

GUIDELINES ON RECOGNISED MARKETS

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CONTENTS

PART A: GENERAL

| | |
|---------------------------|---|
| CHAPTER 1 Introduction | 1 |
|---------------------------|---|

PART B: REQUIREMENTS FOR REGISTRATION

| | |
|--------------------|---|
| CHAPTER 2 Forms | 6 |
|--------------------|---|

| | |
|--|---|
| CHAPTER 3 Criteria for Registration | 6 |
|--|---|

| | |
|--|----|
| CHAPTER 4 Appointment of Responsible Person | 10 |
|--|----|

PART C: TERMS AND CONDITIONS, DIRECTIONS AND ONGOING OBLIGATIONS

| | |
|--|----|
| CHAPTER 5 Terms and Conditions and Directions | 12 |
|--|----|

| | |
|-------------------------------------|----|
| CHAPTER 6 Continuous Obligations | 13 |
|-------------------------------------|----|

| | |
|--|----|
| CHAPTER 7 Reporting and Disclosure Requirements | 14 |
|--|----|

PART D: CESSATION, WITHDRAWAL AND REVIEW OF STATUS

| | |
|--|----|
| CHAPTER 8 Cessation of Business or Operations | 15 |
|--|----|

| | |
|---|----|
| CHAPTER 9 Withdrawal of Registration | 15 |
|---|----|

| | |
|--------------------------------|----|
| CHAPTER 10 Review of Status | 16 |
|--------------------------------|----|

PART E: OFFERING OF ISLAMIC CAPITAL MARKET PRODUCTS

| | |
|-----------------|----|
| CHAPTER 11 | |
| Shariah Adviser | 18 |

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

| | |
|------------------------------|----|
| CHAPTER 12 | |
| Equity Crowdfunding Platform | 20 |

PART G: APPLICATION PROCESS FOR REGISTRATION

| | |
|---------------------------|----|
| CHAPTER 13 | |
| Submission of Application | 27 |

APPENDIX 1: APPLICATION FOR REGISTRATION AS A RECOGNISED MARKET OPERATOR

PART A: GENERAL

Chapter 1

INTRODUCTION

- 1.01 The *Guidelines on Recognised 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 recognised 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 recognised 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

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

CMSA. Such market may be exempted when it has already been subjected to other forms of regulation.

- 1.10 A recognised 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 recognised 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.

- 1.13 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 on-going 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 recognised market as set out in Part E of these Guidelines;
 - (e) additional requirements applicable to a recognised 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;

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 recognised 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 recognised 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;
 - (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 recognised 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 recognised 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 recognised 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 recognised 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 recognised market;
- (f) the capital market products or Islamic capital market products that may be traded on or through a recognised 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 recognised market; and
- (l) any other matter as the SC considers necessary for the protection of investor or the proper functioning of a recognised 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) deal with complaints relating to the operations of market or the conduct of its participants; and
 - (iv) ensure compliance with all relevant laws and regulations including *Personal Data Protection Act 2010*; and

- (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 recognised 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 recognised 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 recognised 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 recognised market to be an approved market under section 8 CMSA if the SC is of the opinion that the recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 RECOGNISED MARKET THAT IS A CROWDFUNDING PLATFORM

Chapter 12

EQUITY CROWDFUNDING PLATFORM

Definitions

12.01 For the purposes of this Part, 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 12.17. |

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) ensure compliance of its rules and take action against non-compliance by the issuer;
- (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 12.08;
- (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's board of directors, officers and controlling owner; and
- (b) verify the business proposition of the issuer.

Operation of trust account

12.07 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 (6) business days have expired.

12.08 For the purpose of subparagraph 12.07(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.

12.09 Notwithstanding paragraph 12.07, 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

12.10 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.

12.11 The ECF operator, including its individual directors and shareholders, must disclose to the public on its platform if–

- (a) it holds any controlling shares in any of the issuers hosted on its platform; or
- (b) it pays any referrer or introducer, or receives payment in whatever form, including payment in the form of shares, in connection with an issuer hosted on its platform.

12.12 Notwithstanding paragraph 12.11, an ECF operator's shareholding in any of the issuers hosted on its platform shall not exceed 30%.

12.13 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

12.14 Only locally incorporated private companies (excluding exempt private company) will be allowed to be hosted on the ECF platform.

12.15 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.

12.16 An issuer shall not be allowed to be hosted concurrently on multiple ECF platforms.

12.17 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

12.18 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.

12.19 Paragraph 12.18 shall not apply to a microfund hosted on an ECF platform.

Disclosure requirements

12.20 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 the 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 RM300,000: Certified financial statements/information by the issuer's management, if it is required by the operator for verification purposes;
 - (ii) For offerings between RM300,000 – 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/information by the issuer's management;
 - (iii) For offerings above RM500,000: Audited financial statements of the company

12.21 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 12.20;
- (b) investor education materials;
- (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 and appropriate risk disclosure 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; and
- (g) the fees, charges and other expenses that it may charge to, impose on an issuer or investor.

Investment Limit

12.22 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.

12.23 The investment limit specified in paragraph 12.22 is applicable to all local and foreign investors.

PART G: APPLICATION PROCESS FOR REGISTRATION

Chapter 13

SUBMISSION OF APPLICATION

13.01 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
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Tel: (603) 6204 8000
Fax: (603) 6201 5282**

APPENDIX 1



APPLICATION FOR REGISTRATION AS A RECOGNISED MARKET OPERATOR

General Instructions

1. This Application for Registration as a Recognised 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 Recognised Market): Kindly complete the specific form which is relevant to the recognised 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 of 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 13.01 of the Guidelines.
7. This application must be accompanied with an application fee of RM5000 as prescribed under Capital Markets and Services Regulation 2007 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 Recognised Market Operator.

10.

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 authorised signatory stating its commitment on the following if it is registered as an recognised 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 recognised 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)

Directors / Compliance officers

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

| 1.3 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) | | | |

Responsible Person

The Applicant must appoint at least one (1) responsible person who is primarily responsible for the operations and financial management of the recognised 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

1.4 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 (<i>please specify</i>): |

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: | |
| <ul style="list-style-type: none"> 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 Form 1 and its annexures (if any) are true and correct. | |
| <p>.....</p> | |
| Signature | |
| Name: | Date: |

| | |
|---|-------|
| 1.5 TRUE AND CORRECT INFORMATION | |
| I, the Responsible Person hereby declare that all information provided in Form 1 and its annexures (if any) are true and correct. | |
| <p>.....</p> | |
| Signature | |
| Name: | Date: |

Form 2: About the Recognised Market (General)

2.1 RECOGNISED MARKET (GENERAL)

A: Basic information

| | | | |
|--|---|--|--|
| Name of recognised market | | | |
| Trading hours | | | |
| Nature of recognised 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 recognised market | | | |
| Describe the capital market products to be traded on the recognised 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 recognised market, and • Entry requirements placed on different categories of participants | | | |
| Describe the intended users of the recognised 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 recognised 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 recognised 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 infrastructure used to operate the recognised market (also to specify if proprietary or outsourced and outsourced service provider) | |
| Describe the IT security process and procedures | |
| Describe the capacity of the infrastructure operating the recognised market | |
| Describe the business continuity management 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) | |

| | |
|--|--|
| <p>Describe risk management systems or procedures including procedures relating to internal audit, internal controls, security</p> | |
| <p>Describe record keeping and audit trail features and procedures</p> | |

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 Recognised 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 RECOGNISED 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 investors

B2. Issuers

Target sectors
(please specify)

Entry requirements of the different category of issuers

| | |
|--|--|
| B3. Terms and conditions imposed on users | |
| 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> | |
| 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 (including procedures relating to internal audit, internal controls and compliance)? | |

| | |
|--|--|
| <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>G. Transaction process flow</p> | |
| <p>Describe the transaction process flow</p> | |
| <p>H. Fees and charges</p> | |
| <p>Details of fee structure <i>(Please specify the different type of fees, such as fixed fee or variable fee)</i></p> | |
| <p>I. Secondary market</p> | |
| <p>Does the Applicant intend to offer a secondary market?</p> | <p><input type="checkbox"/> Yes <i>(If "Yes", please specify details)</i> <input type="checkbox"/> No</p> |

| J. Systems and controls | |
|--|--|
| <p>Describe the IT infrastructure used to operate the recognised market, including user interface and functionality, (including details as to whether it is proprietary or outsourced and outsourced service provider)</p> | |
| <p>Describe business continuity management and disaster recovery</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 (including the following:</p> <ul style="list-style-type: none"> (i) fraud or dishonesty (ii) breach of confidentiality (iii) money laundering) | |
| <p>Compliance monitoring programme: Briefly describe its monitoring procedures to ensure that you will comply with your compliance procedures</p> | |

M. Business plan

Outline the Applicant's business model, plans and value proposition for the overall development of equity crowdfunding and the Malaysian capital market over the next three (3) to five (5) years, detailing among others:

- the planned activities and related risks, identified target market and partners
- financial soundness
- compliance and risk management capabilities
- track record in crowdfunding and related capital raising activities
- geographical presence
- non-financial resources, brand value and expertise
- technological capabilities
- business and financial projections
- fees imposed on users

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: |