the employment status and position.
18.	Corporation's operational and compliance manual (<i>two copies</i>) describing in detail- <ul style="list-style-type: none"> reporting principles and procedures; internal audit procedures; procedures for compliance with the securities laws; and risk management policies which the applicant has adopted or proposes to adopt for its proposed business
19.	Declaration on the Physical Layout of Business to Avoid Conflict of Interest.
<i>Additional supporting documents/details for the application of dealing in securities and/or dealing in derivatives as a regulated activity.</i>	

20.	Participation/membership certificate of approval in principle for admission from the exchange.
21.	A duly completed form for the application of compliance officer (<i>at least one</i>).

<i>Additional supporting documents/details for the application of fund management as a regulated activity.</i>	
22.	Corporation's portfolio management system manual (<i>two copies</i>).
23.	Information on the amount of funds the corporation is projected to manage in the next five years.
24.	Letter of acceptance from the proposed "custodian".
25.	A completed self-assessment readiness checklist specified by the SC.
26.	A duly completed form for the application of compliance officer (<i>at least one</i>).
<i>Additional supporting documents/details for the application of dealing in unit trust products dealing in private retirement scheme, investment advice, advising on corporate finance and/or financial planning as a regulated activity.</i>	
27.	A completed self-assessment readiness checklist as specified by the SC.

** To be certified as true copy by a Commissioner for Oaths/Company Secretary.*

*** To be certified as true copy by the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia).*

FORM 1A - APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE

(to be filled by directors/key management/company secretary)

No.	Description
1.	A copy of the applicant's NRIC* (for Malaysian citizens) or passport* (for non-Malaysian citizens).
2.	A copy of the applicant's recent colour passport-size photograph.
3.	A copy of the applicant's relevant academic certificates.*
4.	Bankruptcy Search Result from Jabatan Insolvensi Malaysia (Malaysia Department of Insolvency – Mdl)
5.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
6.	Work permit (for non-Malaysian citizens)*.

** To be certified as true copy by a Commissioner for Oaths/Company Secretary.*

FORM 1B - APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE

(to be filled by directors/key management/company secretary who are also the proposed representative)

No.	Description
1.	Processing Fees - RM50.00 • Corporation's cheque/bank draft/postal or money order made payable to "Securities Commission" or "Suruhanjaya Sekuriti Malaysia".
2.	A copy of the applicant's NRIC* (for Malaysian citizens) or passport* (for non-Malaysian citizens).
3.	A copy of the applicant's recent colour passport-size photograph.
4.	A copy of the applicant's relevant academic certificates.*
5.	Bankruptcy Search Result from Jabatan Insolvensi Malaysia (Malaysia Department of Insolvency – Mdl)
6.	A copy of the relevant industry examination results/membership.*
7.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
8.	Work permit (for non-Malaysian citizens)*.

** To be certified as true copy by a Commissioner for Oaths/Company Secretary.*

FORM 1C - APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE*(to be filled by the first two proposed representatives)*

No.	Description
1.	Processing Fees – RM50.00 <ul style="list-style-type: none"> Corporation's cheque/bank draft/postal or money order made payable to "Securities Commission" or "Suruhanjaya Sekuriti Malaysia".
2.	A copy of the applicant's NRIC* (for Malaysian citizens) or passport* (for non-Malaysian citizens).*
3.	A copy of the applicant's recent colour passport-size photograph.
4.	A copy of the applicant's relevant academic certificates.*
5.	A copy of the relevant industry examination results/membership.*
6.	Bankruptcy Search Result from Jabatan Insolvensi Malaysia (Malaysia Department of Insolvency – Mdl)
7.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
8.	Work permit (for non-Malaysian citizens).*

*To be certified as true copy by a Commissioner for Oaths/Company Secretary.

FORM 2 - APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE (INDIVIDUAL)

No.	Description
1.	Processing Fees – RM50.00 <ul style="list-style-type: none"> Cheque/bank draft/postal or money order made payable to "Securities Commission" or "Suruhanjaya Sekuriti Malaysia".
2.	A copy of the applicant's NRIC (for Malaysian citizens) or passport (for non-Malaysian citizens).*
3.	A copy of the applicant's recent colour passport-size photograph.
4.	A copy of the applicant's relevant academic certificates.*
5.	A copy of the relevant industry examination results/membership.*
6.	Bankruptcy Search Result from Jabatan Insolvensi Malaysia (Malaysia Department of Insolvency – Mdl)
7.	Business profile describing in detail the– <ul style="list-style-type: none"> management and organisation structure; and business plan for the next three years, e.g. target clients, target market, etc.
8.	Provide details of any applicant's related parties which are or were involved in any regulated activity in Malaysia or elsewhere and their licence and registration status.
9.	A copy of registration of business with Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia).*
10.	A detailed statement of the applicant's current assets and contingent liabilities signed by the applicant and verified by an approved auditor.
11.	Applicant's operational and compliance manual (<i>two copies</i>) describing in detail– <ul style="list-style-type: none"> reporting principles and procedures; internal audit procedures; procedures for compliances with the securities laws; and risk management policies which the applicant has adopted or proposes to adopt for its proposed business.
12.	Declaration on the Physical Layout of Business to Avoid Conflict of Interest.
13.	A completed self-assessment readiness checklist as specified by the SC.
14.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
15.	Work permit (for non-Malaysian citizens).

* To be certified as true copy by a Commissioner for Oaths/Company Secretary.

FORM 3 – APPLICATION FOR NEW CAPITAL MARKETS SERVICES REPRESENTATIVE’S LICENCE

No.	Description
1.	A copy of the applicant’s NRIC (for Malaysian citizens) or passport (for non-Malaysian citizens).
2.	A copy of the applicant’s recent colour passport-size photograph.
3.	A copy of the applicant’s relevant academic certificates.
4.	A copy of the relevant industry examination results/membership.
5.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
6.	Work permit (for non-Malaysian citizens).
7.	Bankruptcy Search Result from Jabatan Insolvensi Malaysia (Malaysia Department of Insolvency – Mdl)

FORM 4 – ANNUAL REPORTING FOR AUTHORISATION ACTIVITY FOR CAPITAL MARKETS SERVICES LICENCE

No.	Description
1.	Annual return lodged under section 68 of the Companies Act 2016
2.	Details of directors/managers of the company via Company Search with Companies Commission of Malaysia
3.	A copy of the director’s report on the financial standing, affairs, current assets and contingent liabilities of the corporation (for the period between the date of last account and a date not earlier than 14 days before the date of this application).
4.	A copy of the corporation’s latest unaudited management accounts (if audited financial statements are more than three months old).
5.	List of employees indicating the Bumiputera/non-Bumiputera/foreign status, employment status and position.
6.	Organisation Chart (latest)
7.	Performance Review (AS in Section III of this submission)
8.	Other relevant documents
Additional supporting document for the regulated activity of dealing in securities	
9.	Annual report on the Trading Representatives consisting of the following: <ul style="list-style-type: none"> • a declaration to the SC that all Trading Representatives are in compliance with the fit and proper requirements; • an update on training undertaken by each of the Trading Representatives, including training hours logged and any specific training and development activities carried out for the Trading Representatives; • details of complaints, if any, received against any of its Trading Representatives; and • the outcome of its supervision and the findings against its Trading Representatives, if any.
Additional supporting document for the regulated activity of Islamic fund management	
10.	For companies carrying out Islamic fund management activities, a written disclosure and declaration that the Islamic fund management business is carried out in accordance with Shariah principles (in line with paragraph 9 of the SC’s <i>Guidelines on Islamic Fund Management</i>).

FORM 5 – ANNIVERSARY REPORTING FOR AUTHORISATION ACTIVITY FOR CAPITAL MARKETS SERVICES LICENCE (INDIVIDUAL)

No.	Description
1.	A detailed statement of the applicant’s current assets and liabilities signed by the applicant and verified by an external auditor
2.	Details of securities sold/purchased by the applicant for his own account during the last 12/24 months immediately preceding the date of application in the specified form.
3.	Bankruptcy Search Result from Jabatan Insolvency Malaysia (Malaysia Department of Insolvency – Mdl)
4.	Other relevant documents

[FORM 6A - FIT AND PROPER COMPLIANCE REPORT is deleted, as submission of the report is via the ComRep platform]

FORM 7 – APPLICATION FOR VARIATION OF REGULATED ACTIVITY FOR CAPITAL MARKETS SERVICES LICENCE

No.	Description
1.	<p>Corporate profile describing in detail the business plan which generally should include:</p> <ul style="list-style-type: none"> (a) reasons for conducting the regulated activity. (b) outline and summary of the regulated activity as a whole, including an overview and business targets at the end of 3 years. This includes products and services offered and a description of the delivery channels. (c) how the regulated activity fits within its corporate structure, group global strategy and global operations. (d) reasons why the company believes the business plan will be successful, stating key assumptions, and supported by feasibility and market studies. This may include: <ul style="list-style-type: none"> (i) analysis of proposed regulated activity against the corresponding operating environment, including target markets, competitors, threats and opportunities, and plans to address them (ii) strength of financial resources to support the business, including sources of initial and future capital (iii) ability and plans to manage associated operational and business risks (iv) availability of human capital, expertise and knowledge, including names and credentials of key experts (v) supporting technology, systems and processes (vi) supporting research and development initiatives (vii) track record and experience of the company specifically pertaining to identified areas in the business plan. (e) pro-forma financial statements (base case), including balance sheet and income statement for the first 3 years of operations. Major asset, liability, income and expense categories should be identified, including a description of off-balance sheet activities. Identify and discuss key assumptions underlying the calculations. (f) sensitivity analysis showing the results of changes in key assumptions on the base case business plan under a worst case scenario and discuss the changes in assumptions. (g) contingency plans to address worst case or other adverse scenarios.

	(h) source of initial and future capital provided for in the base case and other scenarios in the form of a capital plan and funding policies.
	(i) projected staff complement and roles, and an organisation chart showing reporting lines for senior positions and key over the 3-year period. This may include planned training, education and knowledge-sharing initiatives. (j) major risk areas and the policies and control procedures to monitor risk tolerance and risk managements. This may include market, operational, technology, legal, regulatory and strategic risks. (k) description of any material outsourcing arrangement anticipated by the company.
2.	A copy of the corporation's latest management accounts (if audited financial statements are more than three months old).
3.	List of employees indicating the Bumiputera/non-Bumiputera/ foreign status, the employment status and position.
4.	Corporation's operational and compliance manual describing in detail– <ul style="list-style-type: none"> • reporting principles and procedures; • internal audit procedures; • procedures for compliances with the securities laws; and • risk management policies which the applicant has adopted or proposes to adopt for its proposed business.
5.	Declaration on the Physical Layout of Business to Avoid Conflict of Interest.
<i>Additional supporting documents/details for the application of dealing in securities and/or dealing in derivatives as a regulated activity</i>	
6.	Participation/membership certificate of approval in principle for admission from the exchange.
7.	A duly completed form for the application of compliance officer (at least one).
<i>Additional supporting documents/details for the application of fund management as a regulated activity</i>	
8.	Corporation's portfolio management system manual.
9.	Information on the amount of funds the corporation is projected to manage in the next five years.
10.	Letter of acceptance from the proposed "custodian".
11.	Experience of related companies in relation to fund management/futures fund management.
12.	A completed self-assessment readiness checklist specified by the SC.
13.	A duly completed form for the application of compliance officer (at least one).
<i>Additional supporting documents/details for the application of dealing in unit trust products, dealing in private retirement scheme, investment advice, advising on corporate finance and/or financial planning as a regulated activity.</i>	
14.	A completed self-assessment readiness checklist specified by the SC.

FORM 8 – APPLICATION FOR VARIATION OF REGULATED ACTIVITY FOR CAPITAL MARKETS SERVICES REPRESENTATIVE'S LICENCE

No.	Description
1.	A copy of the applicant's relevant academic certificates.
2.	A copy of the relevant industry examination results/membership.

FORM 9 – APPLICATION FOR VARIATION OF PRINCIPAL BY REPRESENTATIVE

No.	Description
1.	Declaration from the corporation attesting to the fit and properness of the CMSRL holder, in accordance with section 65 of the CMSA
2.	A copy of the exchange's approval for transfer
<i>For variation in regulated activity</i>	
3.	A copy of the applicant's relevant academic certificates
4.	A copy of the relevant industry examination results/membership
5.	Other relevant documents i.e. order of annulment from the High Court or a letter of discharged from the Insolvency Department

**FORM 10 – APPLICATION FOR CHANGE IN CORPORATION'S NAME; AND
FORM 11 – APPLICATION FOR CHANGE IN INDIVIDUAL'S BUSINESS NAME**

No.	Description
1.	A copy of approval letter from the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia) confirming the reservation of the new name.

FORM 12 – APPLICATION FOR CHANGE OF SHAREHOLDERS/SHAREHOLDINGS

No.	Description
1.	Please describe your shareholding structure before and after the change in the form of a tree diagram depicting the following details: <ul style="list-style-type: none"> • Corporation's shareholding structure; and • Percentage of shareholdings of each shareholder.
2.	Other relevant documents, e.g. detailed write-up of the proposed change of the shareholders.

FORM 13 – NOTICE OF CHANGE OF SHAREHOLDERS/SHAREHOLDINGS

No.	Description
1.	Please describe your shareholding structure before and after the change in the form of a tree diagram depicting the following details: <ul style="list-style-type: none"> • Corporation's shareholding structure; and • Percentage of shareholdings of each shareholder.
2.	Other relevant documents, e.g. detailed write-up of the proposed change of the shareholders.
3.	Annual return lodged under section 68 of the <i>Companies Act 2016</i> .
4.	Instrument of transfer form under section 105 of the <i>Companies Act 2016</i> .

**FORM 14 – NOTICE OF APPOINTMENT OF CHIEF EXECUTIVE/DIRECTORS/KEY
MANAGEMENT/COMPANY SECRETARY/RESPONSIBLE PERSON**

No.	Description
1.	A copy of the appointee's NRIC (for Malaysian citizens) or passport (for non-Malaysian citizens).
2.	A copy of the appointee's recent colour passport-size photograph.
3.	A copy of the appointee's relevant academic certificates.
4.	Details of directors/managers of the company via Company Search with Companies Commission of Malaysia
5.	Details of securities sold/purchased by the appointee for his own account during the last 12 months immediately preceding the date of application.
6.	Work permit (for non-Malaysian citizens).

FORM 15 – NOTICE OF CHANGE IN CORPORATION'S PARTICULARS

No.	Description
<i>Supporting document for change in name</i>	
1.	Form under Section 28 – Companies Act 2016.
<i>Supporting documents/detail for change in registered address</i>	
2.	Form under Section 46(3) – Companies Act 2016.
<i>Supporting document for change in business address</i>	
3.	Declaration on the Physical Layout of Business to Avoid Conflict of Interest.
<i>Supporting document for a new branch and/or branch closure (For dealing in securities and/or dealing in derivatives)/establishment of new business or acquisition of shares/interests in or outside Malaysia (for capital market-based activities and non-capital market-based activities) and disposal of business or shares/interests in or outside Malaysia including closure of business</i>	
4.	A copy of the letter of approval from other relevant authority/regulator
5.	Board of Directors and/or shareholders' approval (where applicable)

FORM 16 – NOTICE OF CHANGE IN INDIVIDUAL'S PARTICULARS

No.	Description
<i>Supporting documents for change in name</i>	
1.	A copy of the approval letter from Jabatan Pendaftaran Negara.
<i>Supporting documents for change in business name and/or business address.</i>	
2.	A copy of the approval letter from the Companies Commission of Malaysia.
<i>Supporting document for establishment of new business or acquisition of shares/interests in or outside Malaysia (for capital market-based activities and non-capital market-based activities) and disposal of business or shares/interests in or outside Malaysia including closure of business</i>	

FORM 17 – NOTICE OF CHANGE IN REPRESENTATIVE'S PARTICULARS

No.	Description
<i>Supporting documents for change in name</i>	
1.	A copy of the approval letter from Jabatan Pendaftaran Negara.
<i>Supporting documents for change in passport</i>	
2.	A copy of the passport.
<i>Supporting documents for change in location</i>	
3.	A copy of the change in location letter from the corporation to the exchange.
<i>Supporting documents for change in remuneration type</i>	
4.	A copy of the approval letter from the corporation.

**FORM 18 – NOTICE OF CESSATION FOR CAPITAL MARKETS SERVICES LICENCE; AND
FORM 19 – NOTICE OF CESSATION FOR CAPITAL MARKETS SERVICES LICENCE (INDIVIDUAL)**

No.	Description
1.	Any relevant document.

**FORM 20 - NOTICE OF CESSATION FOR CAPITAL MARKETS SERVICES REPRESENTATIVE'S
LICENCE**

No.	Description
1.	A copy of the representative's resignation/termination letter or any other relevant document.

**FORM 21 – NOTICE OF CESSATION FOR CHIEF EXECUTIVE/DIRECTORS/KEY MANAGEMENT/
COMPANY SECRETARY/RESPONSIBLE PERSON**

No.	Description
1.	Form under Section 58 – Companies Act 2016.
2.	A copy of the resignation/termination letter.
3.	A copy of acceptance letter from the exchange.

FORM 22 – NOTICE OF PLACE WHERE REGISTER OF SECURITIES IS TO BE KEPT

No.	Description
1.	Any relevant document.

FORM 23 – NOTICE OF CHANGE OF PLACE OR CESSATION OF KEEPING OF REGISTER OF SECURITIES

No.	Description
1.	Any relevant document.

FORM 24 – APPLICATION FOR COMPLIANCE OFFICER

No.	Description
1.	A copy of the applicant's NRIC (for Malaysian citizens) or passport (for non-Malaysian citizens).
2.	A copy of the applicant's recent colour passport-size photograph.
3.	A copy of the applicant's relevant academic certificates.
4.	A copy of the relevant industry examination results/membership.
5.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
6.	Work permit (for non-Malaysian citizens).

FORM 25 – NOTICE OF CESSATION FOR COMPLIANCE OFFICER

No.	Description
1.	A copy of the compliance officer's resignation/termination letter.
2.	A copy of the exchange's acceptance letter.

**FORM 26 – APPLICATION FOR ESTABLISHMENT OF A NEW BUSINESS OR ACQUISITION OF
SHARES/INTERESTS IN OR OUTSIDE MALAYSIA**

No.	Description
1.	A copy of the letter of approval from other relevant authority/regulator.
2.	Board of Directors and/or shareholders' approval.

FORM 27 - APPLICATION FOR APPOINTMENT OF CHIEF EXECUTIVE/KEY MANAGEMENT

No.	Description
1.	A copy of the applicant's NRIC (for Malaysian citizens) or passport (for non-Malaysian citizens).
2.	A copy of the applicant's recent colour passport-size photograph.
3.	A copy of the applicant's relevant academic certificates.
4.	<i>A copy of the applicant's detailed Key Performance Indicator (KPI) (for appointment of Chief Executive)</i>
5.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
6.	Work permit (for non-Malaysian citizens).

Appendix 4

FEES

- Application and licence fees in respect of the grant and variation of a Capital Markets Services Licence and Capital Markets Services Representative's Licence

Capital Market Services Licence

Activity	Fees Payable
1. Application for a– (a) licence; or (b) variation of a licence.	RM50
2. Submission of anniversary reporting	RM50
3. Licence fee payable by a licence holder which is a company, for a period of 12 months or any part thereof for– (a) any first regulated activity; (b) each subsequent regulated activity.	RM2,000 RM1,000
4. Licence fee payable by a licence holder which is an individual for a period of 12 months or any part thereof for a regulated activity.	RM1,000
5. Approval of an application for a variation of a licence.	RM100

Capital Markets Services Representative's Licence

Activity	Fees Payable
1. Application for a– (a) licence; or (b) variation of a licence.	RM50
2. Processing fee for Fit and Proper Compliance Report.	RM50
3. Licence fee payable by a licence holder for a period of 12 months or any part thereof, for any number of regulated activities.	RM200
4. Approval of an application for variation of a licence.	RM100

1A. Fees payable in respect of registration of a person as a Trading Representative

Activity	Fees Payable
A. Trading Representative	
1. Application for registration	RM50.00
2. Approval of an application for registration	RM200.00
3. Anniversary of registration payable for a period of 12 months or any part thereof	RM200.00

2. Other Fees

Matter	Fees
1. Lodgement or deposit of documents.	RM20
2. A certified copy of an electronic licence.	RM50
3. Lodgement of any other applications to the SC where no fees are specifically provided.	RM50

Appendix 5

NOTIFICATION FORM ON MATERIAL OUTSOURCING ARRANGEMENTS

No.	Description
1.	<p>A Notification Form signed by either the Chief Executive Officer or Executive Director (please refer to the template at www.sc.com.my) which sets out the following:</p> <ul style="list-style-type: none"> a. a brief description of the material outsourced functions; and b. a brief explanation on the rationale to outsource to service provider or sub-contractor outside Malaysia and explanation on why the particular function could not be undertaken domestically (if applicable).
2.	<p>The Notification Form should be addressed and sent to:</p> <p>Intermediary and Fund Supervision Business Group Securities Commission Malaysia 3 Persiaran Bukit Kiara Bukit Kiara 50490 Kuala Lumpur</p> <p>Copied to (where applicable): Participants Supervision Division Bursa Malaysia Bhd 12th Floor, Exchange Square Bukit Kewangan 50200 Kuala Lumpur</p>
3.	<p>Letter of Undertaking from the service provider(s) or sub-contractor(s) addressed to</p> <p>Intermediary and Fund Supervision Business Group Securities Commission Malaysia 3 Persiaran Bukit Kiara Bukit Kiara 50490 Kuala Lumpur</p> <p>Copied to (where applicable): Participants Supervision Division Bursa Malaysia Bhd 12th Floor, Exchange Square Bukit Kewangan 50200 Kuala Lumpur</p>

SCHEDULE 1
FIT AND PROPER CRITERIA FOR TRADING REPRESENTATIVE

The applicant must satisfy the following criteria:

- (a) the application for registration was made in accordance with this handbook;
- (b) the applicant has not failed to comply with any other requirements of the Act or any guidelines made under the Act;
- (c) any information or document furnished to the SC is not false or misleading or from which there is a material omission;
- (d) the applicant is not an undischarged bankrupt whether within or outside Malaysia;
- (e) no execution against the applicant in respect of a judgement debt has been returned unsatisfied in whole or in part;
- (f) the applicant has not, whether within or outside Malaysia, entered into a compromise or scheme of arrangement with his creditors, being a compromise or scheme of arrangement that is still in operation;
- (g) the applicant has not:
 - (i) been charged for any offence in any court of law;
 - (ii) had any civil action initiated against him in any court of law;
 - (iii) been convicted, whether within or outside Malaysia, of an offence involving fraud or other dishonesty or violence or the conviction of which involved a finding that he acted fraudulently or dishonestly;
 - (iv) been convicted of an offence under the securities laws or any law outside Malaysia relating to capital market;
 - (v) contravened any provision made by or under any written law whether within or outside Malaysia appearing to the SC to be enacted for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies or against financial loss due to the conduct of discharged or undischarged bankrupts;
 - (vi) engaged in any business practice appearing to the SC to be deceitful or oppressive or otherwise improper (whether unlawful or not) or which otherwise reflects discredit on his method of conducting business; or
 - (vii) engaged in or has been associated with any other business practices or otherwise conducted himself in such a way that cast doubt on his competence and soundness of judgment;
- (h) the applicant has satisfied the educational or other qualification or experience having regard to the nature of the duties he is to perform in connection with being registered as a TR;
- (i) the applicant is able to act in the best interest of the clients of a CMSL holder having regard to the applicant's reputation, character, financial integrity and reliability;

- (j) the SC or the principal is satisfied as to the record of past performance or expertise of the applicant having regard to the nature of the duties which he may perform in connection with the holding of the licence;
- (k) there are no other circumstances which are likely to lead to the improper conduct of business by, or reflect discredit on the manner of conducting the business of, the applicant or any person employed by or associated with him for the purpose of his activities as a TR;
- (l) the applicant will carry on the activities as a TR efficiently, honestly or fairly;
- (m) that it would not be contrary to the interest of the public that the applicant be registered as a TR.

SCHEDULE 2
CHECKLIST FOR APPLICATION FOR REGISTRATION OF A TRADING REPRESENTATIVE

No.	Description
1.	Application form for Registration for Trading Representative
2.	Evidence that applicant has attended familiarisation programme (FP1) and passed the assessment
3.	The Principal's supervision and training framework for the Trading Representative
4.	Declaration that applicant is fit and proper in accordance with Schedule 1 *
5.	Bankruptcy search result from Jabatan Insolvency Malaysia (Malaysia Department of Insolvency) that applicant is not a bankrupt
6.	Letter from the employer confirming that there is no conflict of interest arising from the appointment of the Trading Representative with a PO (if applicable)
7.	Any other information or document as may be required to be submitted to the SC
8.	Fee <ul style="list-style-type: none"> i. Processing fee for registration – RM50 ii. Upon approval of registration – RM200

*** Signed by the applicant and co-signed by the licensed director. In the absence of a licensed director, the signature of a director or a CEO or an authorised signatory is accepted.**