

Guidelines on Recognized Markets

SC-GL/6-2015 (R1-2016)

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PART A: GENERAL

CHAPTER 1

Introduction

- 1.01 The *Guidelines on Recognized Markets* (Guidelines) are issued by the Securities Commission Malaysia (SC) pursuant to section 377 of the *Capital Markets and Services Act 2007* (CMSA) read together with subdivision 4, division 2 of Part II CMSA.
- 1.02 These Guidelines set out the requirements for–
- (a) the registration of person as a recognized market operator (RMO); and
 - (b) ongoing requirements applicable to a RMO.
- 1.03 A RMO must be a body corporate or a limited liability partnership.
- 1.04 These Guidelines seek to replace the *Guidelines on Regulation of Markets* under section 34 of CMSA and shall be read together with other relevant SC guidelines.
- 1.05 These Guidelines do not apply to–
- (a) a technology service provider who merely provides the infrastructure, software or the system to an operator;
 - (b) an operator of a communication infrastructure that merely enables orders to be routed to an approved stock market or derivatives market;
 - (c) an operator of a financial portal that aggregates content and provides links to financial sites of service and information provider; and
 - (d) an operator of a facility that provides information concerning prices of securities or derivatives, and a person is not reasonably expected to sell, purchase or exchange securities or derivatives based solely on the information.
- 1.06 The SC may, upon application, grant an exemption from or a variation to the requirements of these Guidelines if the SC is satisfied that–
- (a) such variation is not contrary to the intended purpose of the relevant provision in these Guidelines; or
 - (b) there are mitigating factors which justify the said exemption or variation.

SC's Approach to Regulation of Markets

- 1.07 The securities and derivatives market operated, provided or maintained by an operator can be classified into three types of markets that are subject to different levels of regulation i.e. approved market, exempt market and recognized market. The level of regulation imposed will depend on the proposed market characteristics, including the structure of the market; sophistication of market users and rights of access; types of products traded; and risks posed by such markets.
- 1.08 An approved market refers to a stock market of a- stock exchange or derivatives market of a – derivatives exchange, which are approved pursuant to section 8 of the CMSA¹. The level of regulation on an approved market requires direct regulation subject to stringent requirements to ensure integrity of its market is maintained through fair, orderly, transparent and efficient market operations.
- 1.09 An exempt market is a stock market or derivatives market which has been declared as exempt stock or derivatives market pursuant to section 7 of the CMSA. Such market may be exempted when it has already been subjected to other forms of regulation.
- 1.10 A recognized market essentially covers an alternative trading venue, marketplace or facility that brings together purchasers and sellers of capital market products. The level of regulation in comparison to approved markets is not as stringent. Terms and conditions may be imposed on the RMO to commensurate with the risk profile, nature and scope of the proposed recognized market operations.

Circumstances where a person may be considered to be operating, providing or maintaining a market in Malaysia

- 1.11 A person may be considered to be operating, providing or maintaining a stock market or a derivatives market in Malaysia if–
- (a) the stock market or derivatives market is operated, provided or maintained in Malaysia; or
 - (b) the stock market or derivatives market is located outside Malaysia and actively targets Malaysian investors.
- 1.12 A stock market or derivatives market will be considered to be operated, provided or maintained in Malaysia where the component parts of the stock market or derivatives market when taken together are physically located in Malaysia even if any of its component parts, in isolation, is located outside Malaysia.

¹ An example of an approved market is the stock market operated by Bursa Malaysia Securities Bhd.

- 1.13 A stock market or derivatives market that is located outside Malaysia will be considered as actively targeting Malaysian investors if the operator, or the operator's representative, promotes directly or indirectly that market in Malaysia.
- 1.14 In deciding whether there is direct or indirect promotion of the stock market or derivatives market, the following may be taken into consideration by the SC–
- (a) advertising the stock market or derivatives market, products or in the case of equity crowdfunding, an issuer hosted on the platform, in any publication in Malaysia; or
 - (b) sending direct mail or e-mail to Malaysian addresses marketing or promoting the stock market or derivatives market.
- 1.15 Notwithstanding the above factors, in determining whether a stock market or a derivatives market is targeted at Malaysian investors, the SC will assess all relevant facts and circumstances taking into account the protection of Malaysian investors and the integrity of Malaysian capital markets.
- 1.16 These Guidelines comprise of the following parts–
- (a) requirements for the registration of the RMO as set out in Part B of these Guidelines;
 - (b) terms and conditions and ongoing obligations of a RMO as set out in Part C of these Guidelines;
 - (c) provisions on cessation of business, withdrawal of registration and review of status of a RMO as set out in Part D of these Guidelines;
 - (d) requirements relating to offering of Islamic capital market products on a recognized market as set out in Part E of these Guidelines;
 - (e) additional requirements applicable to a recognized market that is a crowdfunding platform as set out in Part F of these Guidelines; and
 - (f) application process for the registration of a RMO as set out in Part G of these Guidelines.

Definitions

- 1.17 Unless otherwise defined, all words used in these Guidelines shall have the same meaning as defined in the CMSA:

approved exchange means a stock exchange or a derivative exchange approved under section 8 of the CMSA;

approved market	means a stock market or a derivative market of an approved exchange;
controller	has the same meaning as provided in subsection 60(7) of the CMSA;
foreign operator	means a body corporate or a limited liability partnership incorporated outside Malaysia who establishes, operates or maintains a stock market or derivatives market;
licensed institution	means – (a) a licensed bank as defined under <i>Financial Services Act 2013</i> ; (b) a licensed Islamic bank as defined under <i>Islamic Financial Services Act 2013</i> ; or (c) a licensed investment bank as defined under <i>Financial Services Act 2013</i> ;
Malaysian	means a person who resides or has a registered address in Malaysia;
person in breach	means a person who breaches the rules of a recognized market;
sophisticated investors	means any person who falls within any of the categories of investors set out in Part 1, Schedule 6 and 7 of the CMSA and includes a Venture Capital corporation, Venture Capital Management Corporation, Private Equity corporation and Private Equity Management Corporation registered with the SC.

PART B: REQUIREMENTS FOR REGISTRATION

- 1.18 The SC may register a person as a RMO subject to the operator satisfying the criteria set out in these Guidelines.
- 1.19 For the purposes of these Guidelines, an application for the registration as a RMO must be made by the operator of the stock market or derivative market.
- 1.20 Upon receiving an application for registration as a RMO under these Guidelines, the SC may exercise its power under subsection 35(3) of the CMSA to treat the said application as an application to be an approved exchange. Before exercising its power, the SC may consider the factors as provided in paragraph 10.03.

CHAPTER 2

Forms

- 2.01 An applicant is required to submit to the SC the relevant forms and documents as specified in Appendix 1 of these Guidelines and any other information as may be required by the SC.

CHAPTER 3

Criteria for registration

- 3.01 The SC may register an applicant as a RMO, if the SC is satisfied that–
- (a) the applicant will be able to operate an orderly, fair and transparent market in relation to the securities or derivatives that are traded through its electronic facilities;
 - (b) the applicant's board, chief executive, controller, and any person who is primarily responsible for the operations or financial management of the body corporate, are fit and proper and have not–
 - (i) 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;
 - (ii) been convicted of an offence under the securities laws or any law outside Malaysia relating to capital market;

- (iii) been subjected to any action taken by the SC under section 354, 355 or 356 of the CMSA;
 - (iv) 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;
 - (v) engaged in any business practices appearing to the SC to be deceitful or oppressive or otherwise improper (whether unlawful or not) or which otherwise reflect discredit on his method of conducting business;
 - (vi) engaged in or has been associated with any other business practices or otherwise conducted himself in such a way as to cast doubt on his competence and soundness of judgment; or
 - (vii) engaged in or has been associated with any conduct that cast doubt on his ability to act in the best interest of investors, having regard to his reputation, character, financial integrity and reliability;
- (c) the applicant will be able to manage risks associated with its business and operation including demonstrating the processes and contingency arrangement in the event the applicant is unable to carry out its operations;
 - (d) the applicant will appoint at least one responsible person as required under Chapter 4 of these Guidelines;
 - (e) the applicant will be able to take appropriate action against a person in breach including directing the person in breach to take any necessary remedial measure;
 - (f) the rules of the recognized market make satisfactory provisions–
 - (i) for the protection of investors and public interest;
 - (ii) to ensure proper functioning of the market;
 - (iii) to promote fairness and transparency;
 - (iv) to manage any conflict of interest that may arise;

- (v) to promote fair treatment of its users or any person who subscribe for its services;
 - (vi) to promote fair treatment of any person who is hosted, or applies to be hosted, on its platform;
 - (vii) to ensure proper regulation and supervision of its users, or any person utilising or accessing its platform, including suspension and expulsion of such persons; and
 - (viii) to provide an avenue of appeal against the decision of the RMO; and
- (g) the applicant has sufficient financial, human and other resources for the operation of the recognized market, at all times.

3.02 In the case of a foreign operator, in addition to the requirements under paragraph 3.01, the SC may register the foreign operator as a RMO, if the SC is satisfied that–

- (a) the operator is authorised to, operate a stock market, or derivatives market, or carry out activity of a similar nature in a foreign jurisdiction;
- (b) the operator is from a comparable jurisdiction with whom the SC has regulatory arrangements on enforcement and supervision; and
- (c) it is in the best interest of Malaysia to register the foreign operator as a RMO.

3.03 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) The contribution towards attracting investments, enhancing market linkages and promoting vibrancy in the capital market;
- (d) The ability in developing strategic or nascent sectors in the capital market;
- (e) The degree and significance of participation of Malaysians in the capital market.

- 3.04 Before the RMO is allowed to fully operationalise the recognized market, the SC may require among others–
- (a) the RMO to provide an IT assurance regarding the system readiness; and
 - (b) a written declaration by the RMO's internal auditor or responsible person confirming that the RMO has, in relation to the recognized market–
 - (i) sufficient human, financial and other resources to carry out operations;
 - (ii) adequate securities measures, systems capacity, business continuity plan and procedures, risk management, data integrity and confidentiality, record keeping and audit trail, for daily operations and to meet emergencies; and
 - (iii) sufficient IT and technical support arrangements.

CHAPTER 4

Appointment of responsible person

- 4.01 A RMO must have at least one responsible person.
- 4.02 A person to be appointed under paragraph 4.01 must be the chief executive of the RMO or any person who is primarily responsible for the operations and financial management, by whatever name called.
- 4.03 At all times, the responsible person must undertake the role of the main contact person for the purpose of liaising with the SC and perform any duty as may be directed by the SC.
- 4.04 Any vacancy in relation to the position of a responsible person shall be filled within three months from the date of the departure of the former responsible person in compliance with this chapter.

PART C: TERMS AND CONDITIONS, DIRECTIONS AND ONGOING OBLIGATIONS

CHAPTER 5

Terms and conditions and directions

- 5.01 The SC may, in registering a RMO, impose any term or condition, and at any time vary, add or remove any term or condition.
- 5.02 The SC may issue a direction to the RMO, the board, chief executive, controller or any other person regarding–
- (a) compliance with the requirements of the securities laws and these Guidelines;
 - (b) the conduct of business or operations of the recognized market;
 - (c) the appointment or removal of the responsible person;
 - (d) fees payable;
 - (e) restrictions on the types of investors or participants who may have access to a recognized market;
 - (f) the capital market products or Islamic capital market products that may be traded on or through a recognized market;
 - (g) the services that may be offered;
 - (h) the requirement to notify the SC of any changes to the RMO's business;
 - (i) the requirement to submit periodic reports to the SC;
 - (j) the requirement to maintain relevant records;
 - (k) the requirement to submit or cause to be submitted to the SC for its approval, any proposed rules or any proposed amendment to existing rules of the recognized market; and
 - (l) any other matter as the SC considers necessary for the protection of investor or the proper functioning of a recognized market.

CHAPTER 6

Continuous obligations

- 6.01 The RMO's board, or in the case of a limited liability partnership, partners, must–
- (a) ensure the RMO complies with all the requirements under these Guidelines including any direction issued or any term or condition imposed by the SC;
 - (b) ensure the responsible person carries out his responsibilities and duties;
 - (c) establish and maintain policies and procedures to–
 - (i) manage conflicts of interest;
 - (ii) monitor trading and other market activity to detect non-compliance with the securities laws or its rules;
 - (iii) ensure that all documents and records of its participants are maintained for a period of not less than seven years;
 - (iv) deal with complaints relating to the operations of market or the conduct of its participants; and
 - (v) ensure compliance with all relevant laws and regulations including *Personal Data Protection Act 2010*;
 - (d) immediately notify the SC:
 - (i) of any irregularity or breach of any provision of the securities laws, these Guidelines or its rules, including any alleged or suspected violations of any law or guidelines in relation to money laundering and terrorism financing by its participants;
 - (ii) of any material change in the information submitted to the SC; and
 - (iii) if it becomes aware of any matter which adversely affects or is likely to adversely affect its ability to meet its obligations or to carry out its functions under these Guidelines.

CHAPTER 7

Reporting and disclosure requirements

7.01 A RMO must submit to the SC the following:

- (a) an annual compliance report to demonstrate the RMO's compliance with any conditions imposed by the SC pursuant to the registration of the RMO as well as the CMSA; and
- (b) its latest audited financial statements, within three months after the close of each financial year or such further period that the SC may allow.

PART D: CESSATION, WITHDRAWAL AND REVIEW OF STATUS

CHAPTER 8

Cessation of business or operations

- 8.01 The RMO shall not cease the business or operations of a recognized market without prior engagement with the SC.
- 8.02 Without prejudice to Chapter 5 of these Guidelines, the SC may issue a direction or impose any term or condition for the purposes of ensuring the orderly cessation of the business or operations of the recognized market.

CHAPTER 9

Withdrawal of Registration

- 9.01 The SC may withdraw the registration of a RMO if–
- (a) the RMO fails to meet the requirements under paragraphs 3.01 and 3.02 of these Guidelines;
 - (b) the RMO fails or ceases to operate or maintain the recognized market for a consecutive period of six months;
 - (c) the RMO contravenes any condition or restriction imposed under these Guidelines; or
 - (d) there is a failure to pay the fees as prescribed by the SC.
- 9.02 The RMO may, by notice in writing, apply to the SC stating its grounds for the withdrawal of its registration.
- 9.03 The withdrawal of its registration made under paragraph 9.02 shall not–
- (a) take effect until the SC is satisfied that there is adequate arrangement have been made to meet all the liabilities and obligations of the RMO that are outstanding at the time when the notice of the withdrawal is given; and
 - (b) operate so as to–
 - (i) avoid or affect any agreement, transaction or arrangement relating to the regulated activities entered into by the RMO,

- whether the agreement, transaction or arrangement was entered into before or after the withdrawal of the registration; or
- (ii) affect any right, obligation or liability arising under any such agreement, transaction or arrangement.

CHAPTER 10

Review of Status

10.01 As provided under section 36B CMSA, the SC may, on application by a RMO or on SC's own initiative, review the status of a RMO.

10.02 Following the review, the SC may require a RMO to make an application for the recognized market to be an approved market under section 8 CMSA if the SC is of the opinion that the recognized market would be more appropriately regulated as an approved market.

10.03 In conducting review of the status of a RMO, the SC may consider the following factors:

(a) The size and structure, or proposed size and structure, of the recognized market

Consideration will be given to the size and structure of the market, including the volume and value of transactions conducted on the market, the number of investors trading on the market and the number of participants;

(b) The nature of the services provided, or to be provided, by the recognized market

This relates to the range of services provided by the market, such as whether the market offers the full range of services which includes the provision of quotes, matching of orders, clearing and settlement and provision of data services;

(c) The type of the capital market products traded, or to be traded, on the recognized market

This relates to the different type of capital market products traded on the market. A market that offers a variety of products or products that are highly complex or risky may pose a greater risk to the capital market and thus should be regulated as an approved market; and

(d) The nature of the investors or participants, or proposed investors or participants, who may use or have an interest in the recognized market

Consideration will be given to the level of sophistication of the investors or participants, the systemic importance of the participants and the impact of any failure of the market on the investors or participants and the broader financial sector.

PART E: OFFERING OF ISLAMIC CAPITAL MARKET PRODUCTS

CHAPTER 11

Shariah Adviser

Appointment of Shariah Adviser

11.01 Where an Islamic capital market product is offered, on or through the recognized market, the RMO must appoint a Shariah adviser.

11.02 The Shariah adviser must either be–

- (a) a person or a corporation, registered with the SC;
- (b) a licensed Islamic bank; or
- (c) a licensed bank or licensed investment bank approved to carry on Islamic banking business.

Role of Shariah Adviser

11.03 The role and responsibility of the Shariah adviser shall include the following:

- (a) Advising on compliance with Shariah principles relating to the offering of Islamic capital market product;
- (b) Providing Shariah expertise and guidance on all matters, particularly in documentation, structuring and investment instruments, and ensure compliance with relevant securities laws and guidelines issued by the SC;
- (c) Ensuring that the applicable Shariah rulings, principles and concepts endorsed by the Shariah Advisory Council are complied with;
- (d) Applying *ijtihad* (intellectual reasoning) to ensure that all aspects relating to the offering of Islamic capital market product are in compliance with Shariah, in the absence of any rulings, principles and concepts endorsed by the Shariah Advisory Council; and
- (e) Where applicable, issue a Shariah pronouncement, which must include–
 - (i) the basis and rationale for the pronouncement;
 - (ii) the structure and mechanism of the Islamic capital market product; and

- (iii) the applicable Shariah rulings, principles and concepts used in the Islamic capital market product.

Disclosure

11.04 Where an Islamic capital market product is offered, on or through the recognized market, the RMO must disclose the following:

- (a) The name of the Shariah adviser appointed to advise on the offering of Islamic capital market product; and
- (b) The information relating to the structure of the Islamic capital market product.

PART F: ADDITIONAL REQUIREMENTS RELATING TO A RECOGNIZED MARKET THAT IS A CROWDFUNDING PLATFORM

CHAPTER 12

Equity crowdfunding (ECF) platform

Definitions

12.01 For the purposes of this chapter, unless context otherwise requires–

angel investor	refers to an investor that is accredited by the Malaysian Business Angels Network as an angel investor;
ECF operator	means a RMO who operates an ECF platform;
ECF platform	means an equity crowdfunding platform;
issuer	means a person who is hosted on an ECF platform to offer its shares on the ECF platform;
microfund	means an entity that meets the conditions set out in paragraph 12.20;
officer	means any director and employee of the ECF operator.

ECF operator

12.02 This chapter sets out the additional requirements applicable to an ECF operator.

12.03 Unless otherwise specified, all other requirements stated in these Guidelines are applicable to an ECF operator.

12.04 All ECF operators must be locally incorporated.

Obligations of ECF operator

12.05 An ECF operator must–

- (a) carry out a due diligence exercise on prospective issuers planning to use its platform;
- (b) monitor and ensure compliance of its rules;
- (c) carry out investor education programmes;

- (d) ensure the issuer's disclosure document lodged with the ECF operator is verified for accuracy and made accessible to investors through the platform;
 - (e) inform investors of any material adverse change to the issuer's proposal as set out under paragraph 12.10;
 - (f) ensure that the fundraising limits imposed on the issuer are not breached;
 - (g) ensure that the investment limits imposed on the investors are not breached;
 - (h) obtain and retain the self-declared risk acknowledgement forms from the investors prior to them investing on an ECF platform; and
 - (i) have in place processes to monitor anti-money laundering requirements.
- 12.06 The scope of the due diligence exercise by an ECF operator shall include taking reasonable steps to–
- (a) conduct background checks on the issuer to ensure fit and properness of the issuer, its board of directors, senior management and controlling owner; and
 - (b) verify the business proposition of the issuer.

Operation of trust account

- 12.07 An ECF operator must establish systems and controls for maintaining accurate and up-to-date records of investors' monies held.
- 12.08 The ECF operator must ensure that investors' monies are properly safeguarded from conversion or inappropriate use by its officers.
- 12.09 The ECF Operator shall establish and maintain in a licensed institution, one or more trust account designated for the fund raised by an issuer hosted on its platform and shall only release the fund to the issuer after the following conditions are met:
- (a) The targeted amount sought to be raised has been met;
 - (b) There is no material adverse change relating to the offer during the offer period; and
 - (c) The cooling-off period of at least six business days have expired.

- 12.10 For the purpose of subparagraph 12.09(b), a material adverse change concerning the issuer, may include any of the following matters:
- (a) The discovery of a false or misleading statement in the disclosure document in relation to the offer;
 - (b) The discovery of a material omission of information required to be included in the disclosure document; or
 - (c) There is a material change or development in the circumstances relating to the offering or the issuer.
- 12.11 Notwithstanding paragraph 12.09, the ECF operator may impose any other additional conditions precedent before releasing the fund, provided that they serve the investors' interest.

Managing conflict of interest

- 12.12 An ECF operator must establish a framework which sets out policies and procedures to effectively and efficiently manage conflicts of interest including potential conflicts of interest which may arise in the course of the ECF operator carrying out its functions. Such conflicts must be managed in a timely manner.
- 12.13 The ECF operator, including its individual directors and shareholders, must disclose to the public on its platform if–
- (a) it holds any shares in any of the issuers hosted on its platform; or
 - (b) it pays any referer or introducer, or receives payment in whatever form, including payment in the form of shares, in connection with an issuer hosted on its platform.
- 12.14 Notwithstanding paragraph 12.13, an ECF operator's shareholding in any of the issuers hosted on its platform shall not exceed 30 per cent.
- 12.15 The ECF operator is prohibited from providing any financial assistance to investors to invest in shares of an issuer hosted on its platform.

Permitted and non-permitted Issuers

- 12.16 Only locally incorporated private limited companies (excluding exempt private company) will be allowed to be hosted on the ECF platform.
- 12.17 The following entities are prohibited from raising funds through an ECF platform:

- (a) Commercially or financially complex structures (i.e. investment fund companies or financial institutions);
 - (b) Public-listed companies and their subsidiaries;
 - (c) Companies with no specific business plan or its business plan is to merge or acquire an unidentified entity (i.e. blind pool);
 - (d) Companies other than a microfund that propose to use the funds raised to provide loans or make investment in other entities;
 - (e) Companies other than a microfund with paid up share capital exceeding RM5 million; and
 - (f) Any other type of entity that is specified by the SC.
- 12.18 An issuer shall not be allowed to be hosted concurrently on multiple ECF platforms.
- 12.19 An issuer may be permitted to list on an ECF platform and peer-to-peer financing (P2P) platform at the same time subject to disclosure requirements as may be specified by the platform operators.
- 12.20 An ECF operator may allow for the hosting of a microfund on its platform provided that these entities–
- (a) are registered with the SC as a venture capital company;
 - (b) have a specified investment objective; and
 - (c) only raise funds from sophisticated investors and angel investors.

Limits to fund raised on an ECF Platform

- 12.21 The following limit shall apply to any issuer being hosted on an ECF platform:
- (a) An issuer can only raise up to RM3 million within a 12-month period, irrespective of the number of projects an issuer may seek funding for during the 12-month period; and
 - (b) An issuer can only utilise the ECF platform to raise a maximum amount of RM5 million, excluding the issuer's own capital contribution or any funding obtained through private placement exercise.
- 12.22 Paragraph 12.21 shall not apply to a microfund hosted on an ECF platform.

Disclosure requirements

12.23 An issuer proposing to be hosted on an ECF platform shall submit the relevant information to the ECF operator including the following:

- (a) Information that explains key characteristics of the company;
- (b) Information that explains the purpose of the fund raising and the targeted offering amount;
- (c) Information relating to the business plan of the company; and
- (d) Financial information relating to the company–
 - (i) for offerings below RM500,000:
 - (A) Audited financial statements of the company where applicable (e.g. where the issuer has been established for at least 12 months); and
 - (B) Where audited financial statements are unavailable (e.g. the issuer is newly established), certified financial statements or information by the issuer's management;
 - (ii) for offerings above RM500,000: Audited financial statements of the company

12.24 An issuer proposing to be hosted on an ECF platform shall ensure that all information submitted or disclosed to an ECF operator is true and accurate and shall not contain any information or statement which is false or misleading or from which there is a material omission.

12.25 An ECF operator must disclose and display prominently on its platform, any relevant information relating to ECF including–

- (a) information relating to issuer as specified under paragraph 12.23;
- (b) investor education materials and appropriate risk disclosure;
- (c) information on how the platform facilitates the investor's investment including providing communication channels to permit discussions about issuers hosted on its platform;
- (d) general risk warning in participating in ECF;
- (e) information on rights of investor relating to participation in ECF;
- (f) information about complaints handling or dispute resolution and its procedures;

- (g) fees, charges and other expenses that it may charge to, impose on an issuer or investor; and
- (h) information on processes and contingency arrangement in the event the ECF operator is unable to carry out its operations or cessation of business.

Investment Limit

12.26 A person may invest in any issuer hosted on the ECF platform subject to the following limits:

- (a) **Sophisticated investors:** No restrictions on investment amount;
- (b) **Angel investors:** A maximum of RM500,000 within a 12-month period; and
- (c) **Retail investors:** A maximum of RM5,000 per issuer with a total amount of not more than RM50,000 within a 12-month period.

12.27 The investment limit specified in paragraph 12.26 is applicable to local and foreign investors.

CHAPTER 13

P2P platform

Definitions

13.01 For the purposes of this chapter, unless context otherwise requires–

- | | |
|-----------------|--|
| angel investor | refers to an investor that is accredited by the Malaysian Business Angels Network as an angel investor; |
| investment note | means any contract, agreement, note or any other document evidencing a monetary loan, executed or offered, on or through an electronic platform, where an investor expects a financial return, but does not include– <ul style="list-style-type: none"> (a) any right, option or interest in respect thereof; |

- (b) a cheque, banker's draft or any other bill of exchange or a letter of credit;
- (c) a banknote, guarantee or an insurance policy; or
- (d) a statement, passbook or other document showing any balance in a current, deposit or savings account;

Islamic investment note	means any contract, agreement, note or any other document evidencing undivided ownership or investment in any assets in compliance with Shariah principles and concepts endorsed by Shariah Advisory Council, and is executed or offered, on or through an electronic platform where an investor expects a financial return, but does not include–
	<ul style="list-style-type: none"> (a) any right, option or interest in respect thereof; (b) a cheque, banker's draft or any other bill of exchange or a letter of credit; (c) a banknote, guarantee or a <i>takaful</i> policy; or (d) a statement, passbook or other document showing any balance in a current, deposit or savings account;
issuer	means a person that is seeking funding on or through a P2P platform;
officer	means any director and employee of the P2P operator;
P2P operator	means a RMO who operates a P2P platform;
P2P platform	means an electronic platform that facilitates directly or indirectly the issuance, execution or offering of an investment note or an Islamic investment note.

P2P Operator

- 13.02 This chapter sets out the additional requirements applicable to a P2P operator.
- 13.03 Unless otherwise specified, all other requirements stated in these Guidelines are applicable to a P2P operator.
- 13.04 All P2P operators must be locally incorporated and have a minimum paid-up capital of RM5 million.

Obligations of P2P Operator

13.05 A P2P operator must–

- (a) ensure there is an efficient and transparent risk scoring system in place relating to the investment note or Islamic investment note;
- (b) carry out a risk assessment on prospective issuers intending to use its platform;
- (c) monitor and ensure compliance of its rules;
- (d) carry out investor education programmes;
- (e) ensure the issuer's disclosure document lodged with the P2P operator is verified for accuracy and made accessible to investors through the platform;
- (f) inform investors of any material adverse change to the issuer's proposal as set out under paragraph 13.12;
- (g) ensure that it does not engage in any business practices appearing to SC to be deceitful, oppressive or improper (whether unlawful or not) or which otherwise reflect discredit on his method of conducting business;
- (h) obtain and retain the self-declared risk acknowledgement forms from the investors prior to them investing on a P2P platform;
- (i) have in place processes to monitor anti-money laundering requirements;
- (j) have in place processes or policies to manage any default by issuers including using its best endeavours to recover amount outstanding to investors; and
- (k) in addition to the provision as set out in subparagraph 3.01(f), ensure that its rules set out a rate of financing that is not more than 18 per cent per annum. A P2P operator must consult the SC if it wishes to impose a rate of financing that is more than 18 per cent per annum.

13.06 The scope of the risk assessment by a P2P operator shall include taking reasonable steps to–

- (a) conduct background checks on the issuer to ensure fit and properness of the issuer, its board of directors, senior management and controlling owner;

- (b) verify the business proposition of the issuer; and
- (c) carry out assessment on the issuer's creditworthiness.

Operation of trust account

General

- 13.07 A P2P operator must establish systems and controls for maintaining accurate and up-to-date records of investors' monies held.
- 13.08 The P2P operator must ensure that investors' monies are properly safeguarded from conversion or inappropriate use by its officers.

Trust account relating to monies received for issuers

- 13.09 The P2P operator shall establish and maintain in a licensed institution, one or more trust account designated for the fund raised in relation to a hosting on their platform.
- 13.10 The P2P operator may only release the fund to the issuer provided that there is no material adverse change relating to the investment notes or Islamic investment notes during the offer period.
- 13.11 Where an Islamic investment note is executed or offered, on or through a P2P platform, the P2P operator must establish and maintain a Shariah compliant trust account with a licensed Islamic bank, licensed bank or licensed investment bank approved to carry on Islamic banking business, for purpose of the fund raised.
- 13.12 For the purpose of paragraph 13.10, a material adverse change may include any of the following matters:
- (a) The discovery of a false or misleading statement in the disclosure document in relation to the investment notes or Islamic investment notes;
 - (b) The discovery of a material omission of information required to be included in the disclosure document; or
 - (c) There is a material change or development in the circumstances relating to the investment notes, Islamic investment notes or the issuer.
- 13.13 Notwithstanding paragraph 13.10, the P2P operator may impose any other additional conditions precedent before releasing the fund, provided that they serve the investors' interest.

Trust account relating to monies received for investors

- 13.14 A P2P operator shall establish and maintain in a licensed institution, one or more trust account designated for the monies received as repayments to investors.
- 13.15 A P2P operator shall not withdraw from or deal with investors' monies in a trust account except for the purpose of making a payment–
- (a) to the person entitled thereto (issuer, investor or P2P operator);
 - (b) that is otherwise as directed by SC or by any other enforcement agencies as provided under written law.

Managing conflict of interest

- 13.16 A P2P operator must establish a framework which sets out policies and procedures to effectively and efficiently manage conflicts of interest including potential conflicts of interest which may arise in the course of the P2P operator carrying out its functions. Such conflicts must be managed in a timely manner.
- 13.17 The P2P operator and its officers are prohibited from providing any financial assistance to investors to invest in investment note or Islamic investment note executed or offered, on or through its platform.
- 13.18 The P2P operator is prohibited from providing any funding to issuers or investing in any of the investment note or Islamic investment note executed or offered, on or through its platform.
- 13.19 Notwithstanding paragraph 13.18, officers of the P2P operator are permitted to invest subject to the P2P operator having in place appropriate process and procedure to manage conflict of interest.

Permitted and non-permitted Issuers

- 13.20 Only locally registered sole proprietorships, partnerships, incorporated limited liability partnerships, private limited and unlisted public companies, will be allowed to be hosted on the P2P platform.
- 13.21 The following entities are prohibited from raising funds through a P2P platform:
- (a) Commercially or financially complex structures (i.e. investment fund companies or financial institutions);
 - (b) Public-listed companies and their subsidiaries;

- (c) Companies with no specific business plan or its business plan is to merge or acquire an unidentified entity (i.e. blind pool);
 - (d) Companies that propose to use the funds raised to provide loans or make investment in other entities; and
 - (e) Any other type of entity that is specified by the SC.
- 13.22 An issuer shall not be allowed to be hosted concurrently for same purposes on multiple P2P platforms.
- 13.23 An issuer may be permitted to list on a P2P platform and ECF platform at the same time subject to disclosure requirements as may be specified by the platform operators.

Risk scoring

- 13.24 All issues, offers or invitations to subscribe or purchase investment note or Islamic investment note must be rated by the P2P operator.
- 13.25 The P2P operator is accountable for the risk scoring mechanism and methodology employed.
- 13.26 The final risk scoring for the purchase of the investment note or Islamic investment note must be made available to the investor at the time of offer.

Funds raised on a P2P platform

- 13.27 An issuer is permitted to keep any amount which was raised through a hosting on a P2P platform provided that the issuer must have at least raised 80 per cent of the target amount.
- 13.28 Notwithstanding paragraph 13.27, the issuer is not allowed to keep any amount which exceeds the initial target amount.

Disclosure requirements

- 13.29 An issuer proposing to be hosted on a P2P platform shall submit the relevant information to the P2P operator including the following:
- (a) Information that explains key characteristics of the business;
 - (b) Information that explains the purpose of the investment note or Islamic investment note and the targeted offering amount;

- (c) Information relating to the business plan;
 - (d) Information relating to his intention to seek funding from any other P2P platforms concurrently; and
 - (e) Financial information relating to the business–
 - (i) for offerings below RM500,000:
 - (A) Audited financial statements where applicable (e.g. where the issuer has been established for at least 12 months); and
 - (B) Where audited financial statements are unavailable (e.g. the issuer is newly established), certified financial statements or information by the issuer’s management;
 - (ii) for offerings above RM500,000: Audited financial statements of the company.
- 13.30 An issuer proposing to be hosted on a P2P platform shall ensure that all information submitted or disclosed to a P2P operator is true and accurate and shall not contain any information or statement which is false or misleading or from which there is a material omission.
- 13.31 A P2P operator must disclose and display prominently on its platform, any relevant information relating to P2P including–
- (a) information relating to issuer as specified under paragraph 13.29, at point of offering and throughout the tenure of the investment note or Islamic investment note;
 - (b) investor education materials and appropriate risk disclosure;
 - (c) information on how the platform facilitates the investor’s investment including providing communication channels to permit discussions about offerings hosted on its platform;
 - (d) explanatory notes on risk scoring mechanism, methodology and parameters;
 - (e) general risk warning in participating in P2P;
 - (f) information on rights of investor relating to participation in P2P;
 - (g) information about complaints handling or dispute resolution and its procedures;

- (h) information on the criteria by which an investment note or Islamic investment note is regarded as in default;
- (i) information about processes and policies put in place by the P2P operator to manage default of issuers;
- (j) information including statistics on late payment and default rate of issuers hosted on the P2P platform;
- (k) fees, charges and other expenses that it may charge to, impose on an issuer or investor; and
- (l) information on processes and contingency arrangement in the event the P2P operator is unable to carry out its operations or cessation of business.

Investment Limit

- 13.32 A sophisticated investor or angel investor may invest in any issuer hosted on the P2P platform and shall not be subjected to any restriction in respect of his investment amount.
- 13.33 To manage the risk exposure of retail investors, P2P operators must encourage retail investors to limit their investments on any P2P platform to a maximum of RM50,000 at any period of time. In this regard, a P2P operator may require the investors to file a declaration confirming their compliance with the limit.

PART G: APPLICATION PROCESS FOR REGISTRATION

CHAPTER 14

Submission of application

14.01 All registration forms, periodic reports and other additional documents as required in these Guidelines shall be submitted to the SC at the following address:

**Market and Corporate Supervision
Securities Commission Malaysia
No. 3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Tel: (603) 6204 8000
Fax: (603) 6201 5282**

APPENDIX 1

General Instructions



APPLICATION FOR REGISTRATION AS A RECOGNIZED MARKET OPERATOR

1. This Application for Registration as a Recognized Market Operator consists of two parts:
 - (a) Form 1 (About the Applicant): This is the general information about the Applicant; and
 - (b) Form 2 (About the Recognized Market): Kindly complete the specific form which is relevant to the recognized market you wish to operate.
2. All questions must be answered. If a question is not applicable, please mark “N.A” in the space provided. Should there be insufficient space for your answers, please use separate sheets of paper and clearly mark each separate sheet of paper with the relevant section number.
3. Please tick (√) in the relevant boxes where appropriate.
4. If there are any changes in the information furnished in the application prior to the approval of the registration, the Applicant should notify the Securities Commission Malaysia (SC) immediately.
5. This application must be signed by at least two directors/partners of the Applicant, and must be accompanied by the relevant documents required to complete the application.
6. This application together with the annexures must be submitted to the SC in both physical and electronic form. The electronic copy to be submitted to rmo@seccom.com.my and the physical copy to be submitted to the address set out in paragraph 14.01 of the Guidelines.
7. This application must be accompanied with an application fee of RM5000 as prescribed under *Capital Markets and Services Regulation 2012* upon submission to the SC. The cheque should be made payable to “Securities Commission” or “Suruhanjaya Sekuriti”.
8. Only shortlisted Applicants will be notified.
9. The submission of a complete application does not automatically qualify for registration of a Recognized Market Operator.

Form 1: About the Applicant

General information about the Applicant

1.1 PROFILE OF APPLICANT (CORPORATION)			
A: Corporation details			
Name			
Country of incorporation			
Company registration number			
Date of incorporation			
Website address *(Yes / No / Being developed)			
B: Contact Detail(s)			
Registered address			
E-mail address			
Contact no	Office:	Mobile:	Fax:
Business address			
E-mail address			
Contact no	Office:	Mobile:	Fax:
C: Corporation Status			
<input type="checkbox"/> Privately held	<input type="checkbox"/> Publicly listed	<input type="checkbox"/> Others (<i>please specify</i>):	
D: Share Capital			
Class of shares	Authorised (RM)	Issued (RM)	Paid-up (RM)
Ordinary			
Preference			
Others (<i>please specify</i>)			
Total			

E: Others

(Applicable for foreign incorporated Applicant only)

At point of application, a foreign incorporated Applicant needs to submit a duly signed undertaking letter by its authorized signatory stating its commitment on the following if it is registered as an recognized market operator by the SC:-

- (i) a body corporate shall be incorporated in Malaysia having the applicable financial resource requirements as set out in the Guidelines;
- (ii) a minimum of two (2) key personnel shall be in place within 12 months from the date of registration of the recognized market; and
- (iii) it will comply with and meet all the requirements of the securities laws and these Guidelines.

Please tick the box to confirm that the document is attached. Attached

F: Documents Required - Attach certified true copies of the following:

- Certificate of incorporation/ registration
- Memorandum or articles of association, partnership agreement or any constituent document
- Most recent annual audited financial statements/ Balance sheet and profit and loss account
- Annual return / annual declaration by a limited liability partnership
- Return of allotment of shares form (Form 24/25)
- Return giving particulars in Register of Directors, Managers and Secretaries, and Changes of Particulars (Form 49)

1.2 CONTROLLERS**A. Shareholders / Partners**

Individual

Name	Ordinary		Preference		Others	
	No.	%	No.	%	No.	%

Individuals who have shareholding or voting rights in the Applicant corporation

Corporation

Name	Ordinary		Preference		Others	
	No.	%	No.	%	No.	%

Corporation - if 5% or more of the shares in the Applicant are held by one or more corporations, please provide the corporation shareholding structure by filling up and duplicating the table for each corporation

B: Contact Details**Individual**

Name			
Nationality			
NRIC No./Passport No.			
Residential address			
E-mail address			
Contact no.	Office:	Mobile:	Fax:

Corporation

Name			
Place of incorporation			
Business address			
E-mail address			
Contact no.	Office:	Mobile:	Fax:

Please provide the details for all shareholders/ partners by filling up and duplicating the table for each direct shareholder/ partner

C: Documents Required - Attach copies of the following:

- For Individuals: Certified true copy of the National registration identity card (NRIC) for Malaysian citizen or passport details (for non-Malaysian citizen)
- For Corporation: Certified true copy of the certificate of incorporation/ registration
- An organisation chart showing the Applicant and its relationship with its related corporation(s)

Form 1A: Directors / Compliance officers

Director is applicable if the Applicant is a body corporate and compliance officer in the context of a limited liability partnership

1A.1 DIRECTORS / COMPLIANCE OFFICERS			
A: Personal Details			
Name			
Gender	<input type="checkbox"/> Male	<input type="checkbox"/> Female	
Nationality			
NRIC No./Passport No.			
Status	<input type="checkbox"/> Director	<input type="checkbox"/> CEO	<input type="checkbox"/> Others <i>(please specify):</i>
B: Contact Details			
Residential address			
E-mail address			
Contact no.	Office:	Mobile:	Fax:
C: Declaration by Director/ Compliance Officer of Applicant			
Within the past 10 years, has such Director/ Compliance Officer, in Malaysia or elsewhere;			
i. Been convicted of any offence, or any proceedings pending which may lead to a conviction for such an offence involving fraud or other dishonesty?			
<input type="checkbox"/> No <input type="checkbox"/> Yes <i>(If "Yes", please specify details)</i>			
ii. Had a receiver and manager been appointed in respect of any assets /property(ies) of the Applicant?			
<input type="checkbox"/> No <input type="checkbox"/> Yes <i>(If "Yes", please specify details)</i>			
iii. Entered into a compromise or arrangement with creditors or members, or a petition presented in a court for its winding up?			
<input type="checkbox"/> No <input type="checkbox"/> Yes <i>(If "Yes", please specify details)</i>			
iv. Been subject to any form of disciplinary proceedings or actions by any professional or regulatory body?			
<input type="checkbox"/> No <input type="checkbox"/> Yes <i>(If "Yes", please specify details)</i>			
<i>Please provide the details for all directors/ compliance officer by filling up and duplicating the table for each director / compliance officer.</i>			
D: Documents Required - Attach certified true copies of the following:			
<ul style="list-style-type: none"> ▪ National registration identity card (NRIC) for Malaysian citizen or passport details (for non-Malaysian citizen) 			

Form 1B: Responsible Person

The Applicant must appoint at least one (1) responsible person who is primarily responsible for the operations and financial management of the recognized market. The Responsible Person will be the main contact person for liaising with the SC and perform any duty as may be directed by the SC

1B.1 RESPONSIBLE PERSON

A: Personal Details

Name			
Gender	<input type="checkbox"/> Male	<input type="checkbox"/> Female	
Nationality			
NRIC No./Passport No.			
Status	<input type="checkbox"/> Director	<input type="checkbox"/> CEO/ COO	<input type="checkbox"/> Others (please specify):

B: Contact Detail(s)

Residential address			
E-mail address			
Contact no.	Office:	Mobile:	Fax:

C: Declaration by Responsible Person

Within the past 10 years, has the Responsible Person, in Malaysia or elsewhere;

- i. Been convicted of any offence, or any proceedings pending which may lead to a conviction for such an offence involving fraud or other dishonesty?

No Yes (If "Yes", please specify details)

- ii. Had a receiver and manager been appointed in respect of any assets /property(ies) of the Applicant?

No Yes (If "Yes", please specify details)

- iii. Entered into a compromise or arrangement with creditors or members, or a petition presented in a court for its winding up?

No Yes (If "Yes", please specify details)

- iv. Been subject to any form of disciplinary proceedings or actions by any professional or regulatory body?

No Yes (If "Yes", please specify details)

D: Documents Required - Attach certified true copies of the following:

- National registration identity card (NRIC) for Malaysian citizen or passport details (for non-Malaysian citizen)

E: True and Correct Information

I, the Responsible Person hereby declare that all information provided in Forms 1, 1A, 1B and its annexures (if any) are true and correct.

.....

Signature

Name:

Date:

Form 2: About the Recognized Market (General)

2.1 RECOGNIZED MARKET (GENERAL)

A: Basic information

Name of recognized market			
Trading hours			
Nature of recognized market	<input type="checkbox"/> Order routing system	<input type="checkbox"/> Electronic communication system	
	<input type="checkbox"/> Internet portal	<input type="checkbox"/> Trading platform	
	<input type="checkbox"/> Others (<i>please specify</i>):		
Describe type of services provided on the recognized market			
Describe the financial instruments to be traded on the recognized market			
Describe the prospective categories of participants including: <ul style="list-style-type: none"> • Manner in which the different category of participants would access the recognized market, and • Entry requirements placed on different categories of participants 			
Describe the intended users of the recognized market	<input type="checkbox"/> Retail clients <input type="checkbox"/> Institutional clients <input type="checkbox"/> High net worth clients <input type="checkbox"/> Licensed brokers/fund houses <input type="checkbox"/> Authorised financial institutional <input type="checkbox"/> Trustees or custodians <input type="checkbox"/> Others (<i>please specify</i>): _____		

Describe source of remuneration	<input type="checkbox"/> Fixed fees from users Basis of computation of fee: _____ <input type="checkbox"/> Variable fees from users Basis of computation of fee: _____ <input type="checkbox"/> Advertisement fees <input type="checkbox"/> Rebate or commission from intermediaries <input type="checkbox"/> Others (please specify): _____
---------------------------------	--

B: Transaction Process Flow

Describe the end-to-end process flow including receiving and execution of a client order, post trade clearing and settlement and any monies handling arrangements, on the recognized market (to be presented in the form of a diagram as an attachment).

Attach a copy of the respective transaction process flows together with this application form.

C: Terms and Conditions Imposed on Users

Provide terms and conditions (including procedures and other documentation) imposed on users for the use of the recognized market (including a brief description of the disclosure documents, terms of business) that the applicant will give to its users, resolution of trade disputes and circumstances for suspension of facilities).

As applicable, related contractual documentation with the intended users to be attached with this application form.

D: Controlled functions: Information on Key Personnel

Provide information on staffing levels of key controlled functions (including market controls, market surveillance, compliance, member regulation, system integrity), including information of their names, relevant experience and qualifications, etc.

Provide on a separate sheet a staff organisational structure chart, clearly indicating senior management/ decision makers/ key officers or employees and their reporting lines.

F: Systems and Controls	
Describe the IT systems used (including off-the-shelf/ customized/ outsourced)	
Describe the security process and procedures	
Describe the capacity of the system	
Describe the business continuity plan and procedures, including details of any third party involvement (if applicable, provide the name of the third party that will be involved in managing/operating material aspects of the applicant's operations on behalf of the applicant. Describe the role and responsibilities of each third party to which the applicant has delegated or outsourced its operations)	
Describe risk management systems or procedures including procedures relating to internal audit, internal controls, security	
Describe record keeping and audit trail features and procedures	

2.2 REGULATORY STATUS

If the Applicant is operating similar market(s) or conducting a business in any regulated activity in Malaysia or any other jurisdiction, provide relevant information such as:

The name(s) of such market(s) and/or type of regulated activity(ies)	
The name(s) of such jurisdiction(s)	
The name(s) of any supervisory authority, including self-regulatory organisation, that exercise oversight over the Applicant or its related corporations in these jurisdictions	
Evidence of the Applicant's authorisation to operate a market or conduct a business of a regulated activity in these jurisdictions, including a copy of any conditions imposed on the Applicant's market operations and conduct of regulated activity in these jurisdiction(s)	

As applicable, documentation that would allow the SC to consider if the requirements and supervision of the Applicant is subject to are sufficiently equivalent to the requirements and supervision to which under the CMSA, e.g. a summary of the laws, legislation, regulations and rules applicable to the Applicant in these jurisdiction(s)

Has the Applicant ever been rejected or refused licence, authorisation or registration to operate similar market(s) or to conduct a business in any regulated activity in any jurisdiction?

Yes (If "Yes", please specify details) No

2.3 OTHER INFORMATION

Is there any other information which the Applicant considers necessary relevant in the assessment of this application?

Yes (If "Yes", please specify details) No

2.4 TRUE AND CORRECT INFORMATION

We hereby declare that all information provided in this Form 2 and its annexures is true and correct.

.....
Signature	Signature
Name (Director/ Partner):	Name (Director/ Partner):
Date:	Date:

Form 2A: About the Recognized Market (Equity Crowdfunding Platform)

Form 2A needs to be completed by an Applicant that wishes to operate an equity crowdfunding platform (ECF platform)

2A.1 RECOGNIZED MARKET (ECF platform)

A: Basic information

Name of ECF platform

Services that will be provided on the ECF market

Does the Applicant intend to carry out any other business activities that may or may not be connected to the ECF market

Yes *(If "Yes", please specify details)* No

B. Users

(A reference to users includes an issuer or an investor)

B1. Investors

Individuals

Retail Angel Investors Sophisticated
 Others *(please specify):*

Entities *(please specify)*

Entry requirements of such user

B2. Issuers

Target sectors
(please specify)

Entry requirements of the different category of users

C. Offering of Islamic capital market products	
Does the Applicant intend to offer any Islamic capital market products?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Name of Shariah adviser	
D. Due diligence process	
Describe the due diligence process that it will be carrying on prospective issuers	
E. Monies handling arrangements	
Describe the monies handling arrangements	
Name of licensed institution	
Name of trustee	
F. Business risks	
What are the main business risks and how does it intend to manage those risks?	

<p>How many users does the Applicant expect to have?</p>	<p><u>At Go Live</u> Issuer: _____ Investor: _____</p> <p><u>12 months after Go Live</u> Issuer: _____ Investor: _____</p>
<p>Describe the risk management systems or procedures (including procedures relating to internal audit, internal controls and security)</p>	
<p>G. Transaction process flow</p>	
<p>Describe the transaction process flow</p>	
<p>H. Terms and conditions imposed on users</p>	
<p>Provide terms and conditions imposed on users (including a brief description of the disclosure documents, terms of business, resolution of disputes and circumstances for suspension of platform) <i>(As applicable, related procedures and contractual documentation with the intended users to be attached)</i></p>	

I. Fees and charges	
<p>Details of fee structure <i>(Please specify the different type of fees, such as fixed fee or variable fee)</i></p>	
J. Systems and controls	
<p>Will the IT systems be proprietary/ off-the-shelf/ outsourced?</p>	
<p>Business continuity and disaster recovery <i>(Please tick the box to confirm that the document is available for SC's inspection)</i></p>	<p><input type="checkbox"/> Full business continuity procedures</p> <p><input type="checkbox"/> Any agreements/ terms of reference agreed with any third party providing compliance or other services to the Applicant</p> <p><input type="checkbox"/> Any outsourcing arrangements for disaster recovery <i>(Please provide details if any of the boxes above is ticked)</i></p>
<p>Describe record keeping and audit trail features and procedures</p>	

K. Personnel

Demonstrate that it has an effective management structure and clear reporting lines to ensure key controlled functions (including market controls, surveillance, compliance, user regulation, system integrity)

(Please include information of names, relevant experience and qualifications, etc of key personnel and staff organisational structure, clearly indicating senior management / decision makers/ key employees and their reporting lines)

L. Compliance arrangements	
<p>Compliance procedures: Briefly describe its compliance procedures which you will ensure that it meets the regulatory requirements</p>	
<p>Compliance monitoring programme: Describe the actions you will take to ensure that you will comply with your compliance procedures</p>	
<p>Financial crime: Briefly describe the procedures and steps that you will take to counter the risks of the following:</p> <ul style="list-style-type: none"> (i) fraud or dishonesty (ii) misconduct/misuse of information relating to capital markets (iii) money laundering 	
<p>Market conduct: Briefly describe the controls, procedures and arrangements to counter market abuse</p>	

M. Business plan

Outline the Applicant's business model and plans with regard to the operation of its business over the next three (3) to five (5) years, including:

- why you wish to carry on this business
- whether you have identified a particular target market
- any long term strategy and expansion plans
- where would users be sourced from
- what experience does your senior management have to carry out such business, including their background and experience of all persons performing significant controlled functions and how this will help them in their role *(Please attach copies of any relevant qualifications/ examinations)*
- details of fees payable by users and how they will be charged

2A.2 REGULATORY STATUS

If the Applicant is operating similar market(s) or conducting a business in any regulated activity in Malaysia or any other jurisdiction, provide relevant information such as:

The name(s) of such market(s) and/or type of regulated activity(ies)

The name(s) of such jurisdiction(s)

The name(s) of any supervisory authority, including self-regulatory organisation, that exercise oversight over the Applicant or its related corporations in these jurisdictions

Evidence of the Applicant's authorisation to operate a market or conduct a business of a regulated activity in these jurisdictions, including a copy of any conditions imposed on the Applicant's market operations and conduct of regulated activity in these jurisdiction(s)

As applicable, documentation that would allow the SC to consider if the requirements and supervision of the Applicant is subject to are sufficiently equivalent to the requirements and supervision to which under the CMSA, e.g. a summary of the laws, legislation, regulations and rules applicable to the Applicant in these jurisdiction(s)

Has the Applicant ever been rejected or refused licence, authorisation or registration to operate similar market(s) or to conduct a business in any regulated activity in any jurisdiction?

Yes (If "Yes", please specify details) No

2A.3 OTHER INFORMATION

Is there any other information which the Applicant considers necessary relevant in the assessment of this application?

Yes (If "Yes", please specify details) No

2A.4 TRUE AND CORRECT INFORMATION

We hereby declare that all information provided in this Form 2A and its annexures is true and correct.

.....
Signature	Signature
Name (Director/ Partner):	Name (Director/ Partner):
Date:	Date:

Form 2B: About the Recognized Market (P2P Platform)

Form 2B needs to be completed by an Applicant that wishes to operate a peer-to-peer financing platform (P2P platform)

2B.1 RECOGNIZED MARKET (P2P platform)

A: Basic information

Name of P2P platform

Rate model (e.g. pre-set/
fixed rate)

Type of products
(investment notes/ Islamic
investment notes) offered
including direct or pooled,
repayment details, range of
rate of financing and tenure

Name of shariah adviser (if
applicable)

B. Offering of other business activities

Does the Applicant intend
to carry out any other
business activities that may
or may not be connected to
the P2P market

Yes (If "Yes", please specify details) No

C. Fees and charges

Details of fee structure
(Please specify the different type of fees)

D. Secondary market

Does the Applicant intend to offer a secondary market?

Yes *(If "Yes", please specify details)* No

E. Business plan

Outline the Applicant's business model and plans with regard to the operation of its business over the next three (3) to five (5) years, including:

- why and how do you intend to carry out this business
- any long term strategy and expansion plans including sourcing of your issuers and investors
- experience of senior management in carrying out such business, including background information
- value proposition to the overall development of the capital market including your contribution to financial inclusion, sustainable development of any sectors of the economy, synergistic value add to any economic policies and social value proposition

F. Users <i>(Reference to users includes issuer and investor)</i>	
F1. Investors	
Individuals	<input type="checkbox"/> Retail <input type="checkbox"/> Sophisticated <input type="checkbox"/> Others <i>(please specify):</i>
Entities <i>(please specify)</i>	
Entry requirements	
Terms and conditions imposed <i>(As applicable, related procedures and contractual documentation to be attached)</i>	

F2. Issuers	
Legal status of issuers	<input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> Private company <input type="checkbox"/> Unlisted public company
Target sectors <i>(please specify)</i>	
Entry requirements	
Terms and conditions <i>(As applicable, related procedures and contractual documentation to be attached)</i>	

F3. Others

Will the Applicant be engaging any *introducer/ referral party?

*(*Introducer/ referral party means a third party engaged by the P2P operator to refer/introduce an issuer/ investor for a fee)*

Yes *(If "Yes", please specify details of fee arrangements)* No

G. Credit assessment and risk scoring

Full details of the procedures and methodology to carry out credit assessment and risk scoring on a prospective issuer

Is the risk scoring system proprietary or outsourced?
(If "outsourced", please specify the outsourced parties and how you will ensure the outsourced services meet the requirement in the Guidelines)

H. Monies handling arrangements	
Describe the monies handling arrangements	
Name of licensed financial institution	
Name of trustee	

I. Transaction process flow	
<p>Describe the financing process flow (from point of offering of investment notes/ Islamic investment notes until release of funds to issuer)</p>	
<p>Describe the repayment process flow (from point of receiving monies from issuers until repayment to investors)</p>	
<p>Describe the refund process flow (such as unsuccessful financing campaign or any other circumstances)</p>	

J. Compliance arrangements	
<p>Compliance procedures: Describe the compliance procedures that meets the regulatory requirements</p>	
<p>Compliance monitoring programme: Describe the actions to be taken for compliance</p>	
<p>Financial crime: Describe the procedures and steps that you will take to counter the risks of the following:</p> <ul style="list-style-type: none"> (i) fraud or dishonesty (ii) misconduct/misuse of information relating to capital markets (iii) money laundering 	
<p>Market conduct: Describe the controls, procedures and arrangements to mitigate/ counter market abuse</p>	

K. Business risks	
<p>What are the main business risks and how do you intend to manage those risks?</p>	
<p>Expected users</p>	<p><u>12 months after Go Live</u> Number of Issuer: _____ Number of Investor: _____ Target funds raised: _____</p>
<p>Describe the risk management framework (including procedures relating to internal audit, internal controls and security)</p>	

L. Default management & recovery	
<p>Under Section I on Transaction process flow of the repayment arrangements, describe the measures and arrangements to ensure compliance of issuer's obligations</p>	
<p>Details on default of repayment arrangements (including measures to manage repayment arrears)</p>	
<p>Details on collection arrangements</p>	

M. Recovery and resolution

Describe the recovery and resolution processes including details on the arrangements that will be administered to ensure the continuity of the investment notes / Islamic investment notes

N. Financial resources	
Kindly provide the following:	
Monthly cash flow forecast for the first 12 months of Go Live	<input type="checkbox"/> Attached
Proforma income statement for the first 5 years of Go Live or up to the year it achieves profit (<i>*if the latter is longer than 5 years</i>) <i>(The following minimum items must be disclosed:</i> <i>(i) itemized gross income</i> <i>(ii) itemized expenditure</i>	<input type="checkbox"/> Attached

O. Systems and controls	
<p>Will the IT systems utilized in the operationalization of the P2P market be proprietary/ off-the-shelf/ outsourced?</p> <p><i>(If outsourced, please specify arrangements and how you will ensure it meets the requirement in the Guidelines)</i></p>	
<p>Business continuity and disaster recovery</p>	<p><input type="checkbox"/> Full business continuity procedures</p> <p><input type="checkbox"/> Any outsourcing arrangements for business continuity and disaster recovery</p> <p><i>(Please provide details)</i></p>
<p>Describe record keeping and audit trail mechanism</p>	

P. Personnel

Information of key personnel and organisational structure

Q. User education and awareness

Describe your plans on user education and awareness

2B.2 REGULATORY STATUS

If the Applicant is operating similar market(s) or conducting a business in any regulated activity in Malaysia or any other jurisdiction, provide relevant information such as:

The name(s) of such market(s) and/or type of regulated activity(ies)

The name(s) of such jurisdiction(s)

The name(s) of any supervisory authority, including self-regulatory organisation, that exercise oversight over the Applicant or its related corporations in these jurisdictions

Evidence of the Applicant's authorisation to operate a market or conduct a business of a regulated activity in these jurisdictions, including a copy of any conditions imposed on the Applicant's market operations and conduct of regulated activity in these jurisdiction(s)

As applicable, documentation that would allow the SC to consider if the requirements and supervision of the Applicant is subject to are sufficiently equivalent to the requirements and supervision to which under the CMSA, e.g. a summary of the laws, legislation, regulations and rules applicable to the Applicant in these jurisdiction(s)

Has the Applicant ever been rejected or refused license, authorisation or registration to operate similar market(s) or to conduct a business in any regulated activity in any jurisdiction?

Yes (If "Yes", please specify details) No

2B.3 OTHER INFORMATION

Is there any other information which the Applicant considers necessary relevant in the assessment of this application?

Yes (If "Yes", please specify details) No

2B.4 TRUE AND CORRECT INFORMATION

We hereby declare that all information provided in Form 2B and its annexures is true and correct.

.....
Signature	Signature
Name (Director):	Name (Director):
Date:	Date: