

FREQUENTLY-ASKED QUESTIONS

GUIDELINES ON RECOGNIZED MARKETS

(Date of Issuance: 15 November 2022)

(Date of Revision: 6 February 2024)

Application Process for Registration

PART A: General

1. Where can an applicant seek guidance on the application process? Can an applicant submit an application immediately to the Securities Commission Malaysia (SC)?

Potential applicants can refer to the relevant steps in relation to an application as set out under the 'General Instructions' section in Form 1.

Potential applicants intending to submit an application must send an email to RMO.Registrations@seccom.com.my to request for a consultation with the SC. To ensure that the potential applicant is aware of SC's application requirements and procedures, a preliminary consultation will be arranged.

2. Where can an applicant find the application form (Form 1)?

An applicant may find the application form [here](#).

3. How should an applicant complete its application form?

An applicant must complete the application for registration as a Recognized Market Operator (RMO) under Form 1 which consists of two parts:

- (a) Part 1 (About the Applicant); and
- (b) Part 2 (About the Recognized market).

The application is to be filled by typing in the relevant spaces provided. Handwritten submissions are not encouraged. Any handwritten information in the application form should be kept to a minimum and filled in using non-erasable ink.

Please note that e-signature will not be accepted for any submission of documents in respect of an application for registration.

Before submitting an application, the applicant must ensure that it is eligible to apply as a RMO. This includes ensuring that its business model is aligned with the RMO

Guidelines. The applicant must also ensure that the information provided to the SC is complete, valid and accurate.

4. What documents must be submitted with the application form?

The application form must be submitted together with a cover letter, annexures and supporting documents which must be labelled clearly to facilitate SC's assessment. The supporting documents include, among others, a validation from an independent third-party validator as to whether the applicant's operational policies and procedures are in compliance with the relevant SC guidelines.

Please refer to Appendix 2 of the *Guidelines on Recognized Markets* (RMO Guidelines) and the 'General Instructions' section in Form 1 for further details.

5. Who can provide a validation to the SC as an independent third-party validator?

Please refer to the requirements in engaging a third-party validator set out in Appendix 3 of the RMO Guidelines. An applicant may also seek further guidance from the SC during the preliminary consultation.

6. Do applicants need to refer to other SC guidelines other than the RMO Guidelines?

An applicant must be aware of the relevant SC guidelines applicable to its business and operations and ensure compliance with all relevant requirements which includes but is not limited to the RMO Guidelines. Please refer to the 'General Instructions' section in Form 1 for further details.

7. Is there an application fee payable?

Yes, all applications for registration must be accompanied with an application fee of RM5,000 as prescribed under the *Capital Markets and Services Regulations 2012* upon submission to the SC. Payment should be made via SC's electronic payment hub, also known as e-PATH at <https://path.sc.com.my/>

8. Apart from the application fee, what are the other types of fees payable?

RMO operators may refer to the *Capital Markets and Services Regulations 2012* for further details on fees payable.

9. How will an applicant know the status of its application?

The SC will inform the applicant of the SC's decision on the application after completing its assessment. The SC may also contact the applicant for further clarification or for additional information where required.

10. Can an applicant withdraw its application after submission to the SC?

An applicant may inform the SC in writing of their intention to withdraw its application for registration at any time prior to the SC informing its decision on the application. However, the application fee will not be refundable to the applicant.

11. Can a RMO carry out its operations immediately upon registration?

In registering an applicant, the SC may impose terms and conditions required to be fulfilled prior to the applicant commencing its business or operationalising a recognized market, as well as impose any on-going terms and conditions.

Typically, a successful applicant will be given a Conditional Approval for Registration (CAR) letter which will set out the applicable terms and conditions in relation to its registration. The RMO may only commence its operations upon receiving SC's concurrence for the commencement.

PART B: Peer-to-peer Financing Platform Operators

12. Does an applicant's proposed peer-to-peer financing (P2P financing) platform need to be specific to either one of the market segments identified in the application form?

Yes, an application for registration as a P2P platform operator should only be applicable to either one of the two specified target market segments identified in the application form.

As of 31 October 2022, the two specified target market segments are:

- (a) Shariah-compliant financing, where the proposed platform is required to host Islamic investment notes only; or
- (b) Mid-tier Companies / Public Listed Companies (MTC/PLC) financing, where the proposed platform is required to host investment notes or Islamic investment notes with a minimum fundraising size of RM5 million).

For clarity, please refer to the table below for the difference between the two market segments for P2P platforms:

	Able to host conventional investment note (IN)	Able to host Islamic investment notes (IIN)*	Able to host IN/IIN less than RM5 million	Able to host IN/IIN RM5 million and above
Shahriah-compliant financing platform	x	✓	✓	✓
MTC/PLC financing platform	✓	✓	x	✓

*Note: Hosting of IIN must be in compliance with the *Guidelines on Islamic Capital Market Products and Services* (ICM Guidelines).

13. Can an applicant still apply for registration if its proposed P2P platform does not meet either one of the two market segments specified in the application form?

Currently, the invitation to apply for registration as a P2P platform operator is intended to facilitate the growth and development of the specified market segments. As such, only applications that meet either one of the two specified value propositions would be considered for assessment.

14. If an applicant is applying to operate a P2P platform for shariah-compliant financing, does the applicant need to appoint a Shariah advisor?

Yes, where an Islamic capital market product is offered, on or through the recognized market, the RMO must appoint a Shariah adviser registered or deemed to be registered under the ICM Guidelines.

Please also refer to Part B of the ICM Guidelines for more details on requirements relating to the offering of Islamic capital market products.

PART C: Equity Crowdfunding Operators

15. Can an applicant seeking registration as an equity crowdfunding (ECF) operator facilitate both conventional and Shariah-compliant fundraising?

Currently, application for registration as an ECF operator is only open for those that are facilitating Shariah-compliant fundraising only. This means that the ECF operator

will not be able to facilitate offering of capital market products which are not Shariah-compliant on its platform.

16. If an applicant is applying to operate an ECF platform for shariah-compliant fundraising, does the applicant need to appoint a Shariah advisor?

Yes, where an Islamic capital market product is offered, on or through a recognized market, the RMO must appoint a Shariah adviser registered or deemed to be registered under the ICM Guidelines.

Please also refer to Part B of the ICM Guidelines for more details on the requirements relating to the offering of Islamic capital market products.

17. Do existing ECF operators need to have a minimum paid-up share capital of RM5 million as specified in paragraph 13.03 of the RMO Guidelines?

No, the new capital requirement for ECF operators is only applicable to new applicants. Existing ECF operators are not required to comply with this requirement. However, they are encouraged to maintain an adequate level of capital to sustain their business.

PART D: Digital Asset Exchange Operators

18. What type of trading models can a digital asset exchange (DAX) operator operate in Malaysia?

A DAX operator can trade Digital Assets in Malaysia through—

- (a) an Order Book model;
- (b) a Digital Broker model; or
- (c) both models,

subject to the requirements stipulated in the RMO Guidelines.

In the case where both types of business models are selected, an applicant must ensure that it is able to satisfy the corresponding requirements of both business models.

19. What is an Order Book model?

An Order Book model refers to where a DAX operator facilitates trading of Digital Assets by matching the buy or sell orders listed on its exchange through its trading engine.

20. What is a Digital Broker model?

A Digital Broker model refers to where a DAX operator acts as a counterparty to an investor for every buy or sell order on or through its platform. This model is not intended to be intermediated by the DAX operator whereby the Digital Broker is not permitted to privately negotiate trades or prices for investors (i.e. Over-the-Counter desks) and all Digital Assets offered must be sourced from entities that are assessed by the DAX operator to be in compliant with the standards specified by the SC.

21. Can I operate a Digital Assets trading model other than through an Order Book model or Digital Broker model in Malaysia?

The SC currently only registers DAX operators which operates through an Order Book model, or a Digital Broker model, or both.

22. If the RMO is a registered RMO-DAX operator that currently offers trade through an Order Book model, does it need to register or apply as a separate Digital Broker?

If a RMO-DAX operator is already a registered DAX operator, it does not require a separate registration to be a Digital Broker. However, the RMO-DAX operator is required to obtain prior approval from the SC by demonstrating it meets the requirements to operate as a Digital Broker.

Similarly, if a RMO-DAX Operator is registered to operate a Digital Broker model and wants to facilitate trade through an Order Book model, it is required to obtain prior approval from the SC by demonstrating it meets the requirements to operate through an Order Book model.

PART E: Key Persons

23. Does a RMO need to immediately appoint a compliance officer as specified in paragraph 4.12 of the RMO Guidelines?

All new RMO registered as of 6 February 2024 must ensure that a compliance officer is appointed in compliance with paragraphs 4.12 to 4.15 of the RMO Guidelines.

In the case of an existing RMO, it must ensure that a compliance officer is appointed in compliance with the RMO Guidelines before the **end of July 2024**. However, all existing RMO are encouraged to comply with the requirement as soon as possible.