

Summary of Amendments to the Licensing Handbook (12th Revision)
(Date of Issuance: 15 February 2021)

The following table provides a summary of key amendments to the revised *Licensing Handbook* issued on 15 February 2021:

A. Overview			
<ol style="list-style-type: none"> 1. Insertions of new subparagraphs relating to permitted activities for financial planners. 2. Providing clarity on the requirement relating to readiness assessment for CMSL applicants. 3. Housekeeping amendments throughout the Licensing Handbook to provide greater clarity and consistency. Such amendments include stylistic or formatting changes and necessary changes of an editorial nature such as renumbering and rephrasing of certain requirements and contents, standardisation of terminology, updating of information, grammatical corrections, and alphabetical order. 			
B. Amendment Highlights			
No.	Prior Version Dated 21 July 2020	Revised Version Dated 15 February 2021	Nature of Amendment
1.	Paragraph 1.06: Acronyms and definitions	Paragraph 1.06: Acronyms and definitions FMAM	Addition of terminology to the set of acronyms and definitions.
2.	Paragraph 4.02: Organisational requirements 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: <ul style="list-style-type: none"> • 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.	Paragraph 4.02: Organisational requirements Readiness assessment (39) A CMSL applicant may be required to undertake a readiness assessment by completing and submitting a readiness checklist to the SC when applying to be licensed for a regulated activity or to add on another regulated activity. (40) The readiness assessment may include, but not limited to, 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.	Current paragraphs are amended and rearranged to provide clarity on the requirement relating to readiness assessment for various types of CMSL applicant. For CMSL applicants wishing to become a PO, TP or clearing member with Bursa, the SC may grant them a licence provided that they have undergone Bursa Malaysia's readiness assessment and received an approval in principle from Bursa Malaysia. Notwithstanding this, the grant of licence is still subject to the SC's assessment.

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	<p>You must obtain an approval in principle from the following:</p> <ul style="list-style-type: none"> (a) Bursa Securities to become a PO; (b) Bursa Derivatives to become a TP; (c) Bursa Malaysia Securities Clearing Berhad to become a clearing participant; or (d) Bursa Malaysia Derivatives Clearing Berhad to become a clearing participant. <p>Readiness assessment</p> <p>(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.</p> <p>(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.</p> <p>(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).</p>	<p>Participants of exchange</p> <p>(41) In the case of a CMSL applicant intending to become a participant of the stock exchange, the derivative exchange or the clearing house for carrying on any of the following regulated activities:</p> <ul style="list-style-type: none"> (a) Dealing in securities as a PO; (b) Dealing in derivatives as a TP; or (c) Clearing for securities or derivatives as a clearing participant, <p>the applicant must first submit its proposal to the SC for review and, upon obtaining SC's clearance, engage Bursa Malaysia with the view to satisfy the additional requirements as set out under subparagraph 4.02(43).</p> <p>(42) Notwithstanding the applicant may have satisfied the additional requirements under subparagraph 4.02(43), the SC may conduct a further assessment to ascertain the applicant's readiness to carry on the regulated activity as a PO, TP or clearing participant before the SC grants the licence.</p> <p>(43) The applicant must have–</p> <ul style="list-style-type: none"> (a) undergone the readiness assessment conducted by Bursa Malaysia to become a participant of the stock exchange, the derivative exchange or the clearing house, as the case may be; and (b) obtained an approval in principle from the following: <ul style="list-style-type: none"> (i) Bursa Securities to become a PO; (ii) Bursa Derivatives to become a TP; (iii) Bursa Malaysia Securities Clearing Sdn Bhd to become a clearing participant; or (iv) Bursa Malaysia Derivatives Clearing Berhad to become a clearing participant. 	

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3.	<p>Paragraph 4.02: What are the requirements for a CMSRL?</p> <p>Table 2: Minimum Qualification and Experience Requirements for a CMSRL Applicant</p> <p>Financial planning (Column 2)</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 three modules (either RFP or Shariah RFP) as stipulated below, obtain a Certificate of Proficiency in Financial Planning and become an Affiliate Member of MFPC; <p>Paragraph 5.01: Qualification and experience requirements</p> <p>Table 6: Minimum Qualification and Experience Requirements for Individual CMSL Applicants for Financial Planning</p> <p>Financial planning (Column 2)</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 three modules (either RFP or Shariah RFP) as stipulated below, obtain a Certificate of Proficiency in Financial Planning and become an Affiliate Member of MFPC; 	<p>Paragraph 4.05: What are the requirements for a CMSRL?</p> <p>Table 2: Minimum Qualification and Experience Requirements for a CMSRL Applicant</p> <p>Financial planning (Column 2)</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 three modules (either RFP or Shariah RFP) as stipulated below, obtain a Certificate of Proficiency in Financial Planning and become an Associate Member of MFPC; <p>Paragraph 5.01: Qualification and experience requirements</p> <p>Table 6: Minimum Qualification and Experience Requirements for Individual CMSL Applicants for Financial Planning</p> <p>Financial planning (Column 2)</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 three modules (either RFP or Shariah RFP) as stipulated below, obtain a Certificate of Proficiency in Financial Planning and become an Associate Member of MFPC; 	<p>Replacement of "Affiliate" with "Associate," following the conferment of Affiliate and Associate memberships by the MFPC effective 1 January 2021.</p>

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4.	[New subparagraph 7.02(13A)]	<p>Paragraph 7.02: What are the conditions and restrictions in relation to a CMSL holder?</p> <p>General conditions and restrictions</p> <p>(13A) Ensure that you retain, for a period of not less than seven years, all the relevant records relating to the carrying on of any regulated activity that will sufficiently explain the transactions relating to your clients, including any advice provided.</p>	<p>Insertion of a new subparagraph</p> <p>New requirement for CMSL holders to retain all relevant records relating to clients' transactions for a minimum period of seven years.</p>
5.	[New subparagraphs 7.04(5)-7.04(27)]	<p>Paragraph 7.04: Permitted activities</p> <p><i>Financial planning</i></p> <p>(5) Subject to the conditions set out under this paragraph, a CMSL holder for financial planning is allowed to provide specific advice on the following capital market products pursuant to a financial plan:</p> <ul style="list-style-type: none"> (a) permissible funds; (b) equities, debentures or warrants listed on Bursa Securities; and (c) unlisted corporate bonds or sukuk. <p>(6) For the purpose of this paragraph, unless otherwise provided–</p> <p>“permissible funds” means the following funds authorised or approved by the SC, and made available or offered in Malaysia:</p> <ul style="list-style-type: none"> (a) unit trust funds; (b) private retirement schemes; (c) wholesale funds; (d) listed real estate investment trusts; (e) exchange-traded funds; and (f) any collective investment scheme from the participating countries under the ASEAN Framework for Cross-Border Offering of Collective Investment Schemes (ASEAN CIS Framework); 	<p>Insertions of new subparagraphs relating to permitted activities for financial planners. Among others, setting out the requirements relating to providing specific advice on the prescribed specified capital market products pursuant to a financial plan, requirement to carry out a suitability assessment on clients as well as requirements relating to any collaboration with a CMSL holder for dealing in securities and fund management.</p>

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		<p>“specific advice” means providing advice which identifies the specific type of capital market product which the investor should purchase or sell as opposed to merely providing general portfolio allocation.</p> <p>(7) A CMSRL holder for financial planning must not provide specific advice on–</p> <ul style="list-style-type: none"> (a) equities, debentures or warrants listed on Bursa Securities unless he has passed Module 7 of the SCLE; or (b) unlisted corporate bonds or sukuk unless he has attained the Investor Protection Professional Certification (IPPC)⁷, jointly awarded by FMAM and the Asian Institute of Chartered Bankers (AICB). <p>(8) A CMSRL holder for financial planning who wishes to provide a specific advice for the capital market products listed under subparagraph 7.04(5), must undertake a suitability assessment on the client in accordance with subparagraphs 7.04(9)-(24), before providing the advice.</p> <p>(9) A suitability assessment enables the CMSRL holder for financial planning to form a reasonable basis for the specific advice given to the client. In this regard the CMSRL holder for financial planning must–</p> <ul style="list-style-type: none"> (a) take all practicable measures to ascertain that the information collected in respect of the client’s investment objectives, financial situation and particular needs are accurate and complete; and (b) give due consideration and conduct a review of the subject matter of the advice as may be reasonable in the circumstances. 	

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		<p>(10) A CMSRL holder for financial planning need not conduct suitability assessment if–</p> <ul style="list-style-type: none"> (a) the client is a high-net-worth entity that has opted out from being subjected to a suitability assessment; (b) a client tops up his investment in the same permissible fund with the same CMSRL holder for financial planning who has previously conducted a suitability assessment on the client; or (c) the CMSRL holder for financial planning has conducted a suitability assessment on the client and advised to the client a range of products that takes into account the client’s risk profile and the client then seeks to invest in a product which is within the same type of products that has been advised. <p>(11) Where subparagraph 7.04(10)(c) applies, the CMSRL holder for financial planning must have in place a process which would enable the client to acknowledge that there has been no material change in the information obtained from the previous suitability assessment.</p> <p>Suitability assessment processes</p> <p>(12) A suitability assessment exercise comprises the following stages:</p> <table border="1" data-bbox="1003 1233 1615 1453"> <tbody> <tr> <td>Stage 1</td> <td>Gathering information pertaining to a client</td> </tr> <tr> <td>Stage 2</td> <td>Analysing information gathered</td> </tr> <tr> <td>Stage 3</td> <td>Matching a suitable product to meet a client’s risk profile and needs</td> </tr> <tr> <td>Stage 4</td> <td>Making a recommendation</td> </tr> </tbody> </table>	Stage 1	Gathering information pertaining to a client	Stage 2	Analysing information gathered	Stage 3	Matching a suitable product to meet a client’s risk profile and needs	Stage 4	Making a recommendation	
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		<p><u>Stage 1: Information to be gathered for suitability assessment</u></p> <p>(13) Central to the suitability assessment conducted by the CMSRL holder for financial planning is the gathering of necessary information pertaining to a client.</p> <p>(14) Prior to gathering the client’s information, the CMSRL holder for financial planning must inform the client that any misleading, inaccurate or incomplete information provided by the client will affect the outcome of the advice given and that he will not be held liable for the advice given.</p> <p>(15) Information gathered from a client can be categorised into the following three categories:</p> <table border="1" data-bbox="936 855 1621 1473"> <thead> <tr> <th data-bbox="936 855 1167 930">Category of Information</th> <th data-bbox="1167 855 1621 930">Outcome</th> </tr> </thead> <tbody> <tr> <td data-bbox="936 930 1167 1294">(a) Know-Your-Client</td> <td data-bbox="1167 930 1621 1294"> <p>The CMSRL holder for financial planning must gather sufficient information which would enable him to have sufficient background information on the client.</p> <p>This information may include, among other things, the client’s age, annual income and number of dependents.</p> </td> </tr> <tr> <td data-bbox="936 1294 1167 1473">(b) Client’s Risk Profile and Needs</td> <td data-bbox="1167 1294 1621 1473"> <p>The CMSRL holder for financial planning must gather sufficient information on the client’s investment objectives, financial situation, risk profile and current</p> </td> </tr> </tbody> </table>	Category of Information	Outcome	(a) Know-Your-Client	<p>The CMSRL holder for financial planning must gather sufficient information which would enable him to have sufficient background information on the client.</p> <p>This information may include, among other things, the client’s age, annual income and number of dependents.</p>	(b) Client’s Risk Profile and Needs	<p>The CMSRL holder for financial planning must gather sufficient information on the client’s investment objectives, financial situation, risk profile and current</p>	
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(b) Client’s Risk Profile and Needs	<p>The CMSRL holder for financial planning must gather sufficient information on the client’s investment objectives, financial situation, risk profile and current</p>								

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			<p>portfolio.</p> <p>By gathering this information, the CMSRL holder for financial planning should be able to determine the client's risk profile and needs.</p>	
		(c) Client's Investment Knowledge	<p>The CMSRL holder for financial planning must gather sufficient information on the client's educational qualification, training, work experience and investment experience.</p> <p>The client's knowledge and experience should demonstrate that he has sufficient understanding of the features and risk associated with the product recommended.</p> <p>The CMSRL holder for financial planning should be comfortable with a client's level of knowledge.</p> <p>The required level of knowledge or experience possessed by the client should correspond to the complexity of the product.</p>	
		<p><u>Stage 2: Analysing Information Gathered</u></p> <p>(16) Upon gathering the information specified under subparagraph 7.04(15) above, the CMSRL holder for financial planning should analyse the information to determine whether the client understands the risks associated with the investment and has the capability</p>		

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		<p>to withstand such risks.</p> <p><u>Stages 3 and 4: Matching and Making a Recommendation</u></p> <p>(17) The CMSRL holder for financial planning can only provide specific advice for capital market products listed under subparagraph 7.04(5) to the client upon assessing the information gathered under subparagraph 7.04(16). The CMSRL holder for financial planning's advice provided can be—</p> <p>(a) that the product is suitable for the client as it matches the risk profile and needs of the client; or</p> <p>(b) that the product is not suitable for the client as it does not match the risk profile and needs of the client.</p> <p>(18) In the event the CMSRL holder for financial planning is unable to identify a suitable product for the client, he must inform the client immediately.</p> <p>Documentation and Record-Keeping</p> <p>(19) The CMSRL holder for financial planning must record all the information gathered during the suitability assessment exercise and any updates to such information.</p> <p>(20) Any advice made should be recorded and a copy of the advice should be provided to the client.</p> <p>(21) The advice made must set out the reasons for the advice.</p> <p>(22) The advice provided by a CMSRL holder for financial planning must be signed by the CMSRL holder for financial planning and the client.</p>	

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		<p>(23) The CMSRL holder for financial planning must obtain a written acknowledgement from the client that–</p> <ul style="list-style-type: none"> (a) all information disclosed by the client is true, complete and accurate; and (b) the client has understood the features and risks of the product having obtained the explanation from the CMSRL holder for financial planning. <p>(24) As the case may be, the CMSRL holder for financial planning must also obtain from the client a written acknowledgement where the client–</p> <ul style="list-style-type: none"> (a) declines to provide information requested by the CMSRL holder for financial planning; or (b) decides to purchase another capital market product that is not advised by the CMSRL holder for financial planning. <p>(25) Notification process for CMSRL holders for financial planning intending to provide specific advice under subparagraph 7.04(7):</p> <ul style="list-style-type: none"> (a) The principal being the CMSL holder must notify the SC of the name and details of their existing CMSRL holders who intend to provide specific advice as permitted above by downloading and completing the Notice of Scope Expansion for Eligible Financial Planners form, which is available on the SC website; (b) All forms must be submitted by the principal, alongside the necessary supporting document(s), via email to FPPlus@seccom.com.my prior to the commencement date of the additional service offering(s); and (c) In the case of an application for a new representative’s licence for financial planning, the CMSRL applicant must append proof of their 	

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		<p>qualification to carry out the new additional service of providing specific advice to their submission of Form 3: Application for New Capital Markets Services Representative’s Licence via ELA. They must also include the following, as the case may be, in the “Proposed Position & Description of Duties” field of their Form 3:</p> <ul style="list-style-type: none"> (i) Advising on equities, debentures or warrants listed on Bursa Securities; or (ii) Advising on unlisted corporate bonds or sukuk. <p>(26) A CMSL holder for financial planning is permitted to engage a CMSL holder for dealing in securities or fund management in relation to portfolio management, which would then carry out the investment as per the investment allocation or specific advice made pursuant to a financial plan, provided the following conditions are satisfied:</p> <ul style="list-style-type: none"> (a) the client’s written consent must have been obtained prior to the CMSL holder for financial planning engaging the identified CMSL holder; (b) the identified CMSL holder must on board the client as its own client; (c) the CMSL holder for financial planning does not handle any client’s monies; and (d) the CMSL holder for financial planning must disclose to the client, all fees and charges payable to the CMSL holder for financial planning relating to the collaboration, including any trailer fees (in formula or percentage form). <p><i>Footnote:</i> 7 Those who have attained the Pasaran Kewangan Malaysia Certificate (PKMC) qualification will be eligible for this additional offering.</p>	

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5.	<p>Paragraph 7A.04: Requirements for submission of specific proposals to the SC</p> <p>(3) A QP appointed must be an individual who–</p> <p>(e) has no–</p> <ul style="list-style-type: none"> (i) pending investigation or criminal charge against him in any court of law, for an offence involving bribery, fraud, dishonesty, mismanagement of a corporation or violence, whether within or outside Malaysia; (ii) compound issued or any administrative action taken against him, by a regulator or law enforcement agency for any offence involving bribery, fraud, dishonesty, mismanagement of a corporation or violence, whether within or outside Malaysia; (iii) civil enforcement action initiated against him in any court of law, by a regulator or law enforcement agency, whether within or outside Malaysia; or (iv) disqualification from holding the office of a director, under the securities laws, corporation laws or any law outside Malaysia relating to capital markets, whether within or outside Malaysia; or <p>(f) has no disciplinary proceedings or actions against him by any regulatory, supervisory or professional body.</p>	<p>Paragraph 7A.04: Requirements for submission of specific proposals to the SC</p> <p>(3) A QP appointed must be an individual who–</p> <p>(e) has no–</p> <ul style="list-style-type: none"> (i) pending investigation or criminal charge against him in any court of law, for an offence involving bribery, fraud, dishonesty, mismanagement of a corporation or violence, whether within or outside Malaysia; (ii) compound issued or any administrative action taken against him, by a regulator or law enforcement agency for any offence involving bribery, fraud, dishonesty, mismanagement of a corporation or violence, whether within or outside Malaysia; (iii) civil enforcement action initiated against him in any court of law, by a regulator or law enforcement agency, whether within or outside Malaysia; or (iv) disqualification from holding the office of a director, under the securities laws, corporation laws or any law outside Malaysia relating to capital markets, whether within or outside Malaysia; and <p>(f) has no disciplinary proceedings or actions against him by any regulatory, supervisory or professional body.</p>	<p>Replacement of “or” with “and” to provide clarity that a QP appointed must satisfy all requirements set forth in subparagraph 7A.04(3).</p>

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6.	<p>Appendix 3: SUPPORTING DOCUMENTS</p> <p>FORM 8: APPLICATION FOR VARIATION OF REGULATED ACTIVITY FOR CAPITAL MARKETS SERVICES REPRESENTATIVE'S LICENCE</p> <table border="1" data-bbox="203 384 904 533"> <thead> <tr> <th data-bbox="203 384 282 437">No.</th> <th data-bbox="282 384 904 437">Description</th> </tr> </thead> <tbody> <tr> <td data-bbox="203 437 282 533">1</td> <td data-bbox="282 437 904 533">A copy of the applicant's relevant academic certificates</td> </tr> </tbody> </table>	No.	Description	1	A copy of the applicant's relevant academic certificates	<p>Appendix 3: SUPPORTING DOCUMENTS</p> <p>FORM 8: APPLICATION FOR VARIATION OF REGULATED ACTIVITY FOR CAPITAL MARKETS SERVICES REPRESENTATIVE'S LICENCE</p> <table border="1" data-bbox="940 384 1639 571"> <thead> <tr> <th data-bbox="940 384 1019 437">No.</th> <th data-bbox="1019 384 1639 437">Description</th> </tr> </thead> <tbody> <tr> <td data-bbox="940 437 1019 571">1</td> <td data-bbox="1019 437 1639 571">A copy of the applicant's relevant academic certificate(s) attained after the representative's licence was granted</td> </tr> </tbody> </table>	No.	Description	1	A copy of the applicant's relevant academic certificate(s) attained after the representative's licence was granted	<p>Item 1 has now been made optional, following the recent form enhancement exercise. Submission of such evidence will only be required for those who attain any relevant academic qualification after securing a CMSRL.</p>
No.	Description										
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1	A copy of the applicant's relevant academic certificate(s) attained after the representative's licence was granted										