

FREQUENTLY ASKED QUESTIONS (FAQ) ON DIGITAL ASSET EXCHANGES (DAX) FRAMEWORK

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GENERAL

Q What is a digital asset exchange?

A A digital asset exchange is an electronic platform that facilitate the trading of digital assets. DAX platforms allows investors to trade permitted digital asset such as Bitcoin (BTC), Ether (ETH), Ripple (XRP), Litecoin (LTC) and Bitcoin Cash (BCH).

Q Is digital asset trading regulated in Malaysia?

A Starting on 15 January 2019 with the coming into force of the Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019, digital assets which satisfy conditions laid out in the order, are prescribed as securities. Pursuant to this, the Securities Commission Malaysia (SC) has revised the *Guidelines on Recognized Market* to regulate the trading of digital assets in Malaysia via registered DAX platforms.

Investors are advised to only trade on DAX platforms registered by the SC. The list of registered DAX platforms regulated by the SC can be found [HERE](#).

Q Who can trade through a DAX platform?

A Trading of digital assets on DAX platforms are open to all investors. Before being allowed to begin to trade, every investor must successfully complete the onboarding process on the respective DAX platform

To know more about trading on DAXs, kindly refer to the [TRADING](#) section in this FAQ.

Digital assets represent an additional investment asset class where investors can have the option to diversify their investments beyond the traditional asset classes to suit their goals and risk profile. If you are unsure about a certain asset class, investors are advised to ask questions, read all information given carefully, and seek independent financial advice before committing yourself to any investment.

Q Where can I find more information on DAX?

A To learn more about SC's regulatory framework for DAX, please refer to the *Guidelines on Recognized Markets*. The framework sets out the registration requirements and ongoing regulatory obligations for the DAX operators.

To know more about the list of registered DAX operators in Malaysia, please refer [HERE](#).

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DAX OPERATOR

Q Who can be a DAX operator?

A A DAX operator is required to be registered as a Recognized Market Operator as set out in the *Guidelines on Recognized Markets*. The applicant must be able to demonstrate that it is able to satisfy all relevant requirements under the *Guidelines on Recognized Markets*.

Q What are the obligations and key regulatory requirements for DAX operator?

A The obligations and regulatory requirements for a DAX operator are stated in Chapter 15 of the *Guidelines on Recognized Markets*. This includes, among others –

	All DAX must be locally incorporated and have a minimum paid-up capital of RM5 million	
	Key personnel must demonstrate competency, capabilities and commitment to operate the platform	
	Operator must demonstrate operational capabilities, which includes but not limited to ready state IT infrastructure, market ops capabilities as well as cyber security and resiliency	
	Operator must demonstrate capabilities to conduct client onboarding process which include KYC, AMLA, and funds and digital asset tracing	
	Operator must establish client's asset protection arrangements to safeguard clients funds and digital assets	
	Operator must provide adequate arrangements and processes to ensure market integrity	

Notwithstanding the above and other requirements stated on the *Guidelines on Recognized Markets*, a DAX platform operator is also required to comply with other relevant SC guidelines and regulations, including but not limited to:

- [Guidelines on Prevention of Money Laundering and Terrorism Financing for Reporting Institutions in the Capital Market](#)
- [Cyber Risk Guidelines on Management of Cyber Risk](#)
- [Guidelines on Advertising for Capital Market Products and Related Services](#)

Q How can interested applicants apply to be registered as a DAX operator?

Before submitting a formal licensing application to the SC, we encourage interested parties to leverage on the aFINity engagement process.

A The one-on-one engagement session between the SC and prospective applicant aims to delve into key aspects of the digital business proposition and understand how the business model is intended to be deployed. This is to better prepare interested parties in meeting readiness requirements before submitting a formal application for registration.

During the aFINity engagement session, we expect interested parties to explain their business plan and back-office operations in Malaysia, which include but not limited to, the client onboarding process, settlement and custody arrangements, and market integrity practices.

Prospective applicant may submit the registration request once the application period is open. The SC will announce via media release when the application period is open. Do note that no aFINity engagement on DAX will be conducted during the application period.

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TRADING

Q What are the investment, deposit and withdrawal limits for digital asset trading?

A The SC does not impose any investment, deposit and withdrawal limits for investors across DAX platforms. However, DAX operators may choose to impose their own limits.

Q What information are investors entitled to obtain on a DAX Platform?

A A DAX Operator must ensure trading information, both pre-trade and post-trade, is made publicly available on a real-time basis. The platform operator must disclose information about its market structure, order types and the interactions of the order types, if any, on the platform.

Additionally, the DAX operator is required to disclose information on general risk warnings, appropriate risk disclosure and processes to manage excessive volatility of its market which may include circuit breakers, price limits and trading halts.

Further, all fees, charges and other expenses relating to the trading must be disclosed by the DAX operator.

Q What happens when there is a complaint or dispute regarding the investment?

A DAX platform operator must have in place processes for complaints handling or dispute resolution. Such information must also be made accessible on the platform to all investors.

Alternatively, you may lodge your complaint regarding your digital asset trading by contacting the Consumer & Investor Office (CIO) of the SC. Please refer [HERE](#) for more information.

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