

# Guidelines on Recognized Markets

SC-GL/6-2015(R2-2019)

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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 a person as a recognized market operator (RMO); and
  - (b) ongoing requirements applicable to a RMO.
- 1.03 A RMO must be structured as a body corporate unless specified otherwise by the SC.
- 1.04 These Guidelines seek to replace the *Guidelines on Regulation of Markets* issued on 11 December 2015, 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 a RMO;
  - (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; or
  - (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 CMSA<sup>1</sup>. 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 an 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.

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

- 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 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;
  - (f) additional requirements applicable to a recognized market that is a digital asset exchange as set out in Part G of these Guidelines; and
  - (g) application process for the registration of a RMO as set out in Part H 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 clearing house | means a clearing house approved under section 38 of 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;   |
| central depository      | has the same meaning as provided in section 2 of SICDA;  |
| 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 –<br>(a) a licensed bank as defined under <i>Financial Services Act 2013</i> ;<br><br>(b) a licensed Islamic bank as defined under <i>Islamic Financial Services Act 2013</i> ; or<br><br>(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;  |
| recognized market       | means a stock market or a derivatives market operated by a RMO;  |
| recognized market       | means an operator who is registered pursuant to  |



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| operator (RMO)                          | section 34 of the CMSA;   |
| recognized self-regulatory organisation | means a person declared to be a recognized self-regulatory organization under section 323 of the CMSA;  |
| 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. |
| subsidiary                              | has the same meaning as provided in section 4 of the Companies Act 2016   |

## **PART B: REQUIREMENTS FOR REGISTRATION**

### **Chapter 2**

#### **Registration and Forms**

##### **Registration**

- 2.01 The SC may register a person as a RMO, subject to the person satisfying the criteria set out in these Guidelines.
- 2.02 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.
- 2.03 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 11.03.

##### **Forms**

- 2.04 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 applicant satisfies the SC 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 platform;
- (b) the information or document that is furnished by the applicant to the SC is not false or misleading nor does it contain any material omission;
- (c) the applicant is not in the course of being wound up or otherwise dissolved;
- (d) no receiver, receiver and manager or an equivalent person has been appointed within or outside Malaysia, or in respect of any property of the applicant;
- (e) the applicant has not, whether within or outside Malaysia, entered into a compromise or scheme of arrangement with its creditors, being a compromise or scheme of arrangement that is still in operation;
- (f) the applicant, applicant's directors, chief executive, controller, and any person who is primarily responsible for its operations or financial management are fit and proper, taking into account the following:
  - (i) that they are suitably qualified to assume the position including having the relevant experience and track record in managing a market;
  - (ii) that they have not—
    - (A) been charged; or
    - (B) had any civil action initiated against them in any court of law;
  - (iii) 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;
  - (iv) been convicted of an offence under the securities laws or any law within or outside Malaysia relating to capital market;
  - (v) been subjected to any action taken by the SC under section 354, 355 or 356 of the CMSA;

- (vi) contravened any rules of an approved exchange, approved clearing house, central depository or a recognized self-regulatory organization;
  - (vii) 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;
  - (viii) engaged in any business practices appearing to the SC to be deceitful, oppressive or otherwise improper, whether unlawful or not, or which otherwise reflect discredit on his method of conducting business;
  - (ix) 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
  - (x) 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;
- (g) there are no other circumstances which are likely to–
- (i) lead to the improper conduct of operations by the applicant or by any of its directors, chief executive, controller or any person who is primarily responsible for the operations or financial management of the applicant; or
  - (ii) reflect discredit in the manner it operates its market;
- (h) the applicant's business model has a clear or unique value proposition or will contribute to the overall development of the capital market;
- (i) the applicant will appoint at least one responsible person as required under Chapter 4 of these Guidelines;
- (j) the rules of the market it seeks to operate 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 users or persons; and
- (viii) to provide an avenue of appeal against the decision of the RMO;
- (k) 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;
- (l) 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;
- (m) the applicant has sufficient financial, human and other resources for the operation of the recognized market, at all times; and
- (n) the applicant has appropriate security arrangements which include maintaining a secured environment pursuant to the Guidelines on Management of Cyber Risk and other relevant guidelines.

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 applicant satisfies the SC 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;  
or
- (e) the degree and significance of participation of Malaysians in the capital market.

3.04 Before the RMO is allowed to fully operationalize 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 DIRECTORS AND RESPONSIBLE PERSON**

### **Directors**

- 4.01 A RMO must ensure that members of its board are fit and proper and are suitably qualified.
- 4.02 A RMO must notify the SC in writing of any appointment or reappointment of a director, within such time as specified by the SC or prior to any public announcement on the appointment or reappointment of a director, whichever is earlier.
- 4.03 Where a member of the board becomes subject to any disqualification or becomes otherwise unfit to hold office, the RMO must ensure that such person vacates the position immediately.
- 4.04 The RMO must immediately notify the SC of a director's disqualification and when the position is vacated.

### **Appointment of responsible person**

- 4.05 A RMO must have at least one responsible person.
- 4.06 A person appointed as a responsible person must be a chief executive of the RMO or any person who is primarily responsible for its operations and financial management.
- 4.07 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.
- 4.08 Any vacancy in relation to the position of a responsible person shall be filled within three months from the date of such vacation.

## **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.
- 5.03 The SC may direct the RMO to remove the director or chief executive within such period as may be specified in such direction, if—
- (a) any grounds in subparagraph 3.01(f) is applicable; or



- (b) it would be contrary to public interest for the person to continue to hold the office of a director or chief executive or partner of the RMO.
- 5.04 The SC may conduct periodic assessment of a RMO's compliance with any or all of its regulatory obligations and request documents or other assistance as required.

## CHAPTER 6

### Obligations

#### RMO obligations

6.01 A RMO must—

- (a) monitor and ensure compliance of its rules;
- (b) ensure fair treatment of its users;
- (c) provide fair and accurate disclosures;
- (d) obtain and retain self-declared risk acknowledgement forms from its users prior to them investing in a recognized market;
- (e) provide prior disclosure to investors that any loss resulting from the investors trading or investment through the recognized market is not covered by the Capital Market Compensation Fund;
- (f) ensure that all fees and charges payable are fair, reasonable and transparent;
- (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) carry out continuous awareness and education programmes;
- (i) have in place processes to monitor anti-money laundering and terrorism financing requirements,<sup>2</sup> including having adequate investor on-boarding arrangements and processes;
- (j) disclose and display prominently on its platform, any relevant information relating to the recognized market including—
  - (i) all necessary risk warning statements;
  - (ii) information on rights of investors relating to investing or trading in a recognized market;
  - (iii) criteria for access to the recognized market;
  - (iv) education materials;

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<sup>2</sup> These requirements are set out in the Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries.

- (v) fees, charges and other expenses that it may charge, impose on its users;
- (vi) information about complaints handling or dispute resolution and its procedures;
- (vii) information on processes and contingency arrangement in the event the RMO is unable to carry out its operations or cessation of business; and
- (viii) any other information as may be specified by the SC.

### **Board's obligations**

6.02 The RMO's board 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) identify and manage risks associated with its business and operations, including having in place an effective business continuity plan;
- (d) establish and maintain policies and procedures to–
  - (i) effectively and efficiently manage actual and potential 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 its market or the conduct of its participants; and
  - (iv) ensure compliance with all relevant laws, regulations and guidelines including *Personal Data Protection Act 2010*;
- (e) 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; or

- (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.

### **Outsourcing obligations**

- 6.03 The RMO's board remains accountable for all outsourced functions.
- 6.04 The RMO's board must establish effective policies and procedures for its outsourcing arrangement including a monitoring framework to monitor the service delivery and performance reliability of the service provider.
- 6.05 A RMO must ensure that the service provider has adequate policies and procedures to monitor the conduct of any appointed sub-contractor.
- 6.06 A RMO must perform an assessment on a service provider on a periodic basis, as part of its monitoring mechanism under paragraph 6.05 and submit a report of the assessment to its board of directors and senior management.
- 6.07 A letter of undertaking is also required from the service provider or sub-contractor stating that the SC will have access to all information, records and documents relating to the material outsourced arrangements.
- 6.08 A RMO must notify the SC of any adverse development arising in the outsourcing arrangement of any outsourced function that could significantly affect the RMO, within two (2) weeks from the occurrence of the event.

## **CHAPTER 7**

### **Submission of rules**

- 7.01 A RMO must submit to the SC, any proposed rules or any proposed amendments to existing rules. The submission shall include—
- (a) the text of the proposed rules or amendments; and
  - (b) an explanation of the purpose of the proposed rules or amendments.
- 7.02 The SC may at any time, direct a RMO to vary or amend any rule submitted as it deems necessary.

## **CHAPTER 8**

### **Reporting requirements**

- 8.01 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 (3) months after the close of each financial year or such period that the SC may allow.

## **PART D: CESSATION, WITHDRAWAL AND REVIEW OF STATUS**

### **CHAPTER 9**

#### **Cessation of business or operations**

- 9.01 The RMO shall not cease the business or operations of a recognized market without prior engagement with the SC.
- 9.02 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 10**

### **Withdrawal of Registration**

10.01 The SC may withdraw the registration of a RMO if–

- (a) the RMO fails to meet the requirements under paragraphs 3.01 or 3.02 of these Guidelines;
- (b) the RMO fails or ceases to carry on the business or activities for which it was registered for a consecutive period of six (6) months;
- (c) the RMO contravenes any obligation, condition or restriction imposed under these Guidelines; or
- (d) fails to pay any fee or levy prescribed by the SC.

10.02 The RMO may, by notice in writing, apply to the SC to withdraw its registration and provide reasons for its withdrawal.

10.03 The withdrawal of its registration made under paragraph 10.01 shall not–

- (a) take effect until the SC is satisfied that adequate arrangements 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 entered into on the recognized market operated 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 11

### Review of Status

11.01 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.

11.02 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.

11.03 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 12**

#### **Shariah Adviser**

##### **Appointment of Shariah Adviser**

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

12.02 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**

12.03 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**

12.04 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 13**

**Equity crowdfunding (ECF) platform**

**Definitions**

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

|                |  |
|----------------|--|
| angel investor | refers to an individual-<br>(a) who is a tax resident in Malaysia; and<br>(b) whose total net personal assets exceed three million ringgit or its equivalent in foreign currencies; or<br>(c) whose gross total annual income is not less than one hundred and eighty thousand ringgit or its equivalent in foreign currencies in the preceding twelve months; or<br>(d) who, jointly with his or her spouse, has a gross total annual income exceeding two hundred and fifty thousand ringgit or its equivalent in foreign currencies in the preceding twelve months; |
| ECF operator   | means a RMO who operates an ECF platform;  |
| ECF platform   | means an equity crowdfunding platform registered by the SC;  |
| 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 13.18;  |
| officer        | means any director and employee of the ECF operator.   |

**ECF operator**

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

13.03 All ECF operators must be locally incorporated.

## **Obligations of ECF operator**

13.04 In addition to the obligations specified in chapter 6, an ECF operator must–

- (a) carry out a due diligence exercise on prospective issuers planning to use its platform;
- (b) ensure the issuer’s disclosure document lodged with the ECF operator is verified for accuracy and made accessible to investors through the ECF platform;
- (c) inform investors of any material adverse change to the issuer’s proposal as set out under paragraph 13.09;
- (d) ensure that the fundraising limits imposed on the issuer are not breached; and
- (e) ensure that the investment limits imposed on the investor are not breached.

13.05 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 directors, senior management and controller; and
- (b) verify the business proposition of the issuer.

## **Operation of trust account**

13.06 An ECF operator must establish systems and controls for maintaining accurate and up-to-date records of investors’ monies held.

13.07 The ECF operator must ensure that investors’ monies are properly safeguarded from conversion or inappropriate use by its officers.

13.08 The ECF operator shall establish and maintain in a licensed institution, one or more trust accounts designated for the funds raised by an issuer hosted on its platform and shall only release the funds 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.

13.09 For the purpose of subparagraph 13.08(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.

13.10 Notwithstanding paragraph 13.08, 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**

13.11 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 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.

13.12 Notwithstanding paragraph 13.11, an ECF operator's shareholding in any of the issuers hosted on its platform shall not exceed thirty (30) per cent.

13.13 The ECF operator is prohibited from providing direct or indirect financial assistance to investors, to invest in shares of an issuer hosted on its platform.

### **Permitted and non-permitted Issuers**

13.14 Only locally incorporated private companies and limited liability partnerships (excluding exempt private companies) will be allowed to be hosted on the ECF platform.

13.15 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.

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

13.17 An issuer may be permitted to be hosted 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.

13.18 An ECF operator may allow for the hosting of a microfund on its platform provided the microfund–

- (a) is registered with the SC as a venture capital company;
- (b) has a specified investment objective; and
- (c) only raises funds from sophisticated investors and angel investors.

### **Limits to funds raised on an ECF Platform**

13.19 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 twelve (12)-month period, irrespective of the number of campaigns 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 a private placement exercise.

13.20 Paragraph 13.19 shall not apply to a microfund hosted on an ECF platform.

### **Disclosure requirements**

13.21 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; or
  - (ii) for offerings above RM500,000, audited financial statements of the company.

13.22 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.

13.23 In addition to the obligations set out in chapter 6, an ECF operator must disclose and display prominently on its platform, information–

- (a) relating to the issuer as specified under paragraph 13.21; and
- (b) on how the platform facilitates the investor’s investment including providing communication channels to permit discussions about issuers hosted on its platform.

### **Investment Limit**

13.24 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.

13.25 The investment limits specified in paragraph 13.24 are applicable to local and foreign investors.



## CHAPTER 14

### Peer-to-peer financing (P2P) platform

#### Definitions

14.01 For the purposes of this chapter, unless context otherwise requires—

- |                         |  |
|-------------------------|--|
| angel investor          | refers to an individual-   |
|                         | (a) who is a tax resident in Malaysia; and   |
|                         | (b) whose whose total net personal assets exceed three million ringgit or its equivalent in foreign currencies; or   |
|                         | (c) whose gross total annual income is not less than one hundred and eighty thousand ringgit or its equivalent in foreign currencies in the preceding twelve months; or  |
|                         | (d) who, jointly with his or her spouse, has a gross total annual income exceeding two hundred and fifty thousand ringgit or its equivalent in foreign currencies in the preceding twelve months;  |
| 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—   |
|                         | (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 the 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— |

|                   |   |
|-------------------|---|
|                   | (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;   |
| invoice financing | means a fund raising activity via the sale of trade receivables or invoices which is evidenced by an investment note or an Islamic investment note.           |
| issuer            | means a person that is seeking funding on or through a P2P platform and shall include seeking funding via invoice financing;                                  |
| 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**

14.02 Unless otherwise specified, all other requirements stated in these Guidelines are applicable to a P2P operator.

14.03 Any person who seeks to operate an invoice financing platform must apply to be registered as a P2P operator under these guidelines.

14.04 All P2P operators must be locally incorporated and have a minimum paid-up capital of RM5 million.

## **Obligations of P2P Operator**

14.05 A P2P operator must, in addition to the obligations specified in chapter 6–

- (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) ensure the issuer's disclosure document lodged with the P2P operator is verified for accuracy and made accessible to investors through the P2P platform;
  - (d) inform investors of any material adverse change to the issuer's proposal as set out under paragraph 14.12;
  - (e) have in place processes or policies to manage any default by issuers including using its best endeavours to recover amounts outstanding to investors; and
  - (f) in addition to the provision as set out in subparagraph 3.01(j), ensure that its rules set out a rate of financing that is not more than eighteen (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 eighteen (18) per cent per annum.
- 14.06 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 controller;
  - (b) verify the business proposition of the issuer; and
  - (c) carry out assessment on the issuer's creditworthiness.

## **Operation of trust account**

### **General**

14.07 A P2P operator must establish systems and controls for maintaining accurate and up-to-date records of investors' monies held.

14.08 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**

14.09 The P2P operator shall establish and maintain in a licensed institution, one or more trust accounts designated for the funds raised in relation to a hosting on its platform.

- 14.10 The P2P operator may only release the funds to the issuer provided that there is no material adverse change relating to the investment notes or Islamic investment notes during the offer period.
- 14.11 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 funds raised.
- 14.12 For the purpose of paragraph 14.10, 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.
- 14.13 Notwithstanding paragraph 14.10, 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**

- 14.14 A P2P operator shall establish and maintain in a licensed institution, one or more trust accounts designated for the monies received as repayments to investors.
- 14.15 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); or
  - (b) that is as otherwise directed by SC or by any other enforcement agencies as provided under written law.

#### **Managing conflict of interest**

- 14.16 The P2P operator and its officers are prohibited from providing direct or indirect financial assistance to investors, to invest in investment note or Islamic investment note executed or offered, on or through its platform.

- 14.17 The P2P operator is prohibited from providing any funding to issuers or investing in any of the investment notes or Islamic investment notes executed or offered, on or through its platform.
- 14.18 Notwithstanding paragraph 14.17, 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**

- 14.19 Only locally registered sole proprietorships, partnerships, incorporated limited liability partnerships, private and unlisted public companies, will be allowed to be hosted on the P2P platform.
- 14.20 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.
- 14.21 An issuer shall not be allowed to be hosted concurrently for the same purpose on multiple P2P platforms.
- 14.22 An issuer may be permitted to be hosted on a P2P platform and ECF platform at the same time, subject to the issuer complying with the disclosure requirements as may be specified by the platform operators.
- 14.23 In the case of invoice financing, the P2P operator shall take reasonable steps to ensure that the receivable or invoice—
- (a) is payable to and is owned by the issuer;
  - (b) represents a bona fide payment obligation from a client of the issuer to the issuer;
  - (c) has not been offered for financing or otherwise disposed in any way to any person before being hosted on its P2P platform; and

- (d) is not subject to any encumbrances which may adversely affect an investor's rights, title, interests and benefits.

### **Risk scoring**

- 14.24 All issues, offers or invitations to subscribe or purchase investment note or Islamic investment note must be rated by the P2P operator.
- 14.25 The P2P operator is accountable for the risk scoring mechanism and methodology employed.
- 14.26 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**

- 14.27 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 eighty (80) per cent of the target amount.
- 14.28 Notwithstanding paragraph 14.27, the issuer is not allowed to keep any amount which exceeds the initial target amount.

### **Disclosure requirements**

- 14.29 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; or
  - (ii) for offerings above RM500,000, audited financial statements of the company.
- 14.30 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.
- 14.31 In addition to the obligations set out in chapter 6, a P2P operator must disclose and display prominently on its P2P platform, any relevant information relating to the P2P including–
- (a) information relating to an issuer as specified under paragraph 14.29, at point of offering and throughout the tenor of the investment note or Islamic investment note;
  - (b) information on how the P2P platform facilitates the investor's investment including providing communication channels to permit discussions about offerings hosted on its P2P platform;
  - (c) explanatory notes on risk scoring mechanism, methodology and parameters;
  - (d) information on the criteria by which an investment note or Islamic investment note is regarded as in default;
  - (e) information about processes and policies put in place by the P2P operator to manage default of issuers; and
  - (f) information including statistics on late payment and default rate of issuers hosted on the P2P platform.

### **Investment Limit**

- 14.32 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.
- 14.33 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.

## **PART G: ADDITIONAL REQUIREMENTS RELATING TO A DIGITAL ASSET EXCHANGE**

### **CHAPTER 15**

#### **Digital Asset Exchange**

##### **Definitions**

15.01 For the purposes of this chapter, unless context otherwise requires—

|                                       |  |
|---------------------------------------|--|
| Digital Asset                         | refers collectively to a Digital Currency or Digital Token;  |
| Digital Asset Exchange (DAX)          | means an electronic platform which facilitates the trading of a Digital Asset;   |
| Digital Asset Exchange (DAX) Operator | means a RMO who operates a Digital Asset Exchange;   |
| Digital Currency                      | has the same meaning assigned to it in the Capital Markets and Services (Prescription of Securities)(Digital currency and digital token) Order 2019; |
| Digital Token                         | has the same meaning assigned to it in the Capital Markets and Services (Prescription of Securities)(Digital currency and digital token) Order 2019; |

##### **Digital Asset Exchange**

15.02 Unless otherwise specified, all other requirements stated in these Guidelines are applicable to a DAX Operator.

##### **Criteria for registration of a Digital Asset Exchange Operator**

###### **Eligibility and financial requirements**

15.03 All DAX Operators must be locally incorporated and have a minimum paid-up capital of RM5 million.



15.04 The SC may at any time impose additional financial requirements or other terms and conditions on the DAX Operator that commensurate with the nature, operations and risks posed by the DAX Operator.

### **Independent director**

15.05 In the case where a DAX Operator is a public company, at least one (1) member of the board must be an independent director.

### **Managing conflict of interest**

15.06 The DAX Operator's framework relating to conflict of interest must include policies and procedures relating to, amongst others—

- (a) proprietary trading by the DAX Operator on its platform;
- (b) trading in Digital Assets by its officers and employees on its own or other platforms;
- (c) the management of non-public material information; and
- (d) the offering of any Digital Asset to be traded on its platform.

### **Prohibition on financial assistance**

15.07 A DAX Operator is prohibited from providing direct or indirect financial assistance to investors, including its officers and employees, to invest or trade in Digital Assets on its platform.

### **Risk Management**

15.08 A DAX Operator should identify possible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability including having adequate capacity.

15.09 In relation to paragraph 15.08, a DAX Operator must amongst others—

- (a) establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, mitigate and manage operational risks;

- (b) have in place clearly defined roles and responsibilities for addressing operational risk;
  - (c) have in place clearly defined operational reliability objectives and have policies in place that is designed to achieve those objectives;
  - (d) ensure that it has adequate capacity proportionate to stress volumes to achieve its service-level objectives; and
  - (e) have a comprehensive physical and information security policy that addresses all potential vulnerabilities and threats.
- 15.10 A DAX Operator must have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption.
- 15.11 The business continuity plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology systems can resume operations within reasonable recovery time objectives (RTO) following disruptive events.
- 15.12 A DAX Operator must carry out periodic reviews, audits and testing on systems, operational policies, procedures, and controls relating to risk management and its business continuity plan.
- 15.13 In the event of any systems error, failure or malfunction, a DAX Operator must–
- (a) take all necessary and immediate appropriate actions to mitigate any potential losses; and
  - (b) immediately notify the SC of the systems error, failure or malfunction.

### **Internal Audit**

- 15.14 A DAX Operator must establish an internal audit function to develop, implement and maintain an appropriate internal audit framework which commensurate with its business and operations.

### **Trading of Digital Assets**

- 15.15 No DAX Operator shall facilitate the trading of any Digital Asset unless the SC has approved the trading of the said Digital Asset.
- 15.16 In relation to paragraph 15.15, a DAX Operator is required to submit an application to the SC enclosing the following:

- (a) the nature of the project, the profile of its founders and management team if the Digital Asset has not been issued pursuant to an Initial Coin Offering (“ICO”) approved by the SC;
- (b) the rights, benefits or utility represented by the Digital Asset;
- (c) the liquidity of the Digital Asset, including but not limited to:
  - (i) the amount of Digital Assets in circulation;
  - (ii) past trading volumes; and
  - (iii) the demand for the Digital Asset in Malaysia;
- (d) the level of distribution of the Digital Asset, including but not limited to:
  - (i) the number of addresses created and active;
  - (ii) concentration of the Digital Asset in specific addresses; and
  - (iii) patterns and concentration of transactions;
- (e) demonstrate availability of information related to the project, including but not limited to:
  - (i) the whitepaper or any other disclosure document accompanying the Digital Asset; and
  - (ii) the progress of the project including both business and technical aspects;
- (f) security of the underlying distributed ledger, including but not limited to:
  - (i) the number of nodes;
  - (ii) any history of hacks and other form of attacks; and
  - (iii) any known security vulnerabilities; and
- (g) compliance with all other legal and regulatory frameworks in Malaysia and other jurisdictions which the project operates in.

15.17 Notwithstanding paragraph 15.16 above, if a person wishes to issue a Digital Token it must comply with the relevant guidelines issued by the SC. Such Digital Token would still require approval from the SC prior to being traded on any Digital Asset Exchange.

### **Obligations of the Digital Asset Exchange Operator**

15.18 In addition to the obligations specified in chapter 6, a DAX Operator must–

- (a) ensure its the platform is operating in an orderly, fair and transparent manner;
- (b) have in place rules and procedures for the trading, clearing and settlement of Digital Assets on the platform;

- (c) ensure that all disclosures are fair, clear and not misleading including risk warning statements and other qualifications to enable investors to have an accurate understanding of the associated risks; and
- (d) conduct real-time market surveillance.

15.19 A DAX Operator must only allow investors to invest or trade in Digital Assets hosted on its platform using Ringgit Malaysia or any foreign currency which is recognised as legal tender, subject to Bank Negara Malaysia's requirements relating to international and domestic transactions.

### **Client's asset protection**

15.20 A DAX Operator must–

- (a) establish systems and controls for maintaining accurate and up to date records of investors and any monies or Digital Assets held in relation thereto;
- (b) ensure investors monies and digital assets are properly safeguarded from conversion or inappropriate use by any person, including but not limited to implementing multi-signature arrangements;
- (c) establish and maintain in a licensed Malaysian financial institution, one or more trust accounts, designated for the monies received from investors;
- (d) establish and maintain a sufficiently and verifiably secured storage medium designated to store Digital Assets from investors; and
- (e) in relation to investors' Digital Assets, have arrangements and processes in place to protect against the risk of loss, theft or hacking.

### **Settlement and Custody**

15.21 A DAX Operator must ensure there are orderly, clear and efficient clearing and settlement arrangements.

15.22 These arrangements must include prior or upfront deposit of monies and Digital Assets with the DAX Operator before entering into a transaction on the Digital Asset Exchange.

15.23 A DAX Operator should provide clear and certain final settlement, intra-day or real time.

## **Transaction fee or levy**

15.24 The SC may impose a fee or levy on all transactions conducted on the Digital Asset Exchange.

## **Market Integrity Provisions**

### Trading Operations

15.25 A DAX Operator must disclose information about its market structure, order types and the interactions of the order types, if any, on the platform.

15.26 A DAX Operator must have adequate arrangements and processes to deter manipulative activities on the platform and ensure proper execution of trades.

15.27 A DAX Operator must have adequate arrangements and processes to manage excessive volatility of its market which may include circuit breakers, price limits and trading halts.

15.28 A DAX Operator must have adequate arrangements and processes to manage error trades.

15.29 A DAX Operator must have adequate arrangements and processes to manage systems error, failure or malfunction.

15.30 A DAX Operator must have adequate arrangements and processes to manage investors' assets in the event of any suspension or outages of the platform, including transfer or withdrawal procedures.

### Market Transparency

15.31 A DAX Operator must ensure trading information, both pre-trade and post-trade, is made publicly available on a real-time basis.

15.32 A DAX Operator must make available in a comprehensible manner and on a timely basis, material information or changes to the tradable Digital Assets.

15.33 A DAX Operator must ensure all information relating to the trading arrangements pursuant to paragraphs 15.25 to 15.30, including the circumstances arising thereof and where relevant, are made publicly available.

### Market making

15.34 A DAX Operator may provide or carry out market making activities to provide liquidity to its market, subject to SC's approval.

15.35 A DAX Operator must ensure sufficient disclosure of all market making arrangements to its investors.



## **PART H: APPLICATION PROCESS FOR REGISTRATION**

### **CHAPTER 16**

#### **Submission of application**

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

Chairman  
Securities Commission Malaysia  
3 Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur  
Tel: (603) 6204 8000  
Fax: (603) 6201 5282  
(Attention: Market and Corporate Supervision)

Email: [rmo@seccom.com.my](mailto:rmo@seccom.com.my)

# 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](mailto:rmo@seccom.com.my) and the physical copy to be submitted to the address set out in paragraph 16.01 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<br>*(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 (please specify): |

#### 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?

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)

Please provide the details for all directors/ compliance officer by filling up and duplicating the table for each director / compliance officer.

#### 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)

## 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)  |   |  |
|--|---|--|
| <b>A: Basic information</b>  |   |  |
| 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"> <li>• Manner in which the different category of participants would access the recognized market, and</li> <li>• Entry requirements placed on different categories of participants</li> </ul> |   |  |
| Describe the intended users of the recognized market   | <input type="checkbox"/> Retail clients<br><input type="checkbox"/> Institutional clients<br><input type="checkbox"/> High net worth clients<br><input type="checkbox"/> Licensed brokers/fund houses<br><input type="checkbox"/> Authorised financial institutional<br><input type="checkbox"/> Trustees or custodians<br><input type="checkbox"/> Others ( <i>please specify</i> ): _____ |  |

|                                 |  |
|---------------------------------|--|
| Describe source of remuneration | <input type="checkbox"/> Fixed fees from users<br>Basis of computation of fee: _____<br><input type="checkbox"/> Variable fees from users<br>Basis of computation of fee: _____<br><input type="checkbox"/> Advertisement fees<br><input type="checkbox"/> Rebate or commission from intermediaries<br><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.*



| <b>F: Systems and Controls</b>   |  |
|--|--|
| 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<br><br>(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? |                             |
| <input type="checkbox"/> Yes <i>(If "Yes", please specify details)</i>   | <input type="checkbox"/> 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 <i>(Director/ Partner):</i>  | Name <i>(Director/ Partner):</i> |
| 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

|  |  |
|--|--|
| <b>C. Offering of Islamic capital market products</b>                              |  |
| Does the Applicant intend to offer any Islamic capital market products?            | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Name of Shariah adviser  |  |
| <b>D. Due diligence process</b>  |  |
| Describe the due diligence process that it will be carrying on prospective issuers |  |
| <b>E. Monies handling arrangements</b>   |  |
| Describe the monies handling arrangements  |  |
| Name of licensed institution   |  |
| Name of trustee  |  |
| <b>F. Business risks</b>   |  |
| 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><br/>         Issuer: _____ Investor: _____</p> <p><u>12 months after Go Live</u><br/>         Issuer: _____ Investor: _____</p> |
| <p>Describe the risk management systems or procedures (including procedures relating to internal audit, internal controls and security)</p>   |  |
| <p><b>G. Transaction process flow</b></p>   |  |
| <p>Describe the transaction process flow</p>  |  |
| <p><b>H. Terms and conditions imposed on users</b></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)</p> <p><i>(As applicable, related procedures and contractual documentation with the intended users to be attached)</i></p> |  |

|   |   |
|---|---|
| <b>I. Fees and charges</b>  |   |
| <p>Details of fee structure<br/><i>(Please specify the different type of fees, such as fixed fee or variable fee)</i></p>                       |   |
| <b>J. Systems and controls</b>  |   |
| <p>Will the IT systems be proprietary/ off-the-shelf/ outsourced?</p>   |   |
| <p>Business continuity and disaster recovery<br/><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<br/><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)*



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

|   |   |
|---|---|
| <br><br><br><br><br><br><br><br><br><br>..... | <br><br><br><br><br><br><br><br><br><br>..... |
| Signature                                     | Signature                                     |
| Name <i>(Director/ Partner):</i>              | Name <i>(Director/ Partner):</i>              |
| 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

|  |  |
|--|--|
| <b>C. Fees and charges</b>   |  |
| <p><b>Details of fee structure</b><br/> <i>(Please specify the different type of fees)</i></p> |  |
| <b>D. Secondary market</b>   |  |
| <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> |

**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

|   |   |
|---|---|
| <b>F. Users</b><br><i>(Reference to users includes issuer and investor)</i>   |   |
| <b>F1. Investors</b>  |   |
| 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<br><i>(As applicable, related procedures and contractual documentation to be attached)</i> |   |



| <b>F2. Issuers</b>  |  |
|---|--|
| Legal status of issuers   | <input type="checkbox"/> Sole proprietor<br><input type="checkbox"/> Partnership<br><input type="checkbox"/> Private company<br><input type="checkbox"/> Unlisted public company |
| Target sectors <i>(please specify)</i>  |  |
| Entry requirements  |  |
| Terms and conditions<br><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)*

| <b>H. Monies handling arrangements</b>    |  |
|---|--|
| Describe the monies handling arrangements |  |
| Name of licensed financial institution    |  |
| Name of trustee                           |  |

| <b>I. Transaction process flow</b>   |  |
|--|--|
| <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>                                       |  |

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

| <b>K. Business risks</b>  |   |
|---|---|
| <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><br/>           Number of Issuer: _____      Number of Investor: _____<br/>           Target funds raised: _____</p> |
| <p>Describe the risk management framework (including procedures relating to internal audit, internal controls and security)</p> |   |

| <b>L. Default management &amp; recovery</b>   |  |
|---|--|
| <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

| <b>N. Financial resources</b>  |                                   |
|--|-----------------------------------|
| 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> )<br><i>(The following minimum items must be disclosed:</i><br><i>(i) itemized gross income</i><br><i>(ii) itemized expenditure</i> | <input type="checkbox"/> Attached |

|  |   |
|--|---|
| <b>O. Systems and controls</b>   |   |
| <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.

|                          |                          |
|--------------------------|--------------------------|
| .....<br>Signature       | .....<br>Signature       |
| Name <i>(Director)</i> : | Name <i>(Director)</i> : |
| Date:                    | Date:                    |

## **Form 2C: About the Recognized Market (Digital Asset Exchange)**

Form 2C needs to be completed by an Applicant that wishes to operate a Digital Asset Exchange.

### **2C.1 RECOGNIZED MARKET (Digital Asset Exchange)**

#### **A: About the Digital Asset Exchange**

Name of Digital Asset Exchange

Types of services / facilities offered on the Digital Asset Exchange

Digital Asset Exchange model (e.g. intermediated, non-intermediated, peer-to-peer, auction, order book, centralised, non-centralised)

Other business activities that may or may not be connected to Digital Assets, if any

#### **B. Digital Assets to be traded**

Digital Assets intended to be traded

Admission standards / criteria for trading of Digital Assets as specified above



**C. Investors on the Digital Assets Exchange**

Types of investors targeted  Retail  Institutional  High Net Worth Individuals  
 Professional traders  Others (please specify):

Investors' eligibility requirements

Terms and conditions

Expected number of investors 12 months after Go Live

12 months after Go Live  
 Number of investors: \_\_\_\_\_  
 Target trading volume / value: \_\_\_\_\_

**D. Referral arrangements**

Third party \*introducer / referral, if any

Yes (If "Yes", please specify details of arrangement, including incentives structure)  No

(\*Introducer / referral party means a third party engaged by the Digital Asset Exchange Operator to refer/introduce an investor for a fee)

**E. Details of transaction process flow**

(may provide process flow diagram)

Trading and execution process

Settlement and clearing activities

Transfer and withdrawal of fiat currency or Digital Asset

**F. Market Structure**

Description of:  
i) Order types  
ii) Order matching processes (e.g. matching algorithm)  
iii) Trading hours

Volatility control mechanisms

Details of arrangements and processes to manage:  
i) error trades  
ii) systems error, failure and malfunction  
iii) investors' assets in event of any suspension or outage

**G. Risk management**

IT systems utilised in platform operationalisation

Business continuity management and disaster recovery plans

Details of main business risks

Risk management framework, including framework for cyber risk management

Details of internal audit function

Record keeping and audit trail processes

| <b>H. Compliance arrangements</b>   |  |
|---|--|
| Compliance processes and procedures to meet regulatory requirements                                   |  |
| Monitoring processes and procedures to ensure investors' compliance with Digital Asset Exchange rules |  |
| Arrangements and processes to deter and detect financial crime (e.g. AML / CFT)                       |  |
| Arrangements and processes to deter and detect market abuse   |  |
| Arrangements and processes to manage investors' disputes and complaints                               |  |
| Conflict of interest management framework   |  |
| Details of recovery and resolution processes  |  |

| <b>I. Client asset protection arrangements</b>   |   |
|--|---|
| Details of monies handling arrangements  |   |
| Name of licensed financial institution   |   |
| Name of trustee  |   |
| Details of Digital Asset custody arrangements  |   |
| Name of e-wallet service provider(s)   |   |
| Details of safeguards for custody of Digital Assets (e.g. multi-signature, two-factor authentication, hot / cold e-wallet) |   |
| <b>J. Outsourcing arrangements</b>   |   |
| Details of functions intended to be outsourced and rationale   |   |
| Details of parties that carry out the outsourced functions   |   |
| Details of monitoring arrangements on outsourced functions' service levels   |   |
| <b>K. Proprietary trading / market making</b>  |   |
| Proprietary trading for providing liquidity  | <input type="checkbox"/> Yes (If "Yes", please specify details) <input type="checkbox"/> No |
| Third-party market maker   | <input type="checkbox"/> Yes (If "Yes", please specify details) <input type="checkbox"/> No |

**L. Business plan**

Details of business model and plans over next five (5) years

**M. Fees and charges**

Details of all fees structure

**N. Personnel**

Details of key personnel and designated roles, including background, qualifications and competencies

Organisational structure / chart

**O. Financial resources**

If operations have yet to commence, please provide:

- i) Monthly cash flow forecast for first twelve (12) months of going live
- ii) Pro forma income statement for first five (5) years of going live and up to year profit is achieved

If operations have commenced, please provide:

- i) Financial statements since commencement of operations, including statement of cash flow, balance sheet, and income statement
- ii) Monthly cash flow forecast for first twelve (12) months of going live
- iii) Pro forma income statement for first five (5) years of going live and up to year profit is achieved



**P. Education and awareness**

Details of education and awareness programme

**2C.2 REGULATORY STATUS**

|  |  |
|--|--|
| Name of jurisdiction(s) in which you are operating a similar market / business   |  |
| Types of services / facilities operated in jurisdictions as specified above  |  |
| If regulated, name of regulatory authority, including self-regulatory body and evidence of authorisation including a copy of any condition imposed |  |
| Rejection or withdrawal of authorisation in any regulated activity by one or more regulated authorities in any jurisdiction                        | <input type="checkbox"/> Yes <i>(If "Yes", please specify details)</i> <input type="checkbox"/> No |

**2C.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

**2C.4 TRUE AND CORRECT INFORMATION**

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

|                          |                          |
|--------------------------|--------------------------|
| .....                    | .....                    |
| Signature                | Signature                |
| Name <i>(Director)</i> : | Name <i>(Director)</i> : |
| Date:                    | Date:                    |