

**Guidelines on Dealings in Unlisted Debt Securities by Universal Brokers
("Guidelines")**

Practice Note 1

**- Application of the Guidelines to Cross-Selling of Unlisted Debt Securities
to Eligible Individuals by Dealer's Representatives Not Certified by PPKM**

1. This Note seeks to disapply the application of paragraph 6.12 of the Guidelines, in respect of the certification requirement by Persatuan Pasaran Kewangan Malaysia (PPKM), to cross-selling transactions that are conducted in the manner specified by the Commission below.
2. Pursuant to the above, dealer's representatives who are not certified by PPKM may, in return for a fee or commission payable by their stockbroking companies, market and advise on unlisted debt securities to individual investors falling within Schedule 2 & Schedule 3 of the Securities Commission Act 1993 (SCA). In this regard, the following individuals are stated under Schedule 2 and 3 of the SCA:
 - (a) An individual whose total net personal assets exceed RM3 million or its equivalent in foreign currencies; or
 - (b) An individual who acquires unlisted debt securities whereby the aggregate consideration for the acquisition is not less than RM250,000 or its equivalent in foreign currencies.
3. Notwithstanding the above exemption, any transaction to buy or sell unlisted debt securities with an external institution or intermediary pursuant to any cross-selling transactions must continue to be executed by an in-house bond dealer who is certified by PPKM.
4. In dealing with individual clients on these cross-selling transactions, universal brokers (UBs) and the dealer's representatives involved shall exercise the following set of best practices:
 - (a) The UBs shall provide accurate and relevant market information such as market prices, credit rating, terms and conditions and risks factors of the unlisted bonds as and when requested by the investors; and
 - (b) The UBs shall take reasonable steps to ensure that the investors are aware of the risks involved in investing in unlisted debt securities (i.e. in the form of a risk disclosure statement) to individual clients and are suitable to invest in these instruments.
5. For the avoidance of doubt, the above disapplication of the PPKM certification requirement, in respect of the cross-selling transactions that are conducted in the manner as specified in paragraph 1 to paragraph 4 of this Note, shall extend to dealer's representatives of eligible non-UBs who could deal in unlisted debt securities as specified in Rule 503.5 of the Business Rules of Bursa Malaysia on "Dealings in Debt Securities by Universal Broker and Non-Universal Broker". The eligible non-UBs are subject to the same PPKM certification requirement in the Guidelines by virtue of Members' Circular R/R 7 of 2003 issued by Bursa Malaysia and Rule 503.5 of the Business Rules of Bursa Malaysia.