

# **PRACTICE NOTE ON CONTROLS FOR HIGHER DAILY ONLINE SETTLEMENT**

**SC-PN/1-2021**

1<sup>st</sup> Issued: 6 August 2021

**PRACTICE NOTE ON CONTROLS FOR HIGHER DAILY ONLINE  
SETTLEMENT**

Effective Date upon 1 <sup>st</sup> Issuance	1 September 2021
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## Introduction

1. This Practice Note is issued pursuant to section 377 of the *Capital Markets and Service Act 2007*.
2. This Practice Note is applicable to all Capital Market Services Licence (CMSL) holders in dealing in securities, dealing in derivatives, dealing in private retirement schemes and fund management (collectively referred to as 'the CMSL holder') who makes use of online merchant-initiated payment solutions<sup>1</sup> to settle transactions of their individual client that are above RM30,000.
3. The CMSL holder is required to put in place adequate policies and procedures to manage and mitigate the risk of fraud and other abuses, including—
  - (a) pre-registering identifiers/information to enable verification of identity of the customer, such as bank account number, National Registration Identity Card number or other information required by payment solution service providers;
  - (b) allowing customers to only fund their trading accounts/transactions from bank accounts which have been verified by the CMSL holder through the proper matching of identifiers;
  - (c) where a customer uses a third-party bank account for the purposes of payment for a trading account/transaction, undertaking the necessary assessments to verify the identity and relationship of the third party before pre-registering the bank account and adhering with the customer due diligence procedures set out in the *Guidelines on Prevention of Money Laundering and Terrorism Financing for Reporting Institutions in the Capital Market*; and
  - (d) permitting sale proceeds/withdrawals to be transferred to only verified bank accounts under the customer's name and not to any third-party's bank account.
4. The CMSL holder is responsible to ensure that only payments from a verified bank account is accepted.
5. In the event of a failed matching, the CMSL holder shall undertake timely refunds to the originating bank account according to the relevant CMSL holder's refund policy.
6. The CMSL holder shall ensure that all policies and procedures as outline above are in place before commencing with the implementation of higher settlement limit for their customers.

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<sup>1</sup> FPX or other approved payment platforms.