

# LICENSING HANDBOOK

**SC-GL/LH-2007 (R17-2024)**

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## LICENSING HANDBOOK

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<sup>2</sup> Save for the requirements under chapter 7A of this handbook, which took effect on 1 January 2021.

<sup>3</sup> Save for the requirements under subparagraphs 7.04(5)-7.04(26) of this handbook, which took effect on 31 March 2021.

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## Chapter 1

### INTRODUCTION

- 1.01 The *Capital Markets and Services Act 2007* (CMSA) repeals the *Securities Industry Act 1983* (SIA) and the *Futures Industry Act 1993* (FIA). The CMSA, which takes effect on 28 September 2007, introduces a single licensing regime for capital market intermediaries. Under this regime, a capital market intermediary will only need one licence to carry on the business in any one or more regulated activities. This will mean less cost and paperwork for capital market intermediaries that carry on more than one regulated activity.
- 1.02 This handbook sets out–
- (a) the single licensing regime under the CMSA;
  - (b) the criteria to be met for applying and varying a licence;
  - (c) the application procedures; and
  - (d) ongoing obligations imposed on licensed persons, including conditions and restrictions attached to a licence.
- 1.03 This handbook replaces the following guidelines:
- (a) *Guidelines for Dealers and Dealer's Representatives Under the SIA;*
  - (b) *Guidelines for Fund Managers and Fund Manager's Representatives Under the SIA;*
  - (c) *Guidelines for Investment Advisers and Investment Representatives Under the SIA;*
  - (d) *Guidelines for Futures Brokers and Futures Broker's Representatives Under the FIA;*
  - (e) *Guidelines for Futures Fund Managers and Futures Fund Manager's Representatives Under the FIA;*
  - (f) *Guidelines for Futures Trading Advisers and Futures Trading Adviser's Representatives Under the FIA;*
  - (g) *Guidelines for Submission Through the Electronic Licensing Application System;*
  - (h) *Guidelines on Permitted Activities for Stockbroking Companies;* and
  - (i) *Guidelines on Compliance with the Continuing Professional Education Requirement.*
- 1.04 Guidance on the application of the relevant requirements of this handbook has been inserted, where appropriate. Any departure from the guidance will be taken into account in the SC's assessment on whether a breach of this handbook had occurred.

- 1.05 The SC may, upon an application, grant an exemption from or a variation to the requirements of this handbook if the SC is satisfied that–
- (a) such variation, if granted, is not contrary to the intended purpose of the relevant provision in this handbook; or
  - (b) there are mitigating factors which justify the said exemption or variation.

**Note:**

1. This handbook is issued pursuant to section 377 of the CMSA and has the effect of a guideline issued by the Securities Commission Malaysia (SC). The SC can institute an action against any person contravening the requirements specified in this handbook, including administrative actions against licensed persons; and
2. Unless otherwise defined, all words used have the same meaning as defined by the CMSA.

1.06 Acronyms and definitions

For the purposes of this handbook:

ACMF	means the ASEAN Capital Markets Forum.
adviser	means an approved adviser or continuing adviser admitted by Bursa Malaysia Securities Berhad into the register of advisers to carry out initial listing activities or post-listing activities in the Leading Entrepreneur Accelerator Programme (LEAP) Market.
approved adviser	means an adviser admitted by Bursa Malaysia Securities Berhad into the register of advisers for the LEAP Market to carry out initial listing activities or post-listing activities in the LEAP Market.
back office function	means any administrative or operational function other than a regulated activity as specified under Schedule 2 of the CMSA.
BNM	means Bank Negara Malaysia.
Bursa Securities	means Bursa Malaysia Securities Berhad.
Bursa Derivatives	means Bursa Malaysia Derivatives Berhad.
business trust	has the meaning assigned to it in subsection 2(1) of the CMSA.



CFD	means contract for difference. A contract made between a buyer and a seller to gain exposure in the allowable underlying instrument whereby differences in settlement are made through cash payments.
chief executive	has the meaning assigned to it in subsection 2(1) of the CMSA.
clearing for securities or derivatives	means whether as principal or agent, carrying on the business of assuming obligations for the delivery and payment of a person's transaction relating to listed securities or standardised derivatives as set out in the rules of the approved clearing house.
clearing participant	means a participant admitted under the rules of the clearing house.
clearing house	has the meaning assigned to it in subsection 2(1) of the CMSA.
CMSL	means Capital Markets Services Licence.
CMSR	means the <i>Capital Markets Services Regulations 2007</i> .
CMSRL	means Capital Markets Services Representative's Licence.
compliance officer	means the principal person responsible for compliance function.
continuing adviser	means an adviser admitted by Bursa Malaysia Securities Berhad into the register of advisers to carry out only post-listing activities in the LEAP Market.
controller	has the same meaning as defined under subsection 60(7) of the CMSA, which means a person who—  (a) is entitled to exercise, or control the exercise of, not less than 15% of the votes attached to the voting shares in the CMSL holder;

- (b) has the power to appoint or cause to be appointed a majority of the directors of the CMSL holder; or
- (c) has the power to make or cause to be made, decisions in respect of the business or administration of such CMSL holder, and to give effect to such decisions or cause them to give effect to.

CPE	means Continuing Professional Education.
CPE Secretariat	means the Securities Industry Development Corporation, as the appointed Secretariat to administer the operational function of CPE related matters and assures quality of CPE-approved courses.
derivatives exchange	has the meaning assigned to it in subsection 2(1) of the CMSA.
EASy	means Electronic Application System.
ERP	means an employee of a registered person.
external auditor	means an auditor who is not the current statutory auditor appointed by the CMSL holder.
FIMM	means the Federation of Investment Managers Malaysia.
FMAM	means the Financial Markets Association of Malaysia.
group	means the CMSL holder's direct or ultimate holding company or any of its related companies.
Home Regulator	means the capital markets regulator of the Recognised ACMF Member Country where the Registered Representative is primarily licensed, registered, approved or authorised.

Industry Competency Framework <sup>®</sup>	means the framework in the Malaysian capital market which sets out in detail the required knowledge, skills and attributes (behavioural) for job roles and competencies titles across the regulated activities. <sup>4</sup>
investment bank (IB)	means an entity that holds a CMSL pursuant to section 58 of the CMSA for the regulated activity of dealing in securities and holds a licence under section 10 of the <i>Financial Services Act 2013</i> to carry on an investment banking business, and duly established pursuant to the <i>Guidelines on Investment Bank</i> issued jointly by BNM and the SC.
Islamic bank	means a bank licensed under the <i>Islamic Financial Services Act 2013</i> .
licensed bank	means a bank licensed under the <i>Financial Services Act 2013</i> .
manager	has the meaning assigned to it in subsection 60(8) of the CMSA.
management company	has the meaning assigned to it in subsection 2(1) of the CMSA.
non-participating organisation (non-PO)	means a holder of a CMSL for the regulated activity of dealing in securities but is not a participating organisation of the stock exchange.
outsourced functions	means back office, internal audit, risk management, compliance functions and any other function that may be determined by the SC.
outsourcing arrangement	means any arrangement for the outsourcing of outsourced functions between a CMSL holder and a service provider or a sub-contractor.
over-the-counter or OTC bonds	means bonds issued by private and public corporations that are traded over-the-counter (OTC).

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<sup>4</sup> More details are provided on [the SIDC website](#).

participating organisation (PO)	means any person who carries on the business of dealing in securities and is recognised as a participating organisation by the rules of the stock exchange and the terms "participant" and "participantship" shall be construed accordingly.
policy on permitted activities for stockbroking companies	means the <i>Policy on Permitted Activities for Stockbroking Companies</i> as set out under Appendix 1 of this handbook.
real estate investment trust (REIT)	or "property trust fund" means a unit trust scheme that invests or proposes to invest primarily in income-generating real estate.
Recognised ACMF Member Country	means a signatory country of the Memorandum of Understanding on the ASEAN Capital Markets Forum Pass under ASEAN Capital Markets Professional Mobility Framework.
Recognised Representative (RR)	means a person from a Recognised ACMF Member Country who undertakes capital market activities as specified in this handbook under the ASEAN Capital Markets Professional Mobility Framework and registered with the SC under subsection 76(2) of the CMSA.
service provider	means an entity within the group or an external entity to which the CMSL holder has outsourced the outsourced functions and includes any subsequent service provider(s) to whom the initial service provider or any subsequent service provider has further contracted the outsourced functions.
sophisticated investor	means any person who— (a) is determined to be a sophisticated investor under the <i>Guidelines on Categories of Sophisticated Investors</i> ; or (b) acquires any capital market product where the consideration is not less than two hundred and fifty thousand ringgit or its equivalent in foreign currencies for each transaction whether such amount is paid for in cash or otherwise.

SIDC	means the Securities Industry Development Corporation.
SCLE	means the SC Licensing Examinations.
special scheme broker	means a foreign stockbroking company established pursuant to the <i>Application for Establishment of Foreign Stockbroking Companies Under the Special Scheme</i> .
special scheme fund manager	means a holder of a CMSL for the regulated activity of fund management established pursuant to the <i>Application for Establishment of Foreign Fund Management Companies Under the Special Scheme</i> .
stockbroking company	means a holder of a CMSL for the regulated activity of dealing in securities and is registered as a participating organisation under the rules of the stock exchange and the terms "stockbroker" or "broker" shall be construed accordingly.
stock exchange	has the meaning assigned to it in subsection 2(1) of the CMSA.
sub-contracting	means the act of further contracting any outsourced functions or a sub-component of that function to another service provider.
trading participant (TP)	has the meaning assigned to it in the rules of the derivatives exchange.
trading representative	means a person who executes securities trades for a participating organisation and is registered with the SC under section 76 of the CMSA.
universal broker	means a stockbroking company that has merged with or acquired at least three other stockbroking companies and has satisfied all the conditions and requirements stipulated by the SC under the <i>Policy Framework for Stockbroking Industry Consolidation</i> .

1+1 broker

means a stockbroking company that has complied with the *Policy Framework for Stockbroking Industry Consolidation* and has acquired, taken-over, amalgamated or merged with at least one other stockbroking company.

1.07 References to "days" in this handbook will be taken to mean calendar days unless otherwise stated.

## Chapter 2

### LICENCES UNDER THE CMSA

#### 2.01 What is a CMSL and a CMSRL?

- (1) The CMSA provides for two types of licences:
  - CMSL, which entitles an institution to carry on the business in any one or more regulated activities; and
  - CMSRL, which entitles an individual to carry on any one or more regulated activities on behalf of his principal.
- (2) Only a holder of a CMSL or a CMSRL can carry on any of the regulated activities that the CMSL or CMSRL permits.

#### **Guidance to representatives**

##### **Note 1**

You can only carry on regulated activities that your principal is licensed to carry on.

For example, if you carry on the regulated activity of financial planning, then your principal must be licensed to carry on that activity.

##### **Note 2**

The combination of activities that a representative is allowed to carry on depends on the nature of the activities, and whether there are inherent conflicts arising from simultaneously carrying on the activities.

For example, if you are an employee of an investment bank licensed to carry on the full range of regulated activities, including dealing in securities and advising on corporate finance activities, it is unlikely that you will be allowed to carry on dealing in securities and advising on corporate finance, both at the same time.

##### **Note 3**

If your activity of corporate finance also involves assisting your principal in its underwriting arrangements, you will need to be licensed for the two regulated activities, i.e. advising on corporate finance and dealing in securities. In this instance, your dealing capability will be restricted to the underwriting arrangements that relates to the transaction which you had provided corporate finance advice on. You will not, however, be required to sit for any additional licensing examination for your dealing activities.

### ***Obligations on anniversary of licence***

- (3) Both CMSL and CMSRL are valid in perpetuity. However, licensed persons will continue to have obligations on the anniversary of their licences.

## **2.02 What are regulated activities?**

- (1) There are eight types of regulated activities under the CMSA. The list of regulated activities is set out in Schedule 2 of the CMSA. They are–
- dealing in securities;
  - dealing in derivatives;
  - clearing for securities or derivatives;
  - fund management;
  - dealing in private retirement schemes;
  - advising on corporate finance;
  - investment advice; and
  - financial planning.
- (2) The licence issued under the CMSA will set out the specific regulated activities that you can conduct.

### **Illustration 1**

An investment bank applies to the SC for approval to carry on the full range of regulated activities under the CMSA. In this case, the licence will indicate that the investment bank is allowed to carry on all the following regulated activities:

- Dealing in securities;
- Dealing in derivatives;
- Clearing for securities or derivatives;
- Fund management;
- Dealing in private retirement schemes;
- Advising on corporate finance;
- Investment advice; and
- Financial planning.



**Illustration 2**

A 1+1 broker applies to the SC for approval to carry on the range of regulated activities allowed under the policy on permitted activities for stockbroking companies. In this case, the licence will indicate that the broker is allowed to carry on all the following regulated activities:

- Dealing in securities;
- Dealing in derivatives;
- Clearing for securities or derivatives;
- Dealing in private retirement schemes;
- Advising on corporate finance;
- Investment advice; and
- Financial planning.

**2.03 Licences for dealing in securities**

*Dealing in securities – general*

- (1) If you carry on the business of dealing in securities, you will be granted a CMSL for dealing in securities. You may deal in all securities, including equities, debentures, unit trust products and any other structured product.

*Dealing in securities – restricted*

- (2) If you carry on the business of dealing in securities but is not registered as a PO, you will be granted a restricted dealing in securities licence. Currently, there are three categories of restricted dealing in securities licence:
  - (a) Restricted dealing in unit trust products;
  - (b) Restricted dealing in listed securities; or
  - (c) Restricted dealing in OTC bonds.
- (3) The restricted dealing in securities licence will indicate which category that you will be dealing in. If you intend to expand your respective restricted dealing in securities licence to include any of the categories referred to in subparagraph 2.03(2), you will need to seek the SC's approval for variation of licence.

### ***Dealing in unit trust products***

- (4) The requirement to obtain a CMSL for dealing in unit trust products is only applicable to a principal who deals in unit trust products, including:
  - (a) A unit trust management company;
  - (b) A CMSL holder licensed for fund management in relation to portfolio management who also wishes to deal in unit trust products;
  - (c) A CMSL holder licensed for financial planning distributing unit trust products; and
  - (d) Any other person as the SC deems appropriate.
- (5) Such principal is required to be a member of or registered with a body approved by the SC, which is FIMM.

### ***Agents and employees of a holder of a CMSL for dealing in unit trust products***

- (6) Agents and employees of a holder of a CMSL for dealing in unit trust products only will not be required to hold a CMSRL. However, they must be registered with FIMM and comply with the provisions of Chapter 3 on registered persons and any other guidelines issued by the SC.

## **2.03 A Licences for dealing in derivatives**

### ***Dealing in derivatives – general***

- (1) If you carry on the business of dealing in derivatives and is registered as a TP, you will be granted a CMSL for dealing in derivatives.

### ***Dealing in derivatives – restricted***

- (2) If you carry on the business of dealing in derivatives in relation to CFD, you will be granted a restricted dealing in derivatives licence, under the category of restricted dealing in CFD.

## **2.04 Licences for dealing in private retirement schemes**

- (1) The requirement to obtain a CMSL for dealing in private retirement schemes is only applicable to a principal who deals in private retirement schemes, including:
  - (a) An approved private retirement scheme provider under the CMSA;
  - (b) Unit trust management companies;
  - (c) A CMSL holder licensed for fund management in relation to portfolio management;

- (d) A CMSL holder licensed for financial planning distributing private retirement schemes;
  - (e) A CMSL holder licensed for dealing in securities;
  - (f) A CMSL holder licensed for dealing in securities restricted to unit trusts;
  - (g) An insurance company licensed under the *Financial Services Act 2013* (FSA);
  - (h) An approved insurance broker under section 11 of the FSA 2013 to carry on insurance broking business or approved takaful broker under section 11 of the Islamic FSA 2013 to carry on takaful broking business;
  - (i) Financial advisers licensed under the *Insurance Act 1996*; and
  - (j) Any other person as the SC deems appropriate.
- (2) Such principal is required to be a member of or registered with a body approved by the SC, which is FIMM.

*Agents and employees of a holder of a CMSL for dealing in private retirement schemes or of a Registered Person dealing in private retirement schemes*

- (3) Agents and employees of a holder of a CMSL for dealing in private retirement schemes or of a Registered Person dealing in private retirement schemes only will not be required to hold a CMSRL. However, they must be registered with FIMM and comply with the provisions of Chapter 3 on registered persons and any other relevant guidelines issued by the SC.

## **2.05 Licences for fund management in relation to portfolio management**

### ***Portfolio management***

- (1) If you carry on the business of fund management in relation to portfolio management, a licence for fund management in relation to portfolio management will be granted to manage a portfolio of securities or derivatives or a combination of both.

### ***Portfolio management – digital investment management***

- (2) If you carry on the business of fund management incorporating innovative technologies into your automated discretionary portfolio management services offered to your clients, you will be granted a licence for fund management in relation to portfolio management as a digital investment manager.

***Portfolio management – boutique portfolio management***

- (3) If you carry on the business of fund management in relation to portfolio management that–
- (a) manage assets of not more than RM750 million;
  - (b) only deal with sophisticated investors; and
  - (c) has total number of clients which does not exceed 50, and where such clients are funds or collective investment schemes, the maximum number of such funds or collective investment schemes is 15,
- you will be granted a licence for fund management in relation to portfolio management as a boutique portfolio manager.

**Guidance on portfolio management**

A holder of a CMSL for fund management in relation to portfolio management, including digital investment management company and boutique portfolio management company, may provide investment advisory services to its clients, pursuant to an advisory mandate.

**2.06 Licences for fund management in relation to asset management**

- (1) If you carry on the business of a trustee manager only, you will be granted a fund management in relation to asset management licence, restricted to business trusts, i.e. a restricted CMSL for fund management to manage business trusts only.
- (2) If you carry on the business of a REIT manager only, you will be granted a fund management in relation to asset management licence, restricted to REITs, i.e. a restricted CMSL for fund management to manage REITs only.
- (3) Only the following may apply for a CMSL for fund management in relation to asset management restricted to REITs:
- (a) An existing holder of a CMSL for fund management in relation to portfolio management that is also a unit trust management company; or
  - (b) A subsidiary of the following:
    - (i) A company involved in the financial services industry in Malaysia;
    - (ii) A property-development company;
    - (iii) A property-investment holding company; or
    - (iv) Any other person as the SC deems appropriate.

## **2.06 A Licences for clearing for securities or derivatives**

- (1) If you carry on the business of clearing for securities or derivatives, you will be granted a licence for clearing for securities or derivatives.
- (2) In respect of clearing for derivatives, persons who carry on the business of dealing in derivatives and intend to continue undertaking clearing activity for derivatives are deemed to be licensed under the CMSA for such clearing activity. Therefore, such persons are not required to make any new application for a licence to undertake clearing for derivatives.
- (3) Employees of a holder of a CMSL for clearing for securities or derivatives will not be required to hold a CMSRL.

## **2.07 Temporary licence for foreign intermediaries**

- (1) A foreign intermediary may be considered for a temporary CMSRL provided the foreign intermediary satisfies the following conditions:
  - (a) That the foreign intermediary is appropriately licensed, registered or approved in its home jurisdiction;
  - (b) In the SC's opinion, the regulation of the foreign intermediary by its home regulator is sufficiently equivalent to the regulation of the SC; and
  - (c) There are effective co-operation arrangements between the home regulator and the SC. Effective co-operation arrangements will provide for—
    - (i) prompt sharing of information by the relevant home regulator; and
    - (ii) effective co-operation on supervision, investigation and enforcement.
- (2) The temporary CMSRL granted to the foreign intermediary is subjected to the following conditions:
  - (a) The regulated activities carried out in Malaysia as may be determined by the SC, must only be provided to sophisticated investors;
  - (b) The regulated activities carried out in Malaysia must comply with the requirements of the foreign intermediary's home regulatory regime;
  - (c) Throughout the duration of its licence the foreign intermediary must remain licensed, registered or approved under its home regulatory regime; and
  - (d) In the SC's opinion, the foreign intermediary's home regulatory regime must continue to be sufficiently equivalent to our own regime.

- (3) The tenure of the temporary CMSRL granted to the foreign intermediary will be for a maximum period of three months. The foreign intermediary must submit a fresh application for a further three-month period if more time is required to complete the work assignment. We may grant a temporary licence for a total maximum period of six months within a 24-month period. The 24-month period will commence on the date of issue of the first temporary licence.
- (4) Applications for a temporary CMSRL licence must be made in the form and manner as specified by the SC.

**Guidance on product support by foreign intermediaries**

If a foreign intermediary is invited by a CMSL holder to provide support and training for a particular product, he will not be required to hold a licence provided that—

- (a) the foreign intermediary has an arrangement or understanding with the CMSL holder;
- (b) all marketing activities are conducted by the CMSL holder;
- (c) intermediation is carried out by the CMSL holder that takes full responsibility and accountability for any marketing or provision of investment advice for the product;
- (d) the foreign intermediary does not distribute any of his own promotional materials to the clients of the CMSL holder; or
- (e) the foreign intermediary is appropriately licensed, registered or approved in his home jurisdiction.

**2.08 In what situation is a licence not required?**

- (1) In a limited number of situations, persons or entities may engage in a regulated activity without having to hold a licence. These situations are set out in Schedule 3 (Specified Persons) and Schedule 4 (Registered Persons) of the CMSA. It is important that these activities are carried on within the parameters set out in Schedule 3 and Schedule 4 by specified persons and registered persons respectively, such as being solely incidental to the carrying on of the practice of their profession, or where such activities are being performed solely for the benefit of a related corporation or restricted to the activities provided for in Schedule 4.

## Chapter 3

### REGISTERED PERSONS

#### 3.01 What is the status of registered persons under the CMSA?

- (1) Registered persons are allowed to carry out certain regulated activities without having to apply for a CMSL. These persons include the financial institutions set out in Schedule 4 of the CMSA and other entities, such as credit rating agencies and bond pricing agencies. The scope of regulated activities which may be carried out by registered persons are set out in the Second Column of Schedule 4. Financial institutions engaging in regulated activities will, however, be required to comply with certain integral investor protection and conflict management provisions in the CMSA in ensuring that minimum standards of conduct are observed.
- (2) Registered persons also include unit trust agents who are registered with FIMM.

#### 3.02 Who is a registered person?

- (1) Section 76 of the CMSA sets out the following to be registered persons:
  - (a) Persons set out in Parts 1 and 2 of Schedule 4 of the CMSA;
  - (b) Individuals registered with a recognised self-regulatory organisation;
  - (c) Individuals registered with a body approved by the SC; and
  - (d) Persons who are registered with the SC.

#### *Financial institutions who are registered persons*

- (2) Persons set out in Part 1 of Schedule 4 of the CMSA are—
  - licensed banks;
  - licensed merchant banks;
  - licensed Islamic banks;
  - licensed finance companies;
  - licensed insurance companies;
  - registered takaful operators;
  - Bank Kerjasama Rakyat Malaysia Berhad;
  - Bank Simpanan Nasional Berhad;
  - Bank Pembangunan Malaysia Berhad; and
  - KAF Investment Bank Berhad.

- (3) For clarification, an investment bank is not a registered person for purposes of the CMSA. This is because an investment bank may be licensed as a CMSL holder for all eight regulated activities.

***Other registered persons***

- (4) Registered persons other than financial institution who are described in Part 2 of Schedule 4 are—
  - (a) any venture capital corporation and venture capital management corporation registered under the SC's *Guidelines on the Registration of Venture Capital and Private Equity Corporations and Management Corporations*;
  - (b) any credit rating agency registered under the SC's *Guidelines on the Registration of Credit Rating Agencies*;
  - (c) any bond pricing agency registered under the SC's *Guidelines on the Registration of Bond Pricing Agencies*; and
  - (d) Pengurusan Danaharta Nasional Berhad and all its subsidiaries prescribed under subsection 60(2) of the *Pengurusan Danaharta Nasional Berhad Act 1998*.

***Individuals registered with a body approved by the SC***

***Agents and employees of a holder of a CMSL for dealing in unit trust products***

- (5) Agents and employees who deal in unit trust products on behalf of a holder of CMSL for dealing in unit trust products will not be required to hold a CMSRL. Such agents and employees are, however, required to be registered with FIMM.
- (6) Further, these agents and employees must pass the examinations for persons dealing in unit trusts (PDUT) or any other qualification recognised by FIMM and approved by the SC in order to carry on their dealing in unit trust products.

***Agents and employees of a holder of a CMSL for dealing in private retirement schemes***

- (7) Agents and employees who deal in private retirement schemes on behalf of a holder of a CMSL for dealing in private retirement schemes will not be required to hold a CMSRL. Such agents and employees are however, required to be registered with FIMM.
- (8) Further, these agents and employees must pass the examinations for persons dealing in private retirement schemes or any other qualification recognised by FIMM and approved by the SC to carry out their dealing in private retirement schemes.



### ***Persons registered under subsection 76(2) of the CMSA***

- (9) An employee of a PO who only accept clients' orders (order taking) and executes securities trades for the PO must be registered with the SC under subsection 76(2) of the CMSA as a trading representative. The requirements relating to trading representative are set out in Chapter 11 of this handbook.
- (10) An eligible professional from a Recognised ACMF Member Country, who undertakes capital market activities as specified in this handbook under the ASEAN Capital Markets Professional Mobility Framework must be registered with the SC under subsection 76(2) of the CMSA as a Recognised Representative. The requirements relating to the Recognised Representative are also set out in Chapter 12 of this handbook.

#### **Guidance to registered persons**

Except for the category of registered persons under subsection 76(2) of the CMSA, you do not need to apply for registration with the SC as your registered person status is provided for by operation of law.

### **3.03 Who is responsible for supervising registered persons?**

#### ***Financial institutions***

- (1) BNM is responsible for supervising this category of registered persons in terms of ensuring that–
  - (a) this category of registered persons complies with the integral investor protection provisions in sections 91, 92, 93 and 97 of the CMSA and any regulation or guideline made pursuant to these sections; and
  - (b) individuals employed by this category of registered persons are fit and proper and that the registered persons maintain a register of these individuals.

#### **Guidance to financial institutions**

The CMSA provides a one-year transitional period from 28 September 2007 for financial institutions to comply with the relevant requirements in the CMSA. In supervising such financial institutions, BNM and the SC will co-ordinate to ensure that similar standards and requirements are applied to the financial institutions and the employees with regard to the regulated activities that the financial institutions carry on.

#### ***Other registered persons***

- (2) The SC is responsible for supervising all categories of registered persons other than financial institutions.

- (3) The SC may withdraw a registration which has been accorded to a person—
  - (a) who has been registered with the SC; or
  - (b) specified in Part 2 of Schedule 4 of the CMSA,

if it is necessary for the protection of investors or public interest or for the maintenance of an orderly market.

## Chapter 4

### LICENSING CRITERIA

In authorising<sup>5</sup> any person wishing to undertake capital market activities<sup>6</sup>, the SC will not grant authorisation unless the application is in the best interest of Malaysia. 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) Contribution towards attracting investments, enhancing market linkages and promoting vibrancy in the capital market;
- (d) 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.

#### 4.01 Fit and proper

- (1) Persons who apply to be licensed under the CMSA must be fit and proper, as set out in sections 64 and 65 of the CMSA. In assessing if you are fit and proper, we refer to the following criteria:
  - Your organisational requirements;
  - Your shareholding composition;
  - The adequacy of your financial resources; and
  - Requirements relating to representatives' competencies.

In assessing a licence application, the SC is also guided by relevant policies and guidelines, such as the policy on permitted activities for stockbroking companies and the *Guidelines on Investment Banks*.

- (2) Every CMSL applicant will be required to submit its business model and scope of activities that it plans to carry on.

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<sup>5</sup> Authorising includes grant of licence, registration or approval, as the case may be.

<sup>6</sup> Capital market activity means any type of regulated activity or capital market services as defined under the CMSA.

## What are the requirements for a CMSL?

### 4.02 Organisational requirements

#### *Incorporation*

- (1) If you want to carry on any of the following regulated activities, you must be a company incorporated in Malaysia:
  - Dealing in securities;
  - Dealing in derivatives;
  - Clearing for securities or derivatives;
  - Fund management;
  - Dealing in private retirement schemes;
  - Advising on corporate finance; and
  - Investment advice.
- (2) However, if you want to carry on the regulated activity of financial planning, you may do so either as a company, sole proprietorship or partnership. If you are a sole proprietor or in a partnership, you will be granted a CMSL but you will not be allowed to have any licensed representative acting on your behalf.

#### *Member of an alternative dispute resolution body*

- (2A) CMSL holders who carry on one or more of the following regulated activities are required to be a member of an alternative dispute resolution body (ADR body) that is approved by the SC:
  - Dealing in securities;
  - Dealing in derivatives;
  - Fund management but excluding asset manager managing listed unit trust schemes; and
  - Dealing in private retirement schemes.
- (2B) A CMSL holder that is a member of an alternative dispute resolution body must comply with the rules of the ADR body.

#### *Audit Oversight Board*

- (2C) As a public interest entity, CMSL holders that carry on one or more of the following regulated activities are required to engage auditors that are registered with the Audit Oversight Board:
  - Dealing in securities;
  - Dealing in derivatives; and

- Fund management.

### ***Capital Market Compensation Fund***

(2D) Holders of a CMSL for dealing in securities, dealing in derivatives or fund management are required to contribute to the Capital Market Compensation Fund in accordance with the Capital Markets and Services (Capital Market Compensation Fund) (Contribution) Order 2012.

### ***Organisational competence***

- (3) As a CMSL applicant, you must ensure that your business is properly established, which includes the following:
- An organisational structure with clear lines of responsibility and authority;
  - Necessary IT systems and infrastructure, including policies and procedures for IT audit as well as plans for continuous investment in systems development and security system;
  - Adequate internal control systems;
  - Risk management policies and procedures, including having in place a business continuity plan and processes;
  - Policies and procedures on conflict management, anti-corruption, whistleblowing, and the monitoring of unethical conduct and market abuse that are appropriate to the nature, scale and complexity of its business; and
  - Policies and procedures to ensure compliance with applicable laws and regulations.

#### **Guidance to subparagraph 4.02(3)**

The policies and procedures on anti-corruption should be guided by the *Guidelines on Adequate Procedures* issued pursuant to subsection 17A(5) of the *Malaysian Anti-Corruption Commission Act 2009*.

- (3A) If you are applying for a CMSL to carry out digital investment management activities, you must ensure that you have technology capabilities and support to undertake the digital investment management business. You must—
- (a) have sufficient understanding of the rationale, risks and rules behind the algorithm underpinning the digital investment management business;
  - (b) ensure at all times the outcomes produced by the algorithm are—

- (i) consistent with the digital investment management company's investment strategies;
    - (ii) commensurate with the risk profile of the investor; and
    - (iii) compliant with securities laws and relevant guidelines; and
  - (c) have the system to support the digital investment management business which includes maintaining a secure environment pursuant to the *Guidelines on Management of Cyber Risk* and other relevant guidelines.
- (4) In situations where you want to carry on more than one regulated activity, you must demonstrate that you have–
- (a) the requisite system and procedures to monitor all relevant activities within your organisation; and
  - (b) control procedures in place to monitor any conflict of interest, unethical conduct and market abuse.
- (4A) As part of the business model and scope of activities to support the application for a CMSL, the following may also be required:
- (a) Value proposition of the business model;
  - (b) Investments in creating investor awareness, product understanding and development of the industry; and
  - (c) An independent report on operational and system readiness.

### ***Digital value proposition***

- (4B) In addition to the above, if you carry on the activity of digital investment management, you must also comply with the digital value proposition, which includes, but is not limited to, the following:
- (a) **Digital business model**  
The business model must have a clear value proposition that demonstrates how digital innovations can deliver positive outcomes to its target investors and any other target beneficiaries.
  - (b) **User-centric delivery**  
Delivery of services to target investors and any other target beneficiaries must include user-centric interface and experience, integrated investor education on the services offered to create greater confidence, trust and engagement, and transparent fee structure.

(c) **Automated investment proposition**

Automated proposition must involve core components of portfolio management services, including risk profiling, suitability assessment, asset allocation and rebalancing. Applicants may not be eligible if only limited parts or only non-core parts of the investment service are automated.

***Fit and proper requirements for directors, chief executive, managers and controllers of a CMSL applicant***

***General requirements***

- (4C) Your directors, chief executive, managers and controllers must be fit and proper. As a CMSL applicant, you must ensure that none of the grounds specified in subparagraphs 64(1)(h), 64(1)(i), 64(1)(l) and 64(1)(m) of the CMSA applies to any of them.

***Prior approval for establishment of new business or acquisition of shares / interests in or outside Malaysia***

- (5) A CMSL holder must obtain the SC's prior approval when establishing a new business or acquiring shares / interests in or outside Malaysia in relation to capital market-based activities.

***Notification of establishment of new business or acquisition of shares / interests in or outside Malaysia***

- (6) A CMSL holder must notify the SC within 14 days of establishing a new business or acquiring shares / interests in or outside Malaysia in relation to non-capital market-based activities.

***Notification of disposal of business or shares / interests in or outside Malaysia***

- (7) A CMSL holder must notify the SC within 14 days of disposing of a business or shares / interests in or outside Malaysia.

***Prior approval for change in controller***

- (8) A CMSL holder is required to obtain the SC's prior approval in circumstances where any proposed change in the direct or indirect shareholding of the CMSL holder will result in the change in its controller.
- (9) Controller has the same meaning as defined under subsection 60(7) of the CMSA, which means a person who—

- (a) is entitled to exercise, or control the exercise of, not less than 15% of the votes attached to the voting shares in the CMSL holder;
- (b) has the power to appoint or cause to be appointed a majority of the directors of the CMSL holder; or
- (c) has the power to make or cause to be made, decisions in respect of the business or administration of such CMSL holder, and to give effect to such decisions or cause them to be given effect to.

***Prior approval for the appointment of chief executive***

- (10) All CMSL holders, including investment banks should seek the SC's prior approval for the appointment of its chief executive.
- (11) The chief executive is expected to demonstrate the capability and competence to lead the company. The chief executive must act honestly and exercise due skill and diligence and be suitably qualified to assume the position.
- (11A) If the position of chief executive becomes vacant, the CMSL holder is expected to take the necessary steps to fill the position within three months from the date of the vacancy.

***Process flow for the appointment of directors***

- (12) You can appoint directors without prior approval of the SC. However, before appointing a director, you must undertake the necessary due diligence to ensure that the candidate is fit and proper, and suitably qualified to assume the position.
- (13) You are required to notify the SC in writing on the appointment or reappointment of a director **within two business days** of the appointment or reappointment, or prior to any public announcement, whichever is earlier.
- (14) We will carry out a post-appointment assessment of directors of a CMSL holder. If our assessment reveals that a director is not fit and proper, we may direct you to remove the person from the post.

**Guidance to investment banks**

You will also need to comply with the *Guidelines on Investment Banks* for the appointment of your directors and chief executive officers.



***Requirement for director to attend the Capital Market Director Programme (CMDP)***

- (15) Effective from 1 May 2015, directors of CMSL holders for dealing in securities, dealing in derivatives and fund management in relation to portfolio management must complete the CMDP.
- (16) Newly appointed directors must complete CMDP within six months from the date of their appointment. Directors who were appointed prior to 1 May 2015 must complete the CMDP within the timeline specified by the SC.

***Requirement for licensed director***

- (17) Except as provided in subparagraphs 4.02(18) to 4.02(22), you must have at least one director who—
  - (a) has a minimum of 10 years of relevant experience in the licensed regulated activity;
  - (b) holds a CMSRL for the regulated activity; and
  - (c) must be approved by the SC prior to undertaking the function as a licensed director.
- (17A) If the position of licensed director becomes vacant, the CMSL holder is expected to take the necessary steps to fill the position within three months from the date of the vacancy.
- (18) The requirement in subparagraph 4.02(17) is not mandatory if you are an investment bank, a boutique portfolio management company or only licensed for clearing for securities or derivatives.
- (18A) If you are licensed for digital investment management, your director is required to have a minimum of five years of relevant experience in fund management and holds a CMSRL for portfolio management.
- (19) If you are licensed for dealing in unit trust products or dealing in private retirement schemes, your director need not hold a CMSRL. However, he must be registered with the FIMM and have a minimum of 10 years of relevant experience in the capital market industry.
- (20) If you are licensed for both dealing in unit trust products and dealing in private retirement schemes, you can appoint one director who must be registered with FIMM for dealing in both private retirement schemes and in unit trust products and also have a minimum of 10 years of relevant experience in the capital market industry.

- (21) If you are licensed for financial planning and for dealing in unit trust products and/or dealing in private retirement schemes, your director must hold a CMSRL for the regulated activity of financial planning and must be registered with FIMM for dealing in unit trust products and/or private retirement schemes, and also have a minimum of 10 years of relevant experience in the capital market industry.
- (22) If you are licensed for fund management in relation to asset management, your director must hold a CMSRL for the regulated activity of fund management in relation to asset management restricted to business trusts or REITs. Your director must show the relevant experience and knowledge in the management of the specific assets invested in by the asset manager, or in the management of a class of asset in a unit trust scheme.

**Note:** The requirement for appointing a licensed director for a regulated activity is to ensure that a person with board representation will be able to provide direction and feedback to the board on issues relating to the carrying on of the regulated activity, as well as supervising representatives with respect to such an activity.

***Requirement for head of regulated activity***

- (23) If you are licensed to carry on more than one type of regulated activity, then in addition to the requirement of a licensed director, you must also have a person with a minimum of eight years of relevant experience to head each additional regulated activity. The requirement for appointing a head for each regulated activity is to ensure that a person with the necessary skills and expertise will provide guidance and supervision to the representatives carrying on that particular regulated activity. However, this requirement is not applicable for the regulated activity of clearing for securities or derivatives.
- (24) An individual can be appointed to be the head of more than one regulated activity, provided he is fit and proper, and there is no conflict in him performing such functions. The head must–
- (a) hold a CMSRL;
  - (b) have sufficient authority to supervise the business of the licensed regulated activity; and
  - (c) be approved by the SC prior to undertaking the function as a head of regulated activity.
- (25) If you are an investment bank where it is not mandatory to have a licensed director, a head is required for each regulated activity.

***Requirement for head of operations***

- (26) If you are licensed to carry on the regulated activity of dealing in securities and you are a participating organisation (PO) of the stock exchange, you must have a head of operations and this person must not be involved in dealing in securities. This is to avoid any conflict of interest that may arise if such a person deals in securities. In addition, such person must be approved by the SC prior to undertaking the function as a head of operations.

***Requirement for compliance officer***

- (27) If you are licensed to carry on the regulated activity of dealing in securities and you are a PO, dealing in derivatives or fund management in relation to portfolio management or clearing for securities or derivatives, you are required to have a compliance officer. This person must carry out the compliance function pertaining to the securities laws, regulations and guidelines and any other applicable law governing the regulated activities. He must not deal in securities, deal in derivatives or manage funds. This is to avoid potential conflicts of interest. In addition, such person must be approved by the SC prior to undertaking the function as a compliance officer.

**Guidance to subparagraph 4.02(27)**

If you are licensed to carry on the activity of dealing in securities (restricted to listed securities or OTC bonds or unit trusts), fund management in relation to asset management, digital investment management or boutique portfolio management, you may have a responsible person for compliance instead of a dedicated compliance officer.

***Requirement for head of compliance***

- (28) If you are licensed to carry on the regulated activity of dealing in securities and you are an investment bank or a universal broker, you are required to have a head of compliance. This person must not be involved in dealing in securities. The head of compliance is responsible for overall supervision of compliance with securities laws, regulations and guidelines, and any other applicable law governing the regulated activities. In addition, such person must be approved by the SC prior to undertaking the function as a head of compliance.
- (29) Where the regulated activities are carried on through a group of companies, the function of the head of compliance can be centralised.

***Requirement for responsible person for clearing for derivatives***

(29A) If you are licensed to carry on the regulated activity of clearing for securities or derivatives, you are required to have a responsible person for each of the following functions:

- (a) Risk management of the clearing activity; and
- (b) Overall clearing business.

These persons are responsible in ensuring compliance with securities laws and any other relevant guidelines. Such person must be approved by the SC prior to undertaking the function as a responsible person.

**Guidance to subparagraph 4.02(29A)**

If you are already licensed to carry on the regulated activity of dealing in derivatives and wish to continue with the clearing activity, you are required to register a responsible person for risk management and a responsible person for overall clearing business. These responsible persons shall not hold a CMSRL.

***Requirement for minimum number of CMSRL holders***

- (30) You must have at least two CMSRL holders for each regulated activity at all times. If the number of CMSRL holders falls below the minimum requirement of two, you must take immediate steps to fill the position. If you are licensed for dealing in unit trust products and/or dealing in private retirement schemes, you must have at least two individuals who are registered with FIMM at all times.
- (31) If you are licensed as a boutique portfolio management company and if the assets under management are RM300 million or less, you must have at least one CMSRL holder at all times and that CMSRL holder must be a substantial shareholder and/or director of the boutique portfolio management company.
- (32) A CMSRL holder may be licensed for more than one regulated activity, provided he is fit and proper, and there is no conflict in him performing such activities.
- (33) Given the importance of the positions of head of regulated activity, head of operations, compliance officer and head of compliance, you must ensure that individuals appointed to these positions satisfy the requirements of paragraph 4.06.

**Guidance to applicants**

You must always have adequate and competent personnel for conducting your business efficiently, honestly and fairly, and with the integrity and professional skills appropriate to the nature and scale of your activities.

***Bumiputera directors, representatives and employees' composition***

(34) The composition of your board of directors, representatives and employees must be in accordance with the national policy of Malaysia. The specific requirements applicable to a CMSL holder operating as an investment bank are set out in the *Guidelines on Investment Banks*. Therefore, the following requirements regarding the Bumiputera director, representative and employee composition do not apply to an investment bank.

***Director***

- (35) You must at all times have a Bumiputera director on your board. However, this requirement does not apply if you are—
- a special scheme broker, including a special scheme broker promoting investments from the Middle East;
  - a special scheme fund manager, including an Islamic fund management company;
  - a company which deals in derivatives;
  - a company which is licensed for clearing for securities or derivatives;
  - a digital investment management company, boutique portfolio management company or an asset management company; or
  - an approved insurance broker under section 11 of the *Financial Services Act 2013* (FSA) that deals in private retirement scheme or approved takaful broker under section 11 of the *Islamic FSA* that deals in private retirement scheme.

***Representative***

- (36) You must at all times maintain at least 30% Bumiputera composition of your representatives for your licensed activities. This requirement is not applicable if you are a company which deals in derivatives, an Islamic fund management company, a digital investment management company, a boutique portfolio management company or an asset management company.
- (37) If you are licensed to deal in securities and you are a PO and employ remisiers (commissioned representatives), you must maintain a minimum of 15% Bumiputera composition of all your remisiers.

**Illustration**

A CMSL holder, who is licensed to carry on the regulated activities of dealing in securities and dealing in derivatives, employs the following number of licensed representatives:

Salaried CMSRL holders licensed to deal in securities	40
Commissioned CMSRL holders licensed to deal in securities	60
<b>Total number of CMSRL holders licensed to deal in securities</b>	<b>100</b>
CMSRL holders licensed to deal in derivatives	20
<b>Total number of CMSRL holders</b>	<b>120</b>

Of the total 100 CMSRL holders licensed to deal in securities, at least 30 must be Bumiputera. Of the 60 commissioned CMSRL holders licensed to deal in securities, at least nine must be Bumiputera. However, the Bumiputera representative composition does not apply to the 20 CMSRL holders licensed to deal in derivatives.

***Employee***

- (38) You must at all times maintain a Bumiputera composition of at least 30% of your employees. However, this requirement does not apply if you are a company which deals in derivatives, a digital investment management company, a boutique portfolio management company, an asset management company or approved insurance and takaful brokers that deal in private retirement scheme or undertakes clearing for securities or derivatives.

***Readiness assessment***

- (39) A CMSL applicant may be required to undertake a readiness assessment by completing and submitting a readiness checklist to the SC when applying to be licensed for a regulated activity or to add on another regulated activity.
- (40) The readiness assessment may include, but not limited to, the applicant's risk management system, capital adequacy, system security, organisational structure, operational manuals, information technology, policies and procedures, internal controls and systems, and procedures for compliance with applicable laws and regulations.

***Participants of exchange***

- (41) In the case of a CMSL applicant intending to become a participant of the stock exchange, the derivative exchange or the clearing house for carrying on any of the following regulated activities:
- (a) Dealing in securities as a PO;

- (b) Dealing in derivatives as a TP; or
- (c) Clearing for securities or derivatives as a clearing participant,

the applicant must first submit its proposal to the SC for review and, upon obtaining SC's clearance, engage Bursa Malaysia with the view to satisfy the additional requirements as set out under subparagraph 4.02(43).

- (42) Notwithstanding the applicant may have satisfied the additional requirements under subparagraph 4.02(43), the SC may conduct a further assessment to ascertain the applicant's readiness to carry on the regulated activity as a PO, TP or clearing participant before the SC grants the licence.
- (43) The applicant must have—
  - (a) undergone the readiness assessment conducted by Bursa Malaysia to become a participant of the stock exchange, the derivative exchange or the clearing house, as the case may be; and
  - (b) obtained an approval in principle from the following:
    - (i) Bursa Securities to become a PO;
    - (ii) Bursa Derivatives to become a TP;
    - (iii) Bursa Malaysia Securities Clearing Sdn Bhd to become a clearing participant; or
    - (iv) Bursa Malaysia Derivatives Clearing Berhad to become a clearing participant.

#### **4.03 Shareholder composition**

- (1) Except for the shareholding requirement for investment banks which is a minimum of 30% local shareholding, there are no other specific shareholding requirements for the other regulated activities.
- (2) If you carry on the regulated activity of fund management in relation to portfolio management, you must also satisfy the following:
  - (a) You must be a "related corporation" of an entity regulated by the SC or BNM or such other entities as may be approved by SC; or
  - (b) If you are a company owned by individuals, two of your shareholders whose total shareholding forms the majority (51% or more) in the company must have the requisite track record, as follows:
    - (i) Each of the two shareholders must have at least 10 years of relevant experience in the capital market; and
    - (ii) At least one of the two shareholders must have five years of direct experience in fund management in relation to portfolio management activities.

**Guidance to subparagraph 4.03(2)**

This requirement is a continuing obligation and must be maintained even if there are changes to your shareholders and/or your shareholding composition.

- (2A) Subparagraph 4.03(2) is not applicable if you carry on the regulated activity of fund management in relation to portfolio management as a digital investment management company.
- (3) If you are a stockbroking company that is not an investment bank–
  - (a) a person who wishes to acquire more than 51% of the total paid-up capital of a PO must be a company or corporation with shareholders' funds of not less than RM100 million; and
  - (b) no individual other than a Malaysian citizen, may hold up to 10% of the total paid-up capital of a stockbroking company. The aggregate total participation of individuals in the share capital of the stockbroking company shall not be more than 49% of the total paid-up capital.

***Notification of other changes to shareholding***

- (4) For changes in shareholding composition or paid-up capital that does not result in a change of controller, the Authorisation and Licensing Department of the SC must be notified within 14 days of the occurrence of the event.

**Guidance to investment banks**

Any proposed change to your shareholding will be subject to the *Guidelines on Investment Banks*.

**4.04 Adequacy of financial resources**

- (1) You must satisfy the minimum financial requirements for a regulated activity and any other requirements specified by the SC or the rules of a stock exchange or a futures exchange.
- (2) A CMSL holder, regardless of the type of regulated activity that it carries out, must maintain at all times the applicable minimum financial thresholds set out in Table 1.
- (3) If you carry on more than one regulated activity, you will be subject to the highest of the minimum financial requirements.



Table 1: Minimum Financial Requirements for a CMSL Holder

Regulated Activity	Minimum Financial Requirement
Dealing in securities	<p><b>Investment bank (IB)</b></p> <ul style="list-style-type: none"> <li>• Capital funds unimpaired by losses of RM2 billion on a banking group basis, for investment banks that are part of banking groups; or</li> <li>• Capital funds of RM500 million, for investment banks that are not part of banking groups; and</li> <li>• Regulatory capital adequacy ratios and capital requirements as determined by BNM.</li> </ul> <p><b>Universal broker (UB)</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM100 million;</li> <li>• Shareholders' funds of RM100 million; and</li> <li>• Capital adequacy ratio of 1.2 or any other financial requirement as determined by the SC from time to time.</li> </ul> <p><b>Stockbroking company (other than IB or UB)</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM20 million;</li> <li>• Shareholders' funds of RM20 million; and</li> <li>• Capital adequacy ratio of 1.2 or any other financial requirement as determined by the SC from time to time.</li> </ul> <p><b>Dealing in unlisted debt securities</b></p> <p><b>Advising on corporate finance (acting as a principal adviser)</b></p> <ul style="list-style-type: none"> <li>• Shareholders' funds of RM100 million.</li> </ul> <p><b>Dealing in securities restricted to listed securities</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM5 million;</li> <li>• Shareholders' funds of RM5 million; and</li> <li>• Any capital adequacy or other financial requirements as determined by the SC from time to time, depending on the scale and complexity of the business.</li> </ul> <p><b>Dealing in unit trust products</b></p> <p>(a) Companies wishing to deal in unit trust products as a principal business (for own and/or third-party products)</p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM5 million; and</li> <li>• Shareholders' funds of RM5 million.</li> </ul> <p><b>Note:</b> Such companies may use a nominee system.</p>

Regulated Activity	Minimum Financial Requirement
	<p>(b) Companies that are licensed for the regulated activity of financial planning and wish to deal in unit trust products</p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM50,000; and</li> <li>• Shareholders' funds of RM50,000.</li> </ul> <p><b>Dealing in securities restricted to OTC bonds</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM5 million; and</li> <li>• Shareholders' funds of RM5 million, depending on the scale and complexity of the business.</li> </ul>
<b>Dealing in derivatives</b>	<p><b>Trading participant (TP)</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM5 million; and</li> <li>• Adjusted net capital: The higher of <ul style="list-style-type: none"> <li>- RM500,000; or</li> <li>- 10% of aggregate margins required.</li> </ul> </li> </ul> <p><b>TP with trading kiosks or branch offices</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM10 million; and</li> <li>• Adjusted net capital: The higher of <ul style="list-style-type: none"> <li>- RM500,000; or</li> <li>- 10% of aggregate margins required.</li> </ul> </li> </ul> <p><b>TP and offering of CFD</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM10 million;</li> <li>• Shareholders' funds of RM10 million; and</li> <li>• Adjusted net capital: The higher of <ul style="list-style-type: none"> <li>- RM500,000; or</li> <li>- 10% of aggregated margins required.</li> </ul> </li> </ul> <p><b>Offering of CFD only</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM10 million;</li> <li>• Shareholders' funds of RM10 million; and</li> <li>• 50% total shareholders' funds in the form of liquid capital.</li> </ul>
<b>Clearing for derivatives</b>	<ul style="list-style-type: none"> <li>• Paid-up capital of RM10 million;</li> <li>• Shareholders' funds unimpaired by losses of RM10 million; and</li> <li>• Adjusted net capital: The higher of <ul style="list-style-type: none"> <li>- RM500,000; or</li> <li>- 10% of aggregate margins required.</li> </ul> </li> </ul>
<b>Fund management</b>	<p><b>Portfolio management company</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM2 million; and</li> <li>• Shareholders' funds of RM2 million.</li> </ul>

Regulated Activity	Minimum Financial Requirement
	<p><b>Digital investment management company</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM2 million; and</li> <li>• Shareholders' funds of RM2 million.</li> </ul> <p><b>Boutique portfolio management company</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM500,000; and</li> <li>• Shareholders' funds of RM500,000.</li> </ul> <p><b>Trustee-manager for business trusts</b></p> <ul style="list-style-type: none"> <li>• No specific financial requirements.</li> </ul> <p><b>REIT manager</b></p> <ul style="list-style-type: none"> <li>• Shareholders' funds of RM1 million.</li> </ul>
<p><b>Advising on corporate finance</b></p> <p><b>Investment advice</b></p>	<ul style="list-style-type: none"> <li>• Paid-up capital of RM500,000; and</li> <li>• Net tangible asset of RM50,000.</li> </ul>
<p><b>Financial planning</b></p>	<ul style="list-style-type: none"> <li>• Paid-up capital of RM50,000; and</li> <li>• Net tangible asset of RM50,000.</li> </ul>
<p><b>Dealing in private retirement schemes</b></p>	<ul style="list-style-type: none"> <li>• Paid-up capital of RM5 million; and</li> <li>• Shareholders' funds of RM5 million.</li> </ul> <p><b>Holders of a CMSL for financial planning only</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM50,000; and</li> <li>• Shareholders' funds of RM50,000.</li> </ul> <p><b>Insurance and takaful brokers only</b></p> <ul style="list-style-type: none"> <li>• Paid-up capital of RM750,000;</li> <li>• Shareholders' funds of RM750,000; and</li> <li>• Professional indemnity insurance of RM750,000.</li> </ul> <p><b>Note:</b> Companies licensed for dealing in private retirement schemes may not use a nominee system.</p>

### Illustration

If you apply for a CMSL to carry on the regulated activities of fund management and investment advice, the following minimum financial requirements are relevant:

#### For fund management in relation to portfolio management

- Paid-up capital of RM2 million; and
- Shareholders' funds of RM2 million.

**For investment advice**

- Paid-up capital of RM500,000; and
- Net tangible assets of RM50,000.

The highest of the minimum financial requirements will apply to you, and this means that you must have a paid-up capital of at least RM2 million.

Once licensed, you must maintain the minimum financial requirements throughout your licence term. Therefore, your paid-up capital and shareholders' funds must be maintained at a minimum of RM2 million respectively while you hold the licence.

- (4) If your financial position falls below any of the applicable minimum financial requirements, you must not continue to carry on the regulated activity without the written consent of the SC. You must immediately notify the SC in writing of a potential or an actual breach of the minimum financial requirements and the corrective measures intended to be taken.

***Clearance on loans and credit facilities***

- (5) If you intend to carry on the regulated activity of fund management and are a company owned by individuals, you are required to ensure that your shareholders, directors and licensed representatives provide the SC with a declaration that they have satisfactorily maintained their accounts, loans and other credit facilities extended by banks and financial institutions within or outside Malaysia.
- (6) The declaration is to be in a format specified by the SC. The SC reserves the right to verify the information provided.

**4.05 What are the requirements for a CMSRL?**

***General requirements***

- (1) You must be at least 21 years old.
- (2) You must be fit and proper and satisfy yourself that none of the grounds specified under subsection 65(1) of the CMSA apply to you.
- (3) You must provide all relevant information to your principal to enable it to undertake the necessary due diligence before supporting your application. This is to ensure that you have satisfied the minimum requirements for carrying on the regulated activity.

***Qualification and experience requirement***

- (4) In assessing your competency to carry on a regulated activity, we will consider your educational and professional background. If your academic or professional qualification is lacking, we will consider your work experience and previous track records.

***Licensing examinations***

- (5) In addition to the qualification and experience requirements, you must also pass the relevant modules of the SCLE as set out in Table 3.

***Validity of the licensing examinations***

- (6) Your examination result is valid for two years from the date of passing each module of the SCLE. You must ensure that your examination results are valid at the time of your application.
- (7) There are three instances in which we will not apply the general rule on validity of the licensing examinations. These are as follows:
- (a) You have passed the SCLE while under the employment of a CMSL holder and remain working in the capital markets industry. You may apply for a CMSRL without having to resit the SCLE;
  - (b) You have passed the SCLE while under the employment of a CMSL holder, and you resign to take up employment outside the industry before being licensed. If you return to the industry, you may apply for a CMSRL without having to resit the SCLE, provided your application is made within three years from the date you leave the industry; and
  - (c) You were previously licensed and have left the industry. You may reapply for a CMSRL to undertake the same regulated activity for which you were previously licensed without having to resit the SCLE, provided your application is made within three years from the date you leave the industry.

*Table 2: Minimum Qualification and Experience Requirements for a CMSRL Applicant*

<b>Regulated Activity</b>	<b>Minimum Qualification and Experience Requirement</b>
<b>Dealing in securities</b>	<ul style="list-style-type: none"> <li>• A degree or professional qualification from an institution recognised by the Government of Malaysia;</li> </ul>

<p><b>Dealing in derivatives</b></p>	<ul style="list-style-type: none"> <li>• A diploma in the relevant field of study, including finance, economics, accounting, or commerce from an institution recognised by the Government of Malaysia; or</li> <li>• A diploma in other field of study recognised by the Government of Malaysia with at least two years of relevant experience in the capital market.</li> </ul> <p>In exceptional circumstances, the SC may consider an applicant-</p> <ul style="list-style-type: none"> <li>• with Sijil Pelajaran Malaysia (SPM) / Malaysia Certificate of Education or its equivalent with at least four years of relevant experience in the capital market; or</li> <li>• without any of the above qualifications but has been licensed for at least three years in a recognised jurisdiction to undertake dealing in securities or dealing in derivatives. The applicant must have at least five years direct and relevant experience in the capital market.</li> </ul>
<p><b>Fund management in relation to portfolio management (including digital investment management and boutique portfolio management company)</b></p>	<ul style="list-style-type: none"> <li>• A degree or professional qualification from an institution recognised by the government of Malaysia with at least two years of relevant experience in fund management in relation to portfolio management activity; or</li> <li>• Applicants without any degree or professional qualification must have at least five years of relevant experience in fund management in relation to portfolio management activity.</li> </ul>
<p><b>Fund management in relation to asset management</b></p>	<ul style="list-style-type: none"> <li>• No specific qualification requirements.</li> </ul>
<p><b>Advising on corporate finance</b> <b>Investment advice</b></p>	<ul style="list-style-type: none"> <li>• A degree or professional qualification from an institution recognised by the government of Malaysia; or</li> <li>• Applicants without any degree or professional qualification must have at least five years of relevant experience in the regulated activity.</li> </ul>

<b>Financial planning</b>	<u>Financial Planning Association of Malaysia (FPAM)</u>									
	<ul style="list-style-type: none"> <li>The Certified Financial Planner (CFP) / Islamic Financial Planner (IFP) qualification and a member of FPAM; or</li> <li>Complete a minimum of three modules (either CFP or IFP) as stipulated below and become an Associate Member of FPAM;</li> </ul>									
	<table border="1"> <thead> <tr> <th>CFP</th> <th>IFP</th> </tr> </thead> <tbody> <tr> <td>Module 1: Foundation in Financial Planning</td> <td>Module 1: Fundamentals of Islamic Financial Planning</td> </tr> <tr> <td>Module 3: Investment Planning and Retirement Planning</td> <td>Module 3: Islamic Investment Planning</td> </tr> <tr> <td>Module 4: Financial Plan Construction and Professional responsibilities (attend the familiarisation programme)</td> <td>Module 4: Financial Plan Construction and Professional Responsibilities (attend the familiarisation programme)</td> </tr> </tbody> </table>	CFP	IFP	Module 1: Foundation in Financial Planning	Module 1: Fundamentals of Islamic Financial Planning	Module 3: Investment Planning and Retirement Planning	Module 3: Islamic Investment Planning	Module 4: Financial Plan Construction and Professional responsibilities (attend the familiarisation programme)	Module 4: Financial Plan Construction and Professional Responsibilities (attend the familiarisation programme)	
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	OR									
	<u>Malaysian Financial Planning Council (MFPC)</u>									
	<ul style="list-style-type: none"> <li>The Registered Financial Planner (RFP) / Shariah Registered Financial Planner (Shariah RFP) qualification and an ordinary member of MFPC; or</li> <li>Complete a minimum of three modules (either RFP or Shariah RFP) as stipulated below, obtain a Certificate of Proficiency in Financial Planning and become an Associate Member of MFPC;</li> </ul>									
<table border="1"> <tbody> <tr> <td>RFP</td> <td>Shariah RFP</td> </tr> <tr> <td>Module 1: Fundamentals of Financial Planning</td> <td>Module 1: Fundamentals of Financial Planning</td> </tr> <tr> <td>RFP</td> <td>Shariah RFP</td> </tr> <tr> <td>Module 3: Investment</td> <td>Module 3: Shariah Planning</td> </tr> <tr> <td>Module 6: Retirement Planning</td> <td>Module 6: Retirement Planning</td> </tr> </tbody> </table>	RFP	Shariah RFP	Module 1: Fundamentals of Financial Planning	Module 1: Fundamentals of Financial Planning	RFP	Shariah RFP	Module 3: Investment	Module 3: Shariah Planning	Module 6: Retirement Planning	Module 6: Retirement Planning
RFP	Shariah RFP									
Module 1: Fundamentals of Financial Planning	Module 1: Fundamentals of Financial Planning									
RFP	Shariah RFP									
Module 3: Investment	Module 3: Shariah Planning									
Module 6: Retirement Planning	Module 6: Retirement Planning									
OR										
<u>Malaysia Financial Planners and Advisers Association (MFPAA) [formerly known as Malaysian Association of Chartered Financial Consultant (MACHFC)]</u>										

	The Chartered Financial Consultant (ChFC) qualification and a member of the MFPA (formerly known as MACHFC).
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Table 3: Licensing Examinations for a CMSRL Applicant

<b>Regulated Activity</b>	<b>Licensing Examination</b>
<b>Dealing in securities</b>	<p><b>Dealing in securities</b></p> <ul style="list-style-type: none"> <li>Applicants must pass Modules 6 and 7 or 6 and 18 or 7 and 17 or 17 and 18 of the SCLE.</li> <li>CFA charterholders are exempted from Module 7 of the SCLE.</li> </ul> <p><b>Dealing in unlisted debt securities / OTC bonds</b></p> <ul style="list-style-type: none"> <li>Applicants for a CMSRL for a dealing in securities restricted to unlisted debt securities / OTC bonds must be certified by FMAM.</li> </ul>
<b>Dealing in derivatives</b>	<ul style="list-style-type: none"> <li>Applicants must pass Modules 14 and 16 or 17 and 18 or 14 and 17 or 16 and 18 of the SCLE.</li> <li>CFA charter holders are exempted from Module 14 of the SCLE, subject to attending the SCLE Revision Course for Module 14.</li> </ul>
<b>Fund management in relation to portfolio management (including digital investment management and boutique portfolio management)</b>	<ul style="list-style-type: none"> <li>Applicants must pass Modules 9 and 10 of the SCLE.</li> <li>CFA charter holders are exempted from Module 10 of the SCLE.</li> </ul>
<b>Fund management in relation to asset management</b>	<ul style="list-style-type: none"> <li>No specific licensing examinations required.</li> </ul>
<b>Advising on corporate finance</b>	<ul style="list-style-type: none"> <li>Applicants must pass Modules 12 and 19 or 12, 19A and 19B of the SCLE.</li> <li>CFA charter holders are exempted from Module 12 of the SCLE.</li> </ul>
<b>Investment advice</b>	<ul style="list-style-type: none"> <li>Applicants must pass Modules 12 and 19 or 12 and 19A of the SCLE.</li> <li>CFA charter holders are exempted from Module 12 of the SCLE.</li> </ul>
<b>Financial planning</b>	<ul style="list-style-type: none"> <li>No specific licensing examinations required.</li> </ul>



***Exemption from the licensing examinations***

- (8) You may apply for exemption from the relevant modules of the SCLE if you are an individual with distinguished service, which includes having–
- (a) a total of at least 20 years of work experience;
  - (b) spent at least 10 years in the capital market or the financial services industry or in a regulatory body which regulates the capital market or the financial services industry and you were directly involved in the specific area in which you seek exemption; and
  - (c) held a senior management position during your tenure in the capital market or the financial services industry or in the regulatory body.

***Multiple licence arrangements***

***Dealing in securities and dealing in derivatives***

- (9) You will only be considered to carry on both dealing in securities and dealing in derivatives if–
- (a) your principal is licensed for both dealing in securities and dealing in derivatives as allowed under the policy on permitted activities for stockbroking companies; or
  - (b) the sponsoring CMSL holder carrying on dealing in derivatives is–
    - (i) a subsidiary of the holding company of your principal; or
    - (ii) a separately incorporated company held by the individual shareholders of your principal.
- (10) The sponsoring CMSL holder must be approved by the SC to enter into an arrangement with your principal to facilitate the carrying on of dealing in derivatives. In this case, you will be operating under a dual principal arrangement which requires you to hold separate CMSRL for dealing in securities and dealing in derivatives respectively.

***Dealing in securities and other regulated activities***

- (11) In the case where you are a Dealer's Representative of a PO, you may apply to carry on any one or more of the following additional regulated activities:
- (i) investment advice;
  - (ii) financial planning;
  - (iii) restricted dealing in unit trust products; or
  - (iv) dealing in private retirement schemes.

- (12) You may apply to carry on one or more of the regulated activity as set out in paragraph 4.05 (11) provided that–
- (a) the additional regulated activity must be a regulated activity that is carried on by your principal or by a CMSL holder that is a related corporation of your principal (“sponsoring CMSL holder”);
  - (b) you fulfil the minimum qualification and experience requirements to carry on the additional regulated activity as set out under Table 3a; and
  - (c) you have obtained prior approval from your principal to carry on the additional regulated activity.
- (13) The sponsoring CMSL holder and your principal must ensure that an agreement has been executed which must, among others, sets out the following:
- (a) The scope of responsibilities and oversight by both entities relating to your conduct in carrying on the additional regulated activity including identifying potential overlaps in scope and procedures on how such overlaps would be addressed;
  - (b) Policies and processes for sharing of information to mitigate against any adverse conduct or complaints relating to your conduct in carrying on the additional regulated activity especially where the client is the client of both the principal and sponsoring CMSL holder;
  - (c) Policies and processes for sharing of client’s data where the client is the client of both the principal and sponsoring CMSL holder; and
  - (d) Policies and processes to mitigate, manage and address actual and potential conflicts of interest situation that may arise.
- (14) In carrying on the additional regulated activity, you must:
- (a) obtain written acknowledgement from the clients on-
    - (i) the name of the principal and the sponsoring CMSL holder whom you are acting for in respect of the different regulated activities;
    - (ii) the scope of services to be provided under the different regulated activities which are being offered to the clients;
    - (iii) the fees, charges and any costs in relation to the services being offered to the clients; and

- (iv) the complaint processes relating to the respective regulated activities being carried out; and
- (b) obtain client's written consent prior to sharing the client's data or information with your principal or your sponsoring CMSL holder as the case may be.

*Table 3a: Qualification, Experience and Licensing Examination Requirements for CMSRL Applicant under the Multiple Licence Arrangement*

<b>Subsequent Regulated Activity</b>	<b>Minimum Qualification and Experience Requirement</b>	<b>Licensing Examination</b>
Dealing in Derivatives	<ul style="list-style-type: none"> <li>• Applicant must be a CMSRL holder for dealing in securities for at least two years; and</li> <li>• Applicant must complete and pass the Certified Capital Market Professional: Dealing in Derivatives for Dealer's Representatives programme.</li> </ul>	As required for each regulated activity, under Table 3
<ul style="list-style-type: none"> <li>• Financial Planning</li> </ul>	<ul style="list-style-type: none"> <li>• Applicant must be a CMSRL holder for dealing in securities or dealing in derivatives for at least 5 years; and</li> <li>• Meet the minimum qualification set out under Table 2 for the regulated activity of financial planning.</li> </ul>	
<ul style="list-style-type: none"> <li>• Investment Advice</li> </ul>	<ul style="list-style-type: none"> <li>• Applicant must be a CMSRL holder for dealing in securities or dealing in derivatives for at least 5 years; and</li> <li>• No other qualification, experience or licensing examination is required.</li> </ul>	
<ul style="list-style-type: none"> <li>• Dealing in Unit Trust</li> </ul>	<ul style="list-style-type: none"> <li>• Applicant must be a CMSRL holder for dealing in securities or dealing in derivatives for at least 5 years; and</li> <li>• Meet the applicable requirements to be registered as a Unit Trust Consultant as set out in FIMM's Consolidated Rules and register with FIMM.</li> </ul>	

Subsequent Regulated Activity	Minimum Qualification and Experience Requirement	Licensing Examination
<ul style="list-style-type: none"> <li>Dealing in Private Retirement Scheme</li> </ul>	<ul style="list-style-type: none"> <li>Applicant must be a CMSRL holder for dealing in securities or dealing in derivatives for at least 5 years; and</li> <li>Meet the applicable requirements to be registered as a Private Retirement Scheme Consultant as set out in FIMM's Consolidated Rules and register with FIMM.</li> </ul>	

#### 4.06 What are the requirements for key management of a CMSL holder and compliance officer?

##### *General requirements*

- (1) If you are a candidate for a key management position or compliance officer, you must be at least 21 years old. For purposes of clarity, "key management" refers to the head of regulated activity, head of operations and head of compliance.
- (2) You must be fit and proper, and satisfy yourself that none of the grounds specified under subsection 65(1) of the CMSA applies to you.
- (3) The CMSL holder to whom you are employed with or attached to, must undertake the necessary due diligence to ensure minimum requirements are satisfied.

##### *Prior approval*

- (4) You must obtain the SC's prior approval before being appointed as a key management personnel or a compliance officer.
- (5) If any key management personnel or compliance officer position becomes vacant, the CMSL holder is expected to take the necessary steps to fill the position within three months from the date of the vacancy.

##### *Qualification and experience requirements*

- (6) A licensed director and head of regulated activity are required to hold a CMSRL. Table 2 sets out the qualification and experience requirements for obtaining a CMSRL, according to the type of regulated activity. A CMSL holder must ensure that the candidate appointed as a licensed director or head of regulated activity has a minimum of 10 years and eight years of relevant experience, respectively.

If you are a CMSL holder for fund management in relation to asset management, your director must show the relevant experience and

knowledge in the management of the specific assets invested in by the asset manager, or in the management of a class of asset in a unit trust scheme.

- (7) The candidate for head of operations, head of compliance and compliance officer will also be expected to possess relevant and adequate experience in carrying out the respective functions. Table 4 sets out the minimum qualification and experience requirements for the head of operations, head of compliance and compliance officer.
- (8) In addition to the above, a candidate is also expected to have an adequate level of knowledge about developments in the market, products and regulation and possess skills and technical know-how. The candidate for licensed director and head of regulated activity must pass the relevant modules as set out in Table 3. The candidate for head of operations, head of compliance and compliance officer must pass the relevant modules as set out in Table 5.

*Table 4: Minimum Qualification and Experience Requirements for Key Management and Compliance Officer*

<b>Position</b>	<b>Minimum Qualification and Experience Requirement</b>
<b>Head of operations</b>	<p>A candidate must possess any of the following experience:</p> <ul style="list-style-type: none"> <li>• Employed at a senior management position for a minimum of two years by a CMSL holder carrying in dealing in securities;</li> <li>• Relevant work experience for a minimum of five years at level of middle management of an institution in the capital market; or</li> <li>• Previously a participant of a recognised exchange.</li> </ul>
<b>Head of compliance</b>	<p>A candidate must possess–</p> <ul style="list-style-type: none"> <li>• a degree or professional qualification from an institution recognised by the government of Malaysia; and</li> <li>• at least three years of direct experience as a compliance officer in the capital market; or</li> <li>• at least five years of relevant experience in the capital market; or</li> <li>• a relevant diploma from an institution recognized by the government of Malaysia and has at least eight years of relevant experience in the capital market.</li> </ul>

<b>Position</b>	<b>Minimum Qualification and Experience Requirement</b>
<b>Compliance officer</b>	A candidate must possess– <ul style="list-style-type: none"> <li>• a degree or professional qualification from an institution recognised by the government of Malaysia with at least three years of relevant experience in the capital market; or</li> <li>• a relevant diploma from an institution recognised by the government of Malaysia with at least five years of relevant experience in the capital market.</li> </ul>
<b>Compliance officer for companies that have a head of compliance</b>	A candidate must possess– <ul style="list-style-type: none"> <li>• a degree or professional qualification from an institution recognised by the government of Malaysia; or</li> <li>• a relevant diploma from an institution recognised by the government of Malaysia with at least three years of relevant experience in the capital market.</li> </ul>
<b>Head of operations</b>	Candidates must pass Modules 6 and 7 <u>or</u> 6 and 18 <u>or</u> 7 and 17 <u>or</u> 17 and 18 of the SCLE.

*Table 5: Licensing Examinations for Key Management and Compliance Officer*

<b>Position</b>	<b>Licensing Examination</b>
<b>Head of compliance and compliance officer</b>	<p>Candidates must pass Module 11 of the SCLE and the relevant modules as determined by the regulated activities of his principal:</p> <p><b>Dealing in securities</b></p> <ul style="list-style-type: none"> <li>• Modules 6 and 7 <u>or</u> 6 and 18 <u>or</u> 7 and 17 <u>or</u> 17 and 18 of the SCLE;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• Attend the SCLE Revision Courses on the relevant modules which the applicant will be responsible with regard to compliance.</li> </ul> <p><b>Dealing in derivatives</b></p> <ul style="list-style-type: none"> <li>• Modules 14 and 16 <u>or</u> 17 and 18 <u>or</u> 14 and 17 <u>or</u> 16 and 18 of the SCLE;</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• Attend the SCLE Revision Courses on the relevant modules which the applicant will be responsible with regard to compliance.</li> </ul>

	<p><b>Clearing for derivatives</b></p> <ul style="list-style-type: none"><li>• Complete the familiarisation programme.</li></ul> <p><b>Fund Management in relation to portfolio management</b></p> <ul style="list-style-type: none"><li>• Modules 9 and 10 of the SCLE;</li></ul> <p>OR</p> <ul style="list-style-type: none"><li>• Attend the SCLE Revision Courses on the relevant modules which the applicant will be responsible with regard to compliance.</li></ul>
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**Guidance to applicants**

**Interview**

- Where necessary, the SC may require applicants for a CMSL or CMSRL or key management appointment to attend an interview to demonstrate credibility and knowledge in their regulated activities.

**Exemption or variation of requirement**

The SC may, where it deems appropriate, allow exemption or variation from any requirement based on the merits of the case, whether on a permanent basis or for a specified period of time.

## Chapter 5

### LICENSING CRITERIA FOR AN INDIVIDUAL APPLYING FOR A CMSL TO CARRY ON FINANCIAL PLANNING

#### 5.01 General

- (1) A CMSL is issued only to a company. However, in the case of financial planning, a CMSL may be issued to an individual who is fit and proper, as set out in section 64 of the CMSA and complies with the following criteria set out below.

#### *General requirements*

- (2) You must be at least 21 years old.
- (3) Unless otherwise approved, you must have your business registered with the Companies Commission of Malaysia.
- (4) You must at all times have net total personal assets (net worth) of at least RM50,000 or its equivalent in foreign currencies.
- (5) You must be a resident of Malaysia.
- (6) You must also complete and submit a readiness checklist to us, which may include your operational manuals, information technology, policies and procedures, internal controls and systems and procedures for compliance with applicable laws and regulations. We reserve the right to conduct a readiness examination to ascertain if you are ready to commence your business.

#### *Qualification and experience requirements*

- (7) In assessing your competency, we will consider your educational and professional background, work experience and previous track record. Table 6 sets out the minimum qualification and experience requirements for an individual CMSL applicant.

*Table 6: Minimum Qualification and Experience Requirements for Individual CMSL Applicants for Financial Planning*

<b>Regulated Activity</b>	<b>Minimum Qualification and Experience Requirement</b>
<b>Financial planning</b>	<p><u>Financial Planning Association of Malaysia (FPAM)</u></p> <ul style="list-style-type: none"> <li>• The Certified Financial Planner (CFP) / Islamic Financial Planner (IFP) qualification and a member of FPAM; <u>or</u></li> </ul>



Regulated Activity	Minimum Qualification and Experience Requirement																
	<ul style="list-style-type: none"> <li>Complete a minimum of three modules (either CFP or IFP) as stipulated below and become an Associate Member of FPAM;</li> </ul> <table border="1" data-bbox="560 443 1353 880"> <thead> <tr> <th data-bbox="560 443 954 479">CFP</th> <th data-bbox="954 443 1353 479">IFP</th> </tr> </thead> <tbody> <tr> <td data-bbox="560 479 954 562">Module 1: Foundation in Financial Planning</td> <td data-bbox="954 479 1353 562">Module 1: Fundamentals of Islamic Financial Planning</td> </tr> <tr> <td data-bbox="560 562 954 680">Module 3: Investment Planning and Retirement Planning</td> <td data-bbox="954 562 1353 680">Module 3: Islamic Investment Planning</td> </tr> <tr> <td data-bbox="560 680 954 880">Module 4: Financial Plan Construction and Professional responsibilities (attend the familiarisation programme)</td> <td data-bbox="954 680 1353 880">Module 4: Financial Plan Construction and Professional Responsibilities (attend the familiarisation programme)</td> </tr> </tbody> </table> <p data-bbox="552 913 592 943">OR</p> <p data-bbox="552 981 1123 1010"><u>Malaysian Financial Planning Council (MFPC)</u></p> <ul style="list-style-type: none"> <li>The Registered Financial Planner (RFP) / Shariah Registered Financial Planner (Shariah RFP) qualification and an ordinary member of MFPC; or</li> <li>Complete a minimum of three modules (either RFP or Shariah RFP) as stipulated below, obtain a Certificate of Proficiency in Financial Planning and become an Associate Member of MFPC;</li> </ul> <table border="1" data-bbox="560 1361 1353 1641"> <thead> <tr> <th data-bbox="560 1361 954 1397">RFP</th> <th data-bbox="954 1361 1353 1397">Shariah RFP</th> </tr> </thead> <tbody> <tr> <td data-bbox="560 1397 954 1480">Module 1: Fundamentals of Financial Planning</td> <td data-bbox="954 1397 1353 1480">Module 1: Fundamentals of Shariah Financial Planning</td> </tr> <tr> <td data-bbox="560 1480 954 1563">Module 3: Investment Planning</td> <td data-bbox="954 1480 1353 1563">Module 3: Shariah Investment Planning</td> </tr> <tr> <td data-bbox="560 1563 954 1641">Module 6: Retirement Planning</td> <td data-bbox="954 1563 1353 1641">Module 6: Retirement Planning</td> </tr> </tbody> </table> <p data-bbox="552 1675 592 1704">OR</p> <p data-bbox="552 1742 1361 1854"><u>Malaysia Financial Planners and Advisers Association (MFPAA) [formerly known as Malaysian Association of Chartered Financial Consultant (MACHFC)]</u></p> <ul style="list-style-type: none"> <li>The Chartered Financial Consultant (ChFC) qualification and a member of the Malaysian Association of Chartered Financial Consultant (MACHFC); and</li> <li>the applicant must have a minimum of eight years of relevant experience in financial planning.</li> </ul>	CFP	IFP	Module 1: Foundation in Financial Planning	Module 1: Fundamentals of Islamic Financial Planning	Module 3: Investment Planning and Retirement Planning	Module 3: Islamic Investment Planning	Module 4: Financial Plan Construction and Professional responsibilities (attend the familiarisation programme)	Module 4: Financial Plan Construction and Professional Responsibilities (attend the familiarisation programme)	RFP	Shariah RFP	Module 1: Fundamentals of Financial Planning	Module 1: Fundamentals of Shariah Financial Planning	Module 3: Investment Planning	Module 3: Shariah Investment Planning	Module 6: Retirement Planning	Module 6: Retirement Planning
CFP	IFP																
Module 1: Foundation in Financial Planning	Module 1: Fundamentals of Islamic Financial Planning																
Module 3: Investment Planning and Retirement Planning	Module 3: Islamic Investment Planning																
Module 4: Financial Plan Construction and Professional responsibilities (attend the familiarisation programme)	Module 4: Financial Plan Construction and Professional Responsibilities (attend the familiarisation programme)																
RFP	Shariah RFP																
Module 1: Fundamentals of Financial Planning	Module 1: Fundamentals of Shariah Financial Planning																
Module 3: Investment Planning	Module 3: Shariah Investment Planning																
Module 6: Retirement Planning	Module 6: Retirement Planning																

<b>Regulated Activity</b>	<b>Minimum Qualification and Experience Requirement</b>
	<p data-bbox="336 277 675 311"><b>Guidance to applicants</b></p> <ul data-bbox="336 333 1359 600" style="list-style-type: none"><li data-bbox="336 333 1359 409">• Unless specifically mentioned, the requirements set out under Chapter 4 will not apply to you.</li><li data-bbox="336 432 1359 508">• As an individual CMSL holder, you cannot have any licensed representative to act on your behalf.</li><li data-bbox="336 530 1359 600">• If your business is carried out through a partnership, only the licensed partner can carry on financial planning.</li></ul>

## Chapter 6

### SUBMISSION PROCEDURE

#### 6.01 General

- (1) This chapter will provide you with information on the—
  - (a) forms to be used for various applications, notifications and reporting;
  - (b) submission procedures;
  - (c) requisite fees; and
  - (d) submission time frames.
- (2) Any person who furnishes to the SC, directly or indirectly, any statement, information or document (collectively referred to as “representation”), by whatever means or in any form, must ensure that the representation is not false or misleading, and does not contain any material omission. Breach of this requirement can result in enforcement action under the securities laws. For the avoidance of doubt, this requirement includes any clarification or additional representation submitted to the SC.
- (3) The SC must be immediately informed of—
  - (a) any change or development in circumstances and information that may impact the application subsequent to the submission of the application; and
  - (b) any change or development in circumstances and information relating to an application occurring subsequent to the SC giving its approval.

#### 6.02 Electronic Application System (EASy)

- (1) Unless specified otherwise, all submissions under this handbook must be made to the SC via EASy, in accordance with the forms and accompanied by the documents as specified in Appendix 3. As licensed persons, you must familiarise yourselves with the system. Further information on EASy can be found in Appendix 2.
- (2) When making a submission to the SC, you must ensure that the relevant persons as indicated in the forms have authorised the submission of information and particulars stated in the forms, and the supporting documentation.
- (3) Application results may be released through the system or via any other method deemed appropriate by the SC.
- (4) *[Deleted]*

- (5) You must maintain at all times sufficient funds (deductible balance) in your EASy account to facilitate payments for submissions made to the SC and to enable auto-deductions for recurring licence fees.

**6.03 The SC’s commitment**

- (1) In reviewing your licence application, the Authorisation and Licensing Department of the SC will comply with our client charter which is ISO 9001:2015 certified.
- (2) We are committed to satisfy all market participants by providing quality, professional and excellent service through a transparent process in a timely manner, and to strive for continuous improvement.
- (3) Our client charter for processing time is as follows:
  - (a) Six weeks for new CMSL applications which are complete upon submission and meet the SC’s fit and proper criteria; and
  - (b) Two weeks for all new CMSRL applications which are complete upon submission and meet the SC’s fit and proper criteria.

**6.04 New licence application**

- (1) Upon satisfying relevant requirements as set out in Chapter 4 or 5, you can apply for a CMSL or CMSRL to carry on any one or more regulated activities by submitting the relevant forms outlined in Table 7 and the required documentation specified in Appendix 3.
- (1A) Where necessary, the SC may request for other relevant or additional information and documentation to be submitted.
- (2) *[Deleted]*

*Table 7: Forms for New Licences*

Type of Licence	Forms
<p><b>CMSL</b></p>	<p>Form 1: Application for New Capital Markets Services Licence</p>
	<p>Form 1E: Application for New Capital Markets Services Licence – Appointment of Individual / Profile of Individual Shareholder <i>(director / licensed director / chief executive / key management / compliance officer / responsible person / company secretary / representative / individual shareholder)</i></p>

Type of Licence	Forms
<b>CMSL (Individual)</b>	Form 2: Application for New Capital Markets Services Licence (Individual)
<b>CMSRL</b>	Form 3: Application for New Capital Markets Services Representative's Licence

- (3) If you apply for a new CMSL, you must apply for at least two CMSRLs for each regulated activity you intend to carry on as a principal.
- (4) *[Deleted]*
- (5) If you apply for a new CMSRL with an existing CMSL holder, such application must be made through your principal, which must be responsible for verifying your good character, reputation and competency.
- (6) Upon approval, details of your new licence will be published on the SC website under the public register of licence holders and registered persons at [www.sc.com.my/regulation/licensing/licensed-and-registered-persons](http://www.sc.com.my/regulation/licensing/licensed-and-registered-persons).
- (7) With effect from 1 January 2015, the SC no longer issues physical licences. All licensed persons that hold physical licences prior to this date must return their physical licences to the SC upon variation, revocation or cessation of their regulated activities.

#### **Guidance to applicants**

Before you apply for a CMSL, you must ensure that you–

- understand how the licensing requirements apply to your business;
- can demonstrate clearly your competence to carry out such regulated activity and ability to comply with all applicable requirements;
- understand the obligations of a licensed person, and have the appropriate systems and processes in place to meet the same; and
- are able to support its application with any information or documentation the SC may request.

You should only apply for the regulated activity that is relevant to the business that you presently intend to undertake and not a future potential business. In the event of any changes to your business, you may apply to vary your licence in accordance with paragraph 6.06.

### 6.05 Submission of Anniversary Reporting for Authorisation of Activity (ARAA)

- (1) CMSL holders are required to submit the ARAA to the SC within seven business days before or on the anniversary date of their licences. The ARAA is represented by Forms 4 and 5.

*Table 8: Forms for Anniversary Reporting*

Type of Licence	Form
<b>CMSL</b>	Form 4: Anniversary Reporting for Authorisation of Activity (CMSL)
<b>CMSL (Individual)</b>	Form 5: Anniversary Reporting for Authorisation of Activity (Individual)

- (2) If you are an individual CMSL holder who wishes to continue to be licensed, you must satisfy the Continuing Professional Education (CPE) requirement before submitting your ARAA.
- (3) *[Deleted]*
- (4) A CMSL holder must ensure that its EASy account has adequate funds before it submits ARAA through the system. The licence fees will be deducted from the EASy account on the anniversary date of the CMSL holder and its licensed representatives.

#### 6.05 A Submission of Fit and Proper Compliance Report (Form 6A)

- (1) All CMSL holders are also required to submit a semi-annual Form 6A on the fit and proper standing of its licensed representatives whose anniversary date fall due within the reporting period. Such form must be submitted via EASy within seven business days from the end of the reporting period.
- (2) For a CMSRL holder who wishes to continue to be licensed, you must satisfy the CPE requirement before the anniversary date of your licence.

### 6.06 Variation of licence

- (1) If you vary any regulated activity under your CMSL or CMSRL, or you wish to change your principal, you will need to complete the relevant form(s) set out in Table 9.
- (2) *[Deleted]*
- (3) *[Deleted]*

Table 9: Forms for Variation of Regulated Activity and Variation of Principal

Type of Licence	Form
<b>CMSL</b>	Form 7: Application for Variation of Regulated Activity for Capital Markets Services Licence Holder
<b>CMSRL</b>	Form 8: Application for Variation of Regulated Activity for Representative
	Form 9: Application for Variation of Principal by Representative

### Guidance to stockbroking companies and investment banks

Your ability to add on any additional regulated activity to your CMSL is subject to the policy on permitted activities for stockbroking companies and the *Guidelines on Investment Banks*.

- (4) Upon approval, a new licence reflecting your new regulated activity and/or principal will be made available on the SC's public register of licence holders and registered persons at [www.sc.com.my/regulation/licensing/licensed-and-registered-persons](http://www.sc.com.my/regulation/licensing/licensed-and-registered-persons). The anniversary date of the new licence will be the same as that of your existing licence.

### Illustration

#### Existing licence

Type of regulated activity: Dealing in securities

- Anniversary date of licence: 1 December 2011
- Proposed additional regulated activity: Dealing in derivatives
- Application to add new regulated activity approved by the SC: 1 November 2011

#### New licence

Type of regulated activity: Dealing in securities and dealing in derivatives

- Anniversary date of new licence: 1 December 2011

## 6.07 Application and licence fees

- (1) If you are a CMSL holder that is a company, the annual licence fee payable is—
- for any first regulated activity, RM2,000; and
  - for any subsequent additional regulated activity, RM1,000 each.

If you carry on more than one regulated activity, the licence fees payable will be the aggregate amount.

**Illustration**

If you are a CSML holder that conducts the following activities:

- Dealing in securities: ← This is the first regulated activity, therefore the licence fee is RM2,000 per annum.
- Dealing in derivatives; and ← The licence fee for these two activities is RM1,000 each per annum.
- Advising on corporate finance, ←

you are required to pay RM4,000 per annum to carry on the regulated activities above.

- (2) If you are a CMSL holder who is an individual licensed to carry on financial planning activity, the annual licence fee payable is RM1,000.
- (3) If you are a CMSRL holder, the annual licence fee payable is RM200, regardless of the number of regulated activities you carry on for your principal.

**Illustration 1**

If you are a CMSRL holder who conducts the following activities:

- Dealing in securities; and
- Dealing in derivatives

You are required to pay RM200 per annum.

**Illustration 2**

You are a CMSL holder that is licensed for dealing in securities. You decide to expand your business to include a new regulated activity of dealing in derivatives. Assume your current licence anniversary date is on 31 January 2012 and your company's application to carry on dealing in derivatives was approved by the SC on 1 November 2011.

The computation of fees for the new regulated activity on a pro-rated basis:  
 = 1 November 2011 to 31 January 2012 = 3 months  
 = RM1000 x 3/12  
 = RM250

**6.08 Withdrawal of submission**

- (1) A submission made to the SC may be withdrawn prior to communication of decision by the SC. Any withdrawal must be accompanied by an explanation.



- (2) There will be no refund of fees in relation to any withdrawal of submission.

### 6.09 Changes that require prior approval and/or notification

(1) *[Deleted]*

(2) *[Deleted]*

#### *Changes that require prior approval*

- (3) Table 10 sets out the changes that require the SC's prior approval and the relevant forms.

*Table 10: Changes Requiring Prior Approval*

<b>CMSL</b>	
<b>Variation of regulated activity</b>	Form 7: Application for Variation of Regulated Activity for Capital Markets Services Licence Holder
<b>Change of name</b>	Form 10: Application for Change of Entity Name * <i>After obtaining the SC's approval for the application made under Form 10, you must reflect the effective changes(s) in your EASy account and submit the relevant supporting documentation, as specified in Appendix 3, via the system within 14 days of the change occurring.</i>
	Form 11: Application for Change of Individual's Business Name * <i>After obtaining the SC's approval for the application made under Form 11, you must reflect the effective changes(s) in your EASy account and submit the relevant supporting documentation, as specified in Appendix 3, via the system within 14 days of the change occurring.</i>
<b>Change of shareholders / shareholding structure which results in a change of controller</b>	Form 12: Application for Change of Shareholders / Shareholdings * <i>After obtaining the SC's approval for the application made under Form 12, you must submit Form 13 and, if applicable, Form 32 within 14 days of the change occurring.</i>
<b>Application for compliance officer</b>	<i>[Deleted]</i>

<b>CMSL</b>	
<b>Application for establishment of new business or acquisition of shares / interests in or outside Malaysia (for capital market-based activities)</b>	Form 26: Application for Establishment of New Business or Acquisition of Shares / Interests in or Outside Malaysia (for capital market-based activities)  <i>* After obtaining the SC's approval for the application made under Form 26, you must reflect the effective changes(s) in your EASy account and submit the relevant supporting documentation, as specified in Appendix 3, via the system within 14 days of the change occurring.</i>
<b>Application for appointment of–</b> <ul style="list-style-type: none"> <li>• licensed director</li> <li>• chief executive</li> <li>• head of regulated activity</li> <li>• head of operations</li> <li>• head of compliance</li> <li>• compliance officer</li> </ul>	Form 33: Application for Appointment of Licensed Director / Chief Executive / Key Management / Compliance Officer  <i>* After obtaining the SC's approval for the application made under Form 33, you must submit Form 14 within 14 days of the change occurring.</i>
<b>CMSRL</b>	
<b>Variation of regulated activity</b>	Form 8: Application for Variation of Regulated Activity for Representative
<b>Variation of principal</b>	Form 9: Application for Variation of Principal by Representative

### ***Changes that require notification***

- (4) Table 11 sets out the changes that require notification to the SC and the relevant forms. Such notification must be made within 14 days of the occurrence of the event. However, in the case of the appointment or reappointment of directors, you must notify the SC **within two business days** of their appointment or reappointment or prior to any public announcement, whichever is earlier.
- (5) For any resignation or cessation of director, licensed director, chief executive, key management, compliance officer or responsible person, the CMSL holder must inform the SC immediately via email to the Head of Authorisation and Licensing Department, followed by submission of the relevant forms within 14 days of the occurrence of the event.

Table 11: Changes Requiring Notification

<b>CMSL</b>	
<b>Change in shareholders / shareholding details</b>	Form 13: Notice of Change of Shareholders / Shareholdings <i>* To be accompanied by Form 32, if applicable.</i>
<b>Appointment of–</b> <ul style="list-style-type: none"> <li>• <b>director</b></li> <li>• <b>licensed director</b></li> <li>• <b>chief executive</b></li> <li>• <b>head of regulated activity</b></li> <li>• <b>head of operations</b></li> <li>• <b>head of compliance</b></li> <li>• <b>compliance officer</b></li> <li>• <b>responsible person</b></li> <li>• <b>company secretary</b></li> </ul> <b>Change of designation for–</b> <ul style="list-style-type: none"> <li>• <b>director</b></li> <li>• <b>head of regulated activity</b></li> <li>• <b>head of operations</b></li> <li>• <b>head of compliance</b></li> </ul>	Form 14: Notice of Appointment of Director / Licensed Director / Chief Executive / Key Management / Compliance Officer / Responsible Person / Company Secretary
<b>Change of entity particulars:</b> <ul style="list-style-type: none"> <li>• <b>Name of CMSL holder</b></li> <li>• <b>Registered address</b></li> <li>• <b>Business address</b></li> <li>• <b>Correspondence address</b></li> <li>• <b>New branch / EAF / trading kiosk</b></li> <li>• <b>Branch / EAF / trading kiosk / closure</b></li> <li>• <b>Establishment of new business or acquisition of shares / interests in or outside Malaysia (for capital market-based activities)</b></li> <li>• <b>Disposal of business or shares / interests in or outside Malaysia, including closure of business**</b></li> <li>• <b>Establishment of new business or acquisition of shares / interests in or outside Malaysia (for non-capital market-based activities)</b></li> </ul>	Notice of Change in Entity Particulars <i>(Formerly Form 15: Notice of Change in Company's Particulars)</i> <i>* You must reflect the effective change(s) in your EASy account and submit the relevant supporting documentation, as specified in Appendix 3, via the system within 14 days of the change occurring.</i> <i>**You must submit Form 15A: Notice of Establishment of New Business or Acquisition of Shares / Interests in or Outside Malaysia (for non-capital market-based activities) via the system within 14 days of the change occurring.</i>

<b>CMSL</b>	
<b>Change of individual particulars:</b> <ul style="list-style-type: none"> <li>• <b>Name of CMSL (Individual) holder</b></li> <li>• <b>Business address</b></li> <li>• <b>Correspondence address</b></li> </ul>	Notice of Change in Individual Particulars <i>(Formerly Form 16: Notice of Change in Individual's Particulars)</i>  <i>* You must reflect the effective change(s) in your EASy account and submit the relevant supporting documentation, as specified in Appendix 3, via the system within 14 days of the change occurring.</i>
<b>Cessation of CMSL / CMSL (Individual)</b>	Form 18: Notice of Cessation of Capital Markets Services Licence
	Form 19: Notice of Cessation of Capital Markets Services Licence (Individual)
<b>Cessation of director / chief executive / key management / compliance officer / responsible person / company secretary</b>	Form 21: Notice of Cessation of Director / Chief Executive / Key Management / Compliance Officer / Responsible Person / Company Secretary
<b>Cessation of compliance officer</b>	<i>[Deleted]</i>
<b>Change of representative's particulars:</b> <ul style="list-style-type: none"> <li>• <b>Name</b></li> <li>• <b>Residential address</b></li> <li>• <b>Location</b></li> <li>• <b>Passport number (for non-Malaysian)</b></li> <li>• <b>Remuneration type</b></li> </ul>	Notice of Change in Representative's Particulars <i>(Formerly Form 17: Notice of Change in Representative's Particulars)</i>  <i>* You must reflect the effective change(s) in your EASy account and submit the relevant supporting documentation, as specified in Appendix 3, via the system within 14 days of the change occurring.</i>
<b>Cessation of CMSRL</b>	Form 20: Notice of Cessation of Capital Markets Services Representative's Licence
<b>General</b>	
<b>Place at which register of securities is to be kept for CMSL / CMSRL</b>	Form 22: Notice of Place at Which Register of Securities is to be Kept  <i>* Note that this form is not relevant if a licensed person had already provided the information in an earlier application to the SC, for example, Form 1 or 3 when applying for a new licence.</i>
<b>Cessation / Change of place at which register of securities is to be kept for CMSL / CMSRL</b>	Form 23: Notice of Change of Place or Cessation of Keeping of Register of Securities  <i>* Note that this form is not relevant if a licensed person has already provided</i>

<b>CMSL</b>	
	<i>the information in an earlier application to the SC, for example, Form 18, 19 or 20 when notifying the SC of the cessation of business or in Form 9 when applying for variation of principal.</i>

### **6.10 Other submissions**

- (1) You may also lodge the auditor's report as required under section 127 of the CMSA through EASy.
- (2) We may, from time to time, add new categories of submissions to be included under EASy.

### **6.11 Application for extension of time**

A CMSL holder seeking for an extension of time to comply with any licensing requirements and conditions must submit an application with accompanying justifications and relevant supporting documentation to the Head of Authorisation and Licensing Department at least 14 days prior to the expiry of the stipulated time frame for the SC's consideration.

## Chapter 7

### CONDITIONS AND RESTRICTIONS OF LICENCE

#### 7.01 General

- (1) The SC may grant a licence subject to such conditions or restrictions as it thinks fit under section 61 of the CMSA. This chapter sets out the general conditions or restrictions applicable to a CMSL and CMSRL granted by the SC. A licensed person must comply with these conditions and restrictions as long as the CMSL and the CMSRL remain valid. The SC may also impose other conditions or restrictions on a licensed person at the time of granting a CMSL or a CMSRL to an applicant.
- (2) If a licensed person contravenes or fails to comply with any condition or restriction, the SC is empowered under the CMSA to initiate and administer a broad range of actions against the licensed person under Part XI of the CMSA.

#### 7.02 What are the conditions and restrictions in relation to a CMSL holder?

##### *General conditions and restrictions*

You must satisfy the following:

- (1) Remain fit and proper at all times as set out in section 64 of the CMSA.
- (2) Comply with the requirements set out in Chapter 4 or 5 (where applicable) and 6 of this handbook.
- (3) Comply with securities laws, its regulations and guidelines and any other applicable law that may govern the business activities carried on by you.
- (4) Obtain the SC's prior approval if there are any changes to your core business which you are licensed to carry on.
- (5) If you are a company, you are required to notify the SC of any change to your shareholding, paid-up capital, any establishment of a new business or acquisition of shares/interests in or outside Malaysia (for capital market-based activities and non-capital market-based activities) and disposal of business or shares/interests in or outside Malaysia within 14 days of the change. Where a change in your shareholding, directly or indirectly results in a change of your controller and there is a proposal for the establishment of a new business or acquisition of shares/interests in or outside Malaysia in relation to capital market-based activities, you require the SC's prior approval for such change.

- (5A) A CMSL holder must notify the SC where there is an occurrence of any event which would trigger the activation or execution of the business continuity plan, in such form and manner as may be specified by the SC.
- (6) Carry on your business for which you are licensed for efficiently, honestly and fairly.
- (7) Supervise and monitor your business to ensure compliance to securities laws, its regulations, guidelines and relevant code of conduct. Such supervision and monitoring should also be able to prevent and identify breaches to securities laws, its regulations, guidelines and relevant code of conduct.
- (7A) There is no conviction against you or your director, chief executive, manager or controller of an offence—
  - (a) involving bribery, fraud, dishonesty, mismanagement of a corporation, violence or the conviction of which involved a finding that you or he acted fraudulently or dishonestly, whether within or outside Malaysia; or
  - (b) under the securities laws, corporation laws or any law outside Malaysia relating to capital markets.
- (7B) There is no—
  - (a) pending investigation or criminal charge against you or your director, chief executive, manager or controller in any court of law, whether within or outside Malaysia, for an offence involving bribery, fraud, dishonesty, mismanagement of a corporation or violence;
  - (b) compound issued or any administrative action taken against you or your director, chief executive, manager or controller, whether within or outside Malaysia, by a regulator or law enforcement agency for any offence involving bribery, fraud, dishonesty, mismanagement of a corporation or violence;
  - (c) civil enforcement action initiated against you or your director, chief executive, manager or controller in any court of law by a regulator or law enforcement agency, whether within or outside Malaysia; or
  - (d) disqualification of your director, chief executive, manager or controller from holding the office of a director, whether within or outside Malaysia, under the securities laws or corporation laws.
- (8) For those that are licensed prior to 1 January 2015, you are required to surrender the existing physical licence to the SC immediately upon variation, revocation or if you cease to carry on your licensed regulated activities.

- (9) For those that are licensed after 1 January 2015, submission of cessation form is deemed as surrender of licence as there will not be any issuance of physical licence effective 1 January 2015.
- (10) Ensure that the carrying on of any licensed regulated activity on your behalf is performed by persons who are appropriately licensed.
- (11) Ensure that your employees, including your licensed representatives, where applicable, comply with securities laws, its regulations and guidelines and any other applicable law that may govern your regulated activity.
- (12) Ensure that your licensed representatives are–
  - (a) adequately supervised in the performance of their duties;
  - (b) sufficiently trained for those duties before acting as a representative; and
  - (c) kept abreast of developments by means of continuing training programmes.
- (13) Immediately inform the SC of any occurrence of these events:
  - (a) Where any of your employees has misappropriated clients' funds or committed any act that is detrimental to the interests of your clients;
  - (b) Where any of your licensed representatives, where applicable, ceases to be fit and proper to hold a CMSRL; or
  - (c) Where any of your licensed representatives, where applicable, fails or ceases to perform their function.
- (13A) Ensure that you retain, for a period of not less than seven years, all the relevant records relating to the carrying on of any regulated activity that will sufficiently explain the transactions relating to your clients, including any advice provided.

### ***Additional conditions and restrictions***

#### ***Fund management***

You must satisfy the following if you are a CMSL holder that carries on the business of fund management:

- (14) Immediately disclose to your clients–
  - (a) any legal or disciplinary event that is material to an evaluation of your integrity and ability to meet contractual commitments to your clients; and/or
  - (b) any material fact about your financial condition which will impair your ability to meet your contractual commitments to your clients.



- (15) Undertake the purchase/sale of securities listed on Bursa Securities through a CMSL holder that carries on the business of dealing in securities. However, in the case of a purchase/sale of fixed income securities listed on Bursa Securities, you may also do so through a licensed institution who is authorised to deal in fixed income securities.
- (16) Undertake the purchase/sale of derivatives on a derivatives exchange through a CMSL holder that carries on the business of dealing in derivatives who is a clearing member of Bursa Derivatives or a clearing member of a specified exchange.
- (17) Not undertake the purchase/sale of securities or derivatives which involves or potentially involves a conflict of interest between you and the funds under your management.
- (18) Not for your own account, undertake, directly or indirectly, the purchase/sale of securities from or to the funds under your management.
- (19) Obtain the SC's prior approval for investments in assets other than conventional and Shariah-compliant securities, derivatives, money market instruments and deposits in conventional and Shariah-compliant deposit accounts.
- (20) *[Deleted]*

#### *Financial planning*

You must satisfy the following if you are an individual CMSL holder that carries on the business of financial planning:

- (21) Comply with the requirements of the Continuing Professional Education in accordance with the format specified by the SC.

### **7.03 What are the conditions and restrictions in relation to a CMSRL holder?**

#### *General conditions and restrictions*

You must satisfy the following:

- (1) Remain fit and proper at all times as set out in section 65 of the CMSA.
- (2) Comply with the requirements in Chapter 4 of this handbook.
- (3) Comply with securities laws, its regulations and guidelines and any other applicable law that may govern the business activities carried on by you.

- (4) Not allow any unlicensed person to perform any of your licensed regulated activities on your behalf.
- (5) Ensure that you carry on your licensed regulated activity efficiently, honestly and fairly.
- (6) Comply with the requirement of the Continuing Professional Education (CPE) by obtaining 20 CPE points a year, in accordance with the format specified by the SC.
- (7) For those that are licensed prior to 1 January 2015, you are required to surrender the existing physical licence to the SC immediately upon variation, revocation or if you cease to carry on your licensed regulated activities.
- (7A) There is no conviction against you of an offence—
  - (a) involving bribery, fraud, dishonesty, mismanagement of a corporation, violence or the conviction of which involved a finding that you acted fraudulently or dishonestly, whether within or outside Malaysia; or
  - (b) under the securities laws, corporation laws or any law outside Malaysia relating to capital markets.
- (7B) There is no—
  - (a) pending investigation or criminal charge against you in any court of law, whether within or outside Malaysia, for an offence involving bribery, fraud, dishonesty, mismanagement of a corporation or violence;
  - (b) compound issued or any administrative action taken against you, whether within or outside Malaysia, by a regulator or law enforcement agency for any offence involving bribery, fraud, dishonesty, mismanagement of a corporation or violence;
  - (c) civil enforcement action initiated against you in any court of law by a regulator or law enforcement agency, whether within or outside Malaysia; or
  - (d) disqualification from holding the office of a director, whether within or outside Malaysia, under the securities laws or corporation laws.
- (8) Those that are licensed after 1 January 2015, submission of cessation form is deemed as surrender of licence as there will not be any issuance of physical licence effective 1 January 2015.

## 7.04 Permitted activities

### *General conditions and restrictions*

#### Advising on corporate finance

A CMSL holder for advising on corporate finance is allowed to carry out placement activities in the Leading Entrepreneur Accelerator Programme (LEAP) Market of Bursa Securities, subject to the conditions set out in this paragraph.

- (1) Eligibility criteria:
  - (a) Only a CMSL holder that is an adviser is allowed to carry out such placement activities;
  - (b) The CMSL holder can only undertake placement activities in relation to a corporate proposal to which it is an adviser; and
  - (c) Only a CMSRL holder of such CMSL holder referred to in subparagraphs 7.04(1)(a) and 7.04(1)(b) is allowed to carry out such placement activities.
- (2) The placement activities in the LEAP Market must comply with the following requirements:
  - (a) The placement activities are limited to the LEAP Market only; and
  - (b) The placement activities must not include provision of underwriting services.
- (3) Obligations of the CMSL holder in undertaking placement activities:
  - (a) The CMSL holder must notify the SC of their registration with Bursa Securities as an adviser for the LEAP Market prior to carrying out the placement activities;
  - (b) The CMSL holder is responsible and accountable for the conduct of its CMSRL holders; and
  - (c) The CMSL holder must establish proper policies and controls on the placement activities carried out.
- (4) The undertaking of placement activities permitted under this paragraph does not extend to the provision of underwriting services in the LEAP Market.

#### Financial planning

- (5) Subject to the conditions set out under this paragraph, a CMSRL holder for financial planning is allowed to provide specific advice on the following capital market products pursuant to a financial plan:

- (a) permissible funds;
- (b) equities, debentures or warrants listed on Bursa Securities; and
- (c) unlisted corporate bonds or sukuk.

(6) For the purpose of this paragraph, unless otherwise provided–

“permissible funds” means the following funds authorised or approved by the SC, and made available or offered in Malaysia:

- (a) unit trust funds;
- (b) private retirement schemes;
- (c) wholesale funds;
- (d) listed real estate investment trusts;
- (e) exchange-traded funds; and
- (f) any collective investment scheme from the participating countries under the ASEAN Framework for Cross-Border Offering of Collective Investment Schemes (ASEAN CIS Framework);

“specific advice” means providing advice which identifies the specific type of capital market product which the investor should purchase or sell as opposed to merely providing general portfolio allocation.

(7) A CMSRL holder for financial planning must not provide specific advice on–

- (a) equities, debentures or warrants listed on Bursa Securities unless he has passed Module 7 of the SCLE; or
- (b) unlisted corporate bonds or sukuk unless he has attained the Investor Protection Professional Certification (IPPC)<sup>7</sup>, jointly awarded by FMAM and the Asian Institute of Chartered Bankers (AICB).

(8) A CMSRL holder for financial planning who wishes to provide a specific advice for the capital market products listed under subparagraph 7.04(5), must undertake a suitability assessment on the client in accordance with subparagraphs 7.04(9)-(24), before providing the advice.

(9) A suitability assessment enables the CMSRL holder for financial planning to form a reasonable basis for the specific advice given to the client. In this regard the CMSRL holder for financial planning must–

- (a) take all practicable measures to ascertain that the information collected in respect of the client’s investment objectives, financial situation and particular needs are accurate and complete; and

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<sup>7</sup> Those who have attained the Pasaran Kewangan Malaysia Certificate (PKMC) qualification will be eligible for this additional offering.

- (b) give due consideration and conduct a review of the subject matter of the advice as may be reasonable in the circumstances.
- (10) A CMSRL holder for financial planning need not conduct suitability assessment if–
- (a) the client is a high-net-worth entity that has opted out from being subjected to a suitability assessment;
  - (b) a client tops up his investment in the same permissible fund with the same CMSRL holder for financial planning who has previously conducted a suitability assessment on the client; or
  - (c) the CMSRL holder for financial planning has conducted a suitability assessment on the client and advised to the client a range of products that takes into account the client’s risk profile and the client then seeks to invest in a product which is within the same type of products that has been advised.
- (11) Where subparagraph 7.04(10)(c) applies, the CMSRL holder for financial planning must have in place a process which would enable the client to acknowledge that there has been no material change in the information obtained from the previous suitability assessment.

**Suitability assessment processes**

- (12) A suitability assessment exercise comprises the following stages:

<b>Stage 1</b>	Gathering information pertaining to a client
<b>Stage 2</b>	Analysing information gathered
<b>Stage 3</b>	Matching a suitable product to meet a client’s risk profile and needs
<b>Stage 4</b>	Making a recommendation

Stage 1: Information to be gathered for suitability assessment

- (13) Central to the suitability assessment conducted by the CMSRL holder for financial planning is the gathering of necessary information pertaining to a client.
- (14) Prior to gathering the client’s information, the CMSRL holder for financial planning must inform the client that any misleading, inaccurate or incomplete information provided by the client will affect the outcome of the advice given and that he will not be held liable for the advice given.

- (15) Information gathered from a client can be categorised into the following three categories:

<b>Category of Information</b>	<b>Outcome</b>
(a) Know-Your-Client	<p>The CMSRL holder for financial planning must gather sufficient information which would enable him to have sufficient background information on the client.</p> <p>This information may include, among other things, the client's age, annual income and number of dependents.</p>
(b) Client's Risk Profile and Needs	<p>The CMSRL holder for financial planning must gather sufficient information on the client's investment objectives, financial situation, risk profile and current portfolio.</p> <p>By gathering this information, the CMSRL holder for financial planning should be able to determine the client's risk profile and needs.</p>
(c) Client's Investment Knowledge	<p>The CMSRL holder for financial planning must gather sufficient information on the client's educational qualification, training, work experience and investment experience.</p> <p>The client's knowledge and experience should demonstrate that he has sufficient understanding of the features and risk associated with the product recommended.</p> <p>The CMSRL holder for financial planning should be comfortable with a client's level of knowledge.</p> <p>The required level of knowledge or experience possessed by the client should correspond to the complexity of the product.</p>

Stage 2: Analysing Information Gathered

- (16) Upon gathering the information specified under subparagraph 7.04(15) above, the CMSRL holder for financial planning should analyse the information to determine whether the client understands the risks associated with the investment and has the capability to withstand such risks.

Stages 3 and 4: Matching and Making a Recommendation

- (17) The CMSRL holder for financial planning can only provide specific advice for capital market products listed under subparagraph 7.04(5) to the client upon assessing the information gathered under subparagraph 7.04(16). The CMSRL holder for financial planning's advice provided can be –
- (a) that the product is suitable for the client as it matches the risk profile and needs of the client; or
  - (b) that the product is not suitable for the client as it does not match the risk profile and needs of the client.
- (18) In the event the CMSRL holder for financial planning is unable to identify a suitable product for the client, he must inform the client immediately.

**Documentation and Record-Keeping**

- (19) The CMSRL holder for financial planning must record all the information gathered during the suitability assessment exercise and any updates to such information.
- (20) Any advice made should be recorded and a copy of the advice should be provided to the client.
- (21) The advice made must set out the reasons for the advice.
- (22) The advice provided by a CMSRL holder for financial planning must be signed by the CMSRL holder for financial planning and the client.
- (23) The CMSRL holder for financial planning must obtain a written acknowledgement from the client that–
- (a) all information disclosed by the client is true, complete and accurate; and
  - (b) the client has understood the features and risks of the product having obtained the explanation from the CMSRL holder for financial planning.
- (24) As the case may be, the CMSRL holder for financial planning must also obtain from the client a written acknowledgement where the client–
- (a) declines to provide information requested by the CMSRL holder for financial planning; or
  - (b) decides to purchase another capital market product that is not advised by the CMSRL holder for financial planning.

- (25) Notification process for CMSRL holder for financial planning intending to provide specific advice under subparagraph 7.04(7):
- (a) The principal being the CMSL holder must notify the SC of the name and details of their existing CMSRL holders who intend to provide specific advice as permitted above by downloading and completing the Notice of Scope Expansion for Eligible Financial Planners form, which is available on the SC website;
  - (b) All forms must be submitted by the principal, alongside the necessary supporting documentation, via email to [FPPlus@seccom.com.my](mailto:FPPlus@seccom.com.my) prior to the commencement date of the additional service offering(s); and
  - (c) In the case of an application for a new representative's licence for financial planning, the CMSRL applicant must append proof of their qualification to carry out the new additional service of providing specific advice to their submission of Form 3: Application for New Capital Markets Services Representative's Licence via EASy. They must also include the following, as the case may be, in the "Proposed Position & Description of Duties" field of their Form 3:
    - (i) Advising on equities, debentures or warrants listed on Bursa Securities; or
    - (ii) Advising on unlisted corporate bonds or sukuk.
- (26) A CMSL holder for financial planning is permitted to engage a CMSL holder for dealing in securities or fund management in relation to portfolio management, which would then carry out the investment as per the investment allocation or specific advice made pursuant to a financial plan, provided the following conditions are satisfied:
- (a) the client's written consent must have been obtained prior to the CMSL holder for financial planning engaging the identified CMSL holder;
  - (b) the identified CMSL holder must on board the client as its own client;
  - (c) the CMSL holder for financial planning does not handle any client's monies; and
  - (d) the CMSL holder for financial planning must disclose to the client, all fees and charges payable to the CMSL holder for financial planning relating to the collaboration, including any trailer fees (in formula or percentage form).



## Chapter 7A

### REQUIREMENTS FOR SUBMISSION OF PROPOSALS AND SPECIFIC PROPOSALS

#### 7A.01 General

- (1) In addition to the licensing requirements imposed on holders of a CMSL and a CMSRL for advising on corporate finance, this chapter sets out the requirements to be complied with by CMSL and CMSRL holders for the submission of proposals and specific proposals to the SC.
- (2) The requirements in this chapter also apply to the registered persons referred to in the Third Column of Part 1, Item 2 of Schedule 4 of the CMSA for the regulated activity of advising on corporate finance in relation to submission of proposals and specific proposals to the SC.
- (3) This chapter replaces the requirements in the *Principal Adviser Guidelines* and the requirements set out are in addition and not in derogation to other requirements imposed by the securities laws and/or any guidelines issued by the SC.

#### 7A.02 Definitions

- (1) For the purposes of this chapter, all words shall have the same meaning as defined in the CMSA and paragraph 1.06 of this handbook unless otherwise stated below–

closed-end fund (CEF) means a public limited company incorporated in Malaysia and engaged wholly in the business of investing its funds in securities for the purposes of–

- (a) spreading investment risks; and
- (b) managing a portfolio of investments,

to gain revenue and profit for the benefit and on behalf of its shareholders.

collective investment scheme (CIS) refers collectively to a unit trust fund, private retirement scheme, REIT, ETF, CEF and business trust.

corporate bonds	means debentures as defined in the CMSA but do not include— (a) structured products; and (b) debentures issued by the Federal Government, any State Government or BNM.
direct corporate finance experience	means experience in advising others on any of the following corporate proposals in Malaysia, Australia, Hong Kong, Singapore or the United Kingdom: (a) Initial public offering; (b) Mergers and acquisitions involving listed companies; (c) Fundraising exercises through the capital market by listed companies; or (d) Restructuring exercises involving listed companies.  In Malaysia, the types of corporate proposals above exclude those relating to listed companies on the LEAP Market of Bursa Securities.
exchange-traded fund (ETF)	has the same meaning assigned to it in the <i>Guidelines on Exchange-Traded Funds</i> .
infrastructure project company	means a company whose core business is building and operating a project that creates the basic physical structures or foundations for the delivery of essential public goods and services, which are necessary for the economic development of a state, territory or country, such as the construction and operation of roads, bridges, tunnels, railways, mass transit systems, seaports, airports, water and sewage systems, sewerage systems, power plants, gas supply systems and telecommunication systems.
principal adviser (PA)	means an entity referred to in First Column of Table 12.

proposal	refers to any proposal submitted to, deposited or registered with the SC under Part VI and Part IIIA of the CMSA.
qualified person (QP)	means an individual who fulfils the requirements set out in this chapter.
recognised principal adviser (RPA)	means an entity that fulfils the requirements set out in this chapter.
significant change in the business direction or policy of a listed corporation	has the same meaning assigned to it in the <i>Equity Guidelines</i> ;
specific proposal	means a proposal in respect of– <ul style="list-style-type: none"><li>(a) an application for the listing and quotation of securities on the Main Market of Bursa Securities under section 212 of the CMSA, except for applications relating to corporate bonds and sukuk and listing of units of an ETF;</li><li>(b) registration of prospectus under section 232 of the CMSA, except for prospectuses relating to corporate bonds and sukuk, listing of units of an ETF, unlisted CIS and structured warrants;</li><li>(c) transfer of listing;</li><li>(d) an acquisition or disposal of assets, which results in a significant change in the business direction or policy of a listed corporation whose shares are listed on the Main Market of Bursa Securities, except where such disposal of assets is not part of any other proposal that requires approval from the SC; or</li><li>(e) an acquisition or disposal of assets, which results in a significant change in the business direction or policy of a corporation whose shares are listed on the ACE Market of Bursa Securities that is carried out in conjunction with (c).</li></ul>

structured product	has the same meaning assigned to it in the <i>Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework</i> .
structured warrants	has the same meaning assigned to it in the <i>Issuer Eligibility Guidelines – Structured Warrants</i> .
sukuk	means certificates of equal value evidencing undivided ownership or investment in the assets using Shariah principles and concepts endorsed by the Shariah Advisory Council of the SC but do not include sukuk issued by the Federal Government, any State Government or BNM.
take-overs and mergers	means take-overs, mergers and compulsory acquisitions under Division 2 Part VI of the CMSA.
unit trust fund	has the same meaning assigned to it in the <i>Guidelines on Unit Trust Funds</i> .

### 7A.03 Eligibility to act as a principal adviser

- (1) The First Column of Table 12 list out the entities that are PAs, while the Second Column specifies the types of proposal that a PA can submit to the SC.

*Table 12: Principal Advisers and Types of Proposal (Other Than Specific Proposal)*

<b>First Column</b>	<b>Second Column</b>
<b>Principal Adviser</b>	<b>Type of Proposal (Other than Specific Proposal)</b>
Investment bank and universal broker	All proposals.
1+1 broker	All proposals, except for proposal relating to corporate bonds, structured products and Islamic securities.
KAF Investment Bank Berhad	Proposal relating to– (a) issue of securities; and (b) take-overs and mergers.

<b>First Column</b>	<b>Second Column</b>
<b>Principal Adviser</b>	<b>Type of Proposal (Other than Specific Proposal)</b>
Licensed bank	Proposal relating to– (a) corporate bonds and sukuk, except for those issued by Malaysian-incorporated public companies or foreign corporations that are: (i) capable of being converted into equity; or (ii) issued together with warrants; (b) structured warrants; and (c) structured products.
Islamic bank	Proposal relating to– (a) issue of securities; and (b) take-overs and mergers.
Special scheme broker	Proposal relating to– (a) equity securities of listed or unlisted foreign issuers to sophisticated investors; and (b) structured warrants.
Bank Pembangunan Malaysia Berhad	Proposal relating to listing or otherwise of infrastructure project companies as may be specified by the SC.

- (2) Notwithstanding subparagraph 7A.03(1), a PA may submit a proposal to the SC relating to take-overs and mergers subject to additional requirements in guidelines issued by the SC relating to take-overs and mergers.

#### **7A.04 Requirements for submission of specific proposals to the SC**

- (1) Only an RPA can submit a specific proposal to the SC. A PA that intends to be an RPA shall seek recognition of the SC in accordance with the provisions herein.
- (2) An RPA refers to a PA (other than a licensed bank and a special scheme broker) listed in Table 12 that has–
- (a) written policies and control procedures relating to the submission of specific proposals;

- (b) at least one employee that satisfies the criteria to be a QP, as set out in subparagraph 7A.04(3); and
  - (c) been granted recognition pursuant to subparagraph 7A.04(7).
- (3) A QP appointed must be an individual who—
- (a) is a CMSRL holder or an ERP hired on a full-time basis for the regulated activity of advising on corporate finance;
  - (b) has at least seven years of direct corporate finance experience in the nine years preceding his appointment;
  - (c) has, in the five years immediately preceding his appointment, completed one of the following:
    - (i) an initial public offering on the Main Market or the ACE Market of Bursa Securities;
    - (ii) an acquisition or disposal of assets, which results in a significant change in the business direction or policy of a listed corporation whose shares are listed on the Main Market of Bursa Securities, except where such disposal of assets is not part of any other proposal that requires approval from the SC; or
    - (iii) an acquisition or disposal of assets, which results in a significant change in the business direction or policy of a corporation whose shares are listed on the ACE Market of Bursa Securities that is carried out in conjunction with a transfer of listing;
  - (d) has no conviction against him of an offence—
    - (i) involving bribery, fraud, dishonesty, mismanagement of a corporation, violence or the conviction of which involved a finding that he acted fraudulently or dishonestly, whether within or outside Malaysia; or
    - (ii) under the securities laws, corporation laws or any law outside Malaysia relating to capital markets;
  - (e) has no—
    - (i) pending investigation or criminal charge against him in any court of law, for an offence involving bribery, fraud, dishonesty, mismanagement of a corporation or violence, whether within or outside Malaysia;
    - (ii) compound issued or any administrative action taken against him, by a regulator or law enforcement agency for any offence involving bribery, fraud, dishonesty, mismanagement of a corporation or violence, whether within or outside Malaysia;
    - (iii) civil enforcement action initiated against him in any court of law, by a regulator or law enforcement agency, whether within or outside Malaysia; or

- (iv) disqualification from holding the office of a director, under the securities laws, corporation laws or any law outside Malaysia relating to capital markets, whether within or outside Malaysia; and
- (f) has no disciplinary proceedings or actions against him by any regulatory, supervisory or professional body.

**Guidance to subparagraph 7A.04(3)(b)**

A QP is required to have a cumulative direct corporate finance experience of seven years in the nine years preceding the appointment. Such experience need not be continuous. An example is illustrated below where a person had intervals at different periods of time in the nine years prior to his appointment. His direct corporate finance experience of seven years is therefore not continuous. However, his appointment as a QP will still be acceptable to the SC given he has gained seven years of direct corporate finance experience collectively over the immediate past nine-year period prior to his appointment.

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Direct CF Experience	Break	Direct CF Experience						Break	Appointment

**Application for recognition**

- (4) An application for recognition must be made in the form and manner specified by the SC. The SC may also require further documents and information as the SC considers necessary for the purposes of assessing the application. All applications must be accompanied with the prescribed application fee.
- (5) An applicant must immediately notify the SC’s Head of Equities Department upon becoming aware of changes to any information or documents submitted to the SC.
- (6) The SC may, at any point in time after receiving an application for recognition or notification of changes, conduct inquiries or require an applicant to furnish additional information or documents as the SC considers necessary.

**Grant or refusal to grant a recognition**

- (7) The SC may, in relation to an application for recognition made under subparagraph 7A.04(4), grant or refuse to grant a recognition.
- (8) The SC may impose any conditions or restrictions on the recognition granted to the applicant as the SC considers necessary.

- (9) Without prejudice to subparagraph 7A.04(8), the SC may at any point in time vary the conditions or restrictions imposed or impose additional conditions or restrictions on an RPA as the SC considers necessary.
- (10) The SC may refuse to grant a recognition under subparagraph 7A.04(7), if—
  - (a) the application has not been made in accordance with the requirements in this chapter;
  - (b) the applicant has failed to comply with any securities laws or guidelines issued by the SC;
  - (c) the applicant has furnished any statement or information to the SC that is false or misleading or of which there is a material omission; or
  - (d) the SC has reason to believe that granting the recognition to the applicant would be detrimental to public interest or integrity of the market.

### **Register of recognised principal advisers**

- (11) Upon recognition, the name and particulars of the RPA and its QP, which may include any conditions or restrictions imposed, shall be admitted into the register of RPAs on the SC website.
- (12) Upon withdrawal of a recognition granted pursuant to subparagraph 7A.04(13), the SC may remove an RPA from the register of RPAs permanently or for such period as the SC determines.

### **Withdrawal of recognition granted**

- (13) The SC may withdraw a recognition granted under subparagraph 7A.04(7) if—
  - (a) an RPA or any of its QP has breached or failed to comply with any securities laws, guidelines issued by the SC, conditions or restrictions imposed by the SC;
  - (b) any information or document furnished to the SC is false or misleading or from which there is a material omission; or
  - (c) the SC has reason to believe the continued recognition of the RPA would be detrimental to public interest or integrity of the market.

### **Continuing obligation**

- (14) In the event an RPA knows or becomes aware of any of the following events, the RPA must inform the SC immediately via email to the Head of Equities Department. The events would include where a QP attached to the RPA—



- (a) ceases or discontinues his employment (whether terminated, laid-off or retired); and
  - (b) fails to comply with the criteria set out in subparagraphs 7A.04(3)(d), 7A.04(3)(e) and/or 7A.04(3)(f).
- (15) An RPA is required to submit an annual declaration within seven business days from 1 January of each year (reporting year) affirming that the QP appointed has–
- (a) at least seven years of direct corporate finance experience in the nine years immediately preceding the reporting year;
  - (b) in the five years immediately preceding the reporting year completed one of the following:
    - (i) an initial public offering on the Main Market or the ACE Market of Bursa Securities;
    - (ii) an acquisition or disposal of assets, which results in a significant change in the business direction or policy of a listed corporation whose shares are listed on the Main Market of Bursa Securities, except where such disposal of assets is not part of any other proposal that requires approval from the SC; or
    - (iii) an acquisition or disposal of assets, which results in a significant change in the business direction or policy of a corporation whose shares are listed on the ACE Market of Bursa Securities that is carried out in conjunction with a transfer of listing; and
  - (c) complied with subparagraphs 7A.04(3)(d), 7A.04(3)(e) and 7A.04(3)(f).

#### **7A.05 Contact**

- (1) For any enquiries in relation to this chapter, you may contact:
- Corporate Finance and Investments  
Securities Commission Malaysia  
3 Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur  
Tel: +603-6204 8000  
(Attention: Equities Department)

## Chapter 8

### CONTINUING PROFESSIONAL EDUCATION (CPE) REQUIREMENT

#### 8.01 General

- (1) This chapter provides for CPE requirement that CMSRL holders and ERPs need to comply with. This chapter is applicable to CMSL holders, CMSRL holders, registered persons and ERPs.
- (2) CPE is a mandatory programme for capital markets professionals to consistently update or refresh their technical knowledge, enhance behavioural competencies as well as to instil ethical standards as expected in this handbook and the *Guidelines on Investor Protection (IP Guidelines)* jointly issued by the SC and BNM.
- (3) This chapter sets out–
  - (a) the two categories of CMSRL holders and ERPs based on the years of experience in the capital markets industry to determine their eligibility of learning modes and activities;
  - (b) points allocation for each learning activity;
  - (c) the procedures involved in obtaining the points for each activity; and
  - (d) the reporting requirement.
- (4) The CMSL holders and registered persons are responsible for determining the training needs of the CMSRL holders and ERPs respectively, monitoring their CPE compliance and providing the necessary attestation on the fitness and probity of the CMSRL holders and ERPs. CMSRL holders and ERPs are also equally responsible to determine their own training needs, professional development and fulfilment of the CPE requirement.
- (5) All CMSRL holders and ERPs must obtain 20 CPE points in a year on or before the anniversary date of their licence or cycle period as required in order to continue carrying out the relevant regulated activity.

#### 8.02 Mode of learning and point allocation

- (1) CPE is aligned with the Industry Competency Framework for the professional development of CMSRL holders and ERPs. As each individual requires different learning intervention, the CPE framework also takes into account an individual's number of years of experience in the capital markets industry.

- (2) This chapter provide for two categories of CMSRL holders and ERPs:
- **Category 1:** Individuals with less than 10 years of experience in the capital markets industry; and
  - **Category 2:** Individuals with experience of 10 years or more in the capital markets industry.
- (3) In order to accumulate CPE points, the CMSRL holders and ERPs may choose to participate in any mode of learning under the categories of '**active learning**', '**development of others**' or '**self-directed learning**' based on their eligibility.
- (4) The details of the activities under each learning category and CPE point allocation are summarised below:

<b>Activity</b>	<b>CPE Point Allocation</b>	<b>Maximum Allocation (per anniversary or cycle period)</b>
<b>A. Active Learning Mode</b>		
<b>1. Attending CPE-approved course</b>		
<u>Physical:</u>		
• Minimum 3 hours, up to 6 hours	5 points	Unlimited
• 6 hours or more	10 points	
<u>Structured online:</u>		
• Less than 3 hours	5 points	
• 3 hours or more	10 points	
<b>2. Obtaining CPE-recognised qualification or academic certification</b>		
• Upon successful completion/passing of each course module per term/semester ( <i>ongoing basis</i> )	10 points	Unlimited
• Upon obtaining professional qualification or academic certification ( <i>one-off</i> )	20 points	
<b>B. Development of Others Learning Mode</b>		
<b>1. Speaking or lecturing on capital markets-related topics or subjects</b>		
• Less than 3 hours	5 points	Unlimited
• 3 hours or more	10 points	
<b>2. Publication of books, articles or interviews</b>		
<u>Book</u>		
• Published	10 points	Unlimited
• For subsequent updates	5 points	

<b>Activity</b>	<b>CPE Point Allocation</b>	<b>Maximum Allocation (per anniversary or cycle period)</b>
<u>Article or interview</u> <ul style="list-style-type: none"> <li>For every publication</li> </ul>	5 points	
<b>3. Serving in CPE-approved industry associations, bodies or committees</b>		
<ul style="list-style-type: none"> <li>Chairman / President / Vice Chairman / Vice President</li> </ul>	10 points	10 points
<ul style="list-style-type: none"> <li>Secretary / Treasurer / Committee Member / Sub-Committee Member</li> </ul>	5 points	
<b>4. Acting as an industry resource person</b>		
<ul style="list-style-type: none"> <li>Serving as the SC's expert witness / subject matter expert</li> </ul>	20 points	Unlimited
<ul style="list-style-type: none"> <li>Participating in industry dialogue / working group / consultation / focus group / taskforce (<i>per engagement</i>)</li> </ul>	5 points	
<ul style="list-style-type: none"> <li>Participating as member delegate in domestic or international industry roadshow (<i>per event</i>)</li> </ul>	5 points	
<ul style="list-style-type: none"> <li>Conducting structured coaching and mentoring (<i>once within each anniversary period</i>)</li> </ul>	10 points	10 points
<b>C. Self-Directed Learning Mode</b>		
1. General learning, e.g. reading capital markets related materials such as books, journals, magazines and online publication ( <i>per purchase/subscription</i> )	5 points	5 points
2. Completion of non-structured online learning such as podcasts, e-books, e-journals, the SIDC's Capital Market Competency Management System (CMS), or other similar learning relating to capital markets, soft skills, behavioural, technical and leadership ( <i>per online learning session</i> )	5 points	

- (5) CMSRL holders and ERPs are not allowed to carry forward any excess of CPE points to the next anniversary or cycle period. Similar position is also reiterated for the ERPs in the *IP Guidelines*.

### **8.03 Active learning mode**

#### *Eligibility*

- (1) 'Active Learning' refers to any form of proactive learning arising from participative or interactive process between the learners and the instructors.
- (2) The two types of activities under this learning mode are:
  - (a) Attending CPE-approved course; and
  - (b) Obtaining CPE-recognised professional qualification or academic certification.
- (3) Both Category 1 and 2 of CMSRL holders and ERPs are eligible to collect full CPE points solely from these activities.

#### *Attending CPE-approved courses*

- (4) CMSRL holders and ERPs may obtain CPE points by attending and completing programmes that promote leadership or soft skills, including behavioural skills, capital market related technical competencies, physically or via structured online course with either a local CPE-approved training provider or an established overseas training.
- (5) Structured online course refers to online course with assessments (e.g. evaluation or test results) and where there is sufficient record to demonstrate fulfilment and duration of the course.
- (6) Established overseas provider refers to an institution or professional body recognised or approved as training provider for the purpose of continuous learning and professional development of licensed and registered persons by the relevant capital markets regulator in their respective jurisdictions.
- (7) No additional points will be granted for attending and completing the same CPE-approved course within the same anniversary or cycle period.
- (8) All courses (domestic and overseas), including structured online courses, have to be approved by the SIDC.
- (9) However, for physical or structured online courses offered by established overseas training providers, CMSRL holders and ERPs may be granted CPE points post attendance.

### ***Obtaining CPE-recognised professional qualification or academic certification***

- (10) All certification programmes as listed on the SC website are CPE-recognised. CPE points will be awarded to CMSRL holders or ERPs based on the conferment date of the said qualification and point allocation is only valid during the anniversary or cycle period.
- (11) All qualifications obtained prior to licensing as CMSRL holder or registration as ERP will not be eligible for CPE points.

### **8.04 Development of others learning mode**

#### ***Eligibility***

- (1) 'Development of others' refers to the learning process that involves the sharing of knowledge and expertise of one person for the benefit of others.
- (2) The eligibility under this learning mode is as follows:

<b>No.</b>	<b>Activity</b>	<b>Eligibility</b>	
		<b>Category 1</b>	<b>Category 2</b>
1.	Speaking or lecturing on capital markets related topics or subjects	√	√
2.	Publication of book, article or interview	√	√
3.	Serving in CPE-approved industry associations, bodies or committees	√	√
4.	Acting as industry resource person:		
	(a) Serving as the SC's expert witness / subject matter expert	√	√
	(b) Participating in industry dialogue / working group / consultation / focus group / taskforce	√ <i>(by invitation only)</i>	√
	(c) Participating as member delegate in domestic or international industry roadshow	√ <i>(by invitation only)</i>	√
	(d) Conducting structured coaching and mentoring	X	√

- (3) Depending on the eligibility, CMSRL holders and ERPs may collect full CPE points solely from these activities except for serving in CPE-approved industry associations, bodies or committees and conducting structured coaching and mentoring where there is a maximum of 10 CPE points capped per anniversary or cycle period.

***Speaking or lecturing on capital markets-related topics or subjects***

- (4) This category excludes speaking or lecturing engagements which are within or form part of the CMSRL holders' or ERPs' job duties and responsibilities. For example, a presentation made for the benefit of a client's specific investment would not be eligible for any CPE points.
- (5) No additional CPE points will be granted for speaking or lecturing on a same topic, subject, programme title or outline within the same anniversary or cycle period.

***Publication of books, articles or interviews***

- (6) This category includes publication of a book, an article and an interview in any form of media, but excludes materials produced within or forming part of the CMSRL holders' and ERPs' job duties and responsibilities (e.g. reports commissioned for the benefit a client's specific investment would not be eligible for any CPE points).
- (7) Additional CPE points would not be awarded for republication of the same material or using different publishers.

***Serving in CPE-approved industry associations, bodies or committees***

- (8) CMSRL holders and ERPs will only be entitled to claim the relevant CPE points for participation as an office bearer of approved industry associations and committees as provided on the SC website.
- (9) The tenure as an office bearer must be valid during the CMSRL holder's anniversary or the ERP's cycle period respectively.
- (10) A CMSRL holder and an ERP may obtain a maximum of 10 CPE points only from his capacity as an office bearer. No additional points will be granted for serving in multiple committees within the same industry associations, bodies or committees within the same anniversary or cycle period.

***Acting as an industry resource person***

- (11) Resource person refers to CMSRL holders or ERPs who have been selected, appointed or nominated to provide expertise or industry insights on policy formulation or promote awareness on capital markets.
- (12) The following are the eligibility requirements:
  - (a) **Serving as the SC's expert witness / subject matter expert**
    - (i) For the purpose of claiming CPE points for this activity, the CMSRL holder or ERP must be appointed and served as an expert witness for the SC within the anniversary or cycle period.

- (b) **Participating in industry dialogue / working group / consultation / focus group / taskforce**
- (i) CPE points are only awarded for participating in industry dialogue events of a certain stature, where the objectives and initiatives of the events are duly recognised by the SC, the SIDC, Bursa Malaysia, BNM or relevant professional bodies.
  - (ii) No additional points will be granted for participating in the same industry dialogue event conducted in multiple sessions.
- (c) **Participation as member delegate in domestic or international industry roadshow**
- (i) Industry roadshow must reflect the following:
    - Promotion of capital markets awareness and investor protection; and
    - A national-led agenda or initiative.
  - (ii) No additional points will be granted for participating in the same industry roadshow conducted in multiple sessions.
- (d) **Conducting structured coaching and mentoring**
- (i) The framework, including the template applicable for a structured coaching and mentoring exercise, must be common across the organisation levels as identified by its Human Resources Department and form part of the CMSRL holder's or ERP's key performance indicator or job goal.
  - (ii) Only CMSRL holders and ERPs under Category 2 may obtain CPE points from this activity, up to a maximum of 10 points. However, no additional points will be granted for conducting multiple structured coaching and mentoring sessions, irrespective of the number of mentees and topic coverage, within the same anniversary or cycle period.

## 8.05 Self-directed learning mode

### *Eligibility*

- (1) 'Self-directed learning' refers to unaccompanied, own initiative learning activities.
- (2) The two types of activities under this learning mode are:
  - General learning - reading capital markets related materials; and
  - Completion of non-structured online learning.
- (3) Both Category 1 and 2 of CMSRL holders and ERPs are eligible to collect a maximum of 5 CPE points only from each of these activities for each anniversary or cycle period.



## 8.06 Procedures for claiming CPE points

- (1) All CPE-approved courses, both domestic and overseas, as well as structured online courses require the approval from the CPE Secretariat.
- (2) For all learning activities, CMSRL holders or ERPs must submit the supporting documentation to their respective CMSL holders or registered persons for verification prior to reporting via EASy.
- (3) Table 13 sets out the procedures or supporting documentation required for claiming CPE points.

*Table 13: Procedures or Supporting Documentation Required for Claiming CPE Points*

No.	Activity	Procedure or Supporting Documentation
1.	<b>Attending CPE-approved courses</b>	<ul style="list-style-type: none"> <li>• CMSRL holders or ERPs must register for CPE-approved course listed in the CPE Training Calendar organised or conducted by the relevant CPE-approved training providers.</li> <li>• CMSRL holders or ERPs must inform the training provider that they are subject to the CPE requirement and provide their CMSRL or ERP number to the training provider.</li> <li>• In respect of physical or structured online courses offered by established overseas training providers, CMSRL holders and ERPs must apply directly to the CPE Secretariat and submit:               <ol style="list-style-type: none"> <li>(a) the course outline or content which includes the duration of the course; and</li> <li>(b) a copy of the certificate or confirmation of attendance from the course organiser or training provider.</li> </ol> </li> </ul>
2.	<b>Obtaining CPE-recognised qualification or academic certification</b>	A certified true copy of the examination transcript for each successful completion of course, module, level or paper, as the case may be, per term or semester.
3.	<b>Speaking or lecturing on capital markets related topics or subjects</b>	The confirmation letter from the respective organiser, the outline of the programme or presentation and any other documents deemed necessary.

No.	Activity	Procedure or Supporting Documentation
4.	<b>Publication of Book, Article or Interview</b>	<p>A copy of the published materials and where necessary, a confirmation letter from the relevant publisher verifying the authorship of the CMSRL holder or the ERP. Details that should be included in the letter are:</p> <ul style="list-style-type: none"> <li>(a) Name of publication;</li> <li>(b) Date of publication;</li> <li>(c) Name of publisher; and</li> <li>(d) International Standard Book Number (ISBN), where relevant.</li> </ul>
5.	<b>Serving in CPE-approved industry associations, bodies or committees</b>	<p>The letter of appointment from the respective industry associations, bodies or committees.</p>
6.	<b>Acting as an industry resource person</b>	<ul style="list-style-type: none"> <li>• If serving as the <b>SC's expert witness or subject matter expert</b>, a confirmation letter from the SC.</li> <li>• If <b>participating in an industry dialogue, working group, consultation, focus group or taskforce and participation as member delegate in domestic or international industry roadshow</b>, a copy of the invitation or appointment letter or attendance confirmation from the organiser offering or conducting the activities pursuant to subparagraphs 8.04(12)(b) and 8.04(12)(c).</li> <li>• If <b>conducting structured coaching and mentoring</b>, a letter of endorsement from the CMSRL holders' or ERP's respective Human Resources Department on the details of the structured coaching and mentoring activities.</li> </ul>
7.	<b>Self-directed learning</b>	<ul style="list-style-type: none"> <li>• For <b>general learning</b>, a copy of the purchase receipt as proof of purchase or subscription of relevant materials.</li> <li>• For <b>completion of non-structured online learning</b>, a copy of the certificate of completion of non-structured online learning.</li> </ul>

## 8.07 Contact

- (1) *[Deleted]*
- (2) The CPE Secretariat can be contacted at:  
CPE Secretariat  
Securities Industry Development Corporation  
3 Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur  
Tel: +603-6204 8000 / 8536      Email: [cpe@sidc.com.my](mailto:cpe@sidc.com.my)
- (3) The Authorisation and Licensing Department can be contacted at:  
Authorisation and Licensing Department  
Securities Commission Malaysia  
3 Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur  
Tel: +603-6204 8000    Fax: +603-6201 5282

## **Chapter 9**

### **TREATMENT OF EXISTING LICENCE HOLDERS**

*[This chapter has been deleted]*

## Chapter 10

### OUTSOURCING ARRANGEMENT BY CMSL HOLDERS

#### 10.01 General

- (1) This chapter sets out the requirements for outsourcing processes, services or activities by CMSL holders to service providers. CMSL holders must select an appropriate and efficient service provider as well as to monitor the outsourcing arrangements on a continuous basis to ensure that it does not lead to business disruption and negative consequences to the CMSL holder's clients.
- (2) This chapter replaces the *Guidelines on Outsourcing for Capital Market Intermediaries*.
- (3) This chapter does not apply to investment banks, unless otherwise stipulated in any laws, regulations or guidelines as may be amended or issued from time to time by the SC.
- (4) Except for functions set out under subparagraph 10.02(2), all functions of the CMSL holder can be outsourced subject to the requirements of this chapter.

#### 10.02 Material Outsourcing Arrangement

- (1) The outsourcing of the following functions by a CMSL holder are considered as material outsourcing arrangement and can be outsourced to the following service providers:
  - (a) Internal audit function to its group or an external auditor;
  - (b) Compliance function to its group;
  - (c) Risk management function to its group;
  - (d) Clearing and settlement to any service provider;
  - (e) Fund accounting to any service provider;
  - (f) Fund valuation to any service provider;
  - (g) The maintenance of register of unit holders to any service provider;  
and
  - (h) Any other function of the CMSL holder that the SC may determine.
- (2) A CMSL holder is not allowed to outsource any back office function that involves–
  - (a) the decision-making functions of the CMSL holder; or
  - (b) any interaction or direct contact with the clients of the CMSL holder.

- (3) Other than the material functions set out in subparagraph 10.02(1), other outsourcing arrangements will also be considered as material outsourcing arrangement in the following circumstances:
  - (a) There may be a financial, reputational or operational impact on the CMSL holder in the event of a default or failure of the service provider;
  - (b) The CMSL holder's services or support rendered to its clients may be potentially impacted by the outsourcing arrangement;
  - (c) The CMSL holder's ability and capacity to comply with regulatory requirements may be impacted by the outsourcing arrangement; and
  - (d) If the appointed service provider may not be able to perform the outsourced function, there is a degree of difficulty and time required for the CMSL holder to select an alternative service provider or to bring the outsourced function in-house.
- (4) Internal audit, compliance and risk management functions cannot be sub-contracted.
- (5) A CMSL holder must notify the SC **within 14 days** upon signing the service level agreement for **any material outsourcing arrangement** in accordance with the notification requirements in this chapter.
- (6) A CMSL holder that is also a PO or TP must concurrently forward a copy of the notification in subparagraph 10.02(5) to the stock exchange or derivatives exchange as the case may be.
- (7) Where the compliance function is outsourced to the group level, a CMSL holder must ensure that the group appoints at least one registered compliance officer to perform the compliance function.
- (8) Where a service provider or a sub-contractor is located outside Malaysia, the CMSL holder must–
  - (a) analyse the economic, legal and political conditions of the country that the service provider and the sub-contractor are operating from, which may impact the undertaking of any outsourced functions;
  - (b) refrain from outsourcing to jurisdictions where the SC, the stock exchange, derivatives exchange or their agents is/are hindered from having prompt access to information;
  - (c) commit to retrieve information readily available from the service provider and the sub-contractor should the SC, the derivative exchange, stock exchange or their agents request for such information; and
  - (d) inform the SC, the derivatives exchange or stock exchange if any foreign authority were to seek access to its clients' information.

### 10.03 Responsibilities and oversight over service providers or sub-contractors

- (1) The Board of the CMSL holder remains accountable for all outsourced functions.
- (2) The Board of the CMSL holder and the CMSL holder shall be responsible to establish effective policies and procedures for its outsourcing arrangement, including a monitoring framework to monitor the service delivery, performance reliability and processing capacity of the service provider which should, among others, include periodic review and update the service level agreement and hold regular meetings to discuss performance of the service provider, sub-contractor and regulatory matters. A CMSL holder must also ensure that the service provider has adequate policies and procedures to monitor the conduct of the appointed sub-contractor.
- (3) A CMSL holder must perform an assessment on a service provider on a periodic basis, as part of its monitoring mechanism under subparagraph 10.03(1) and submit a report of the assessment to its board of directors and senior management. This assessment should be performed by the CMSL holder's internal audit or external auditor or compliance officer and the report should be submitted to the SC as and when requested. However, if the assessment is on a service provider providing an outsourced compliance function, the assessment must be performed by the CMSL holder's internal audit or external auditor only. This assessment should take into account the service provider's policies and procedures in monitoring conduct of the sub-contractor and any new material risk arising from the outsourcing arrangement and strategies for managing such risk.

### 10.04 Notification to the SC

- (1) **The information required in the notification form** for material outsourcing arrangements is set out under Appendix 5 of this handbook and a template of the notification form can be found at [www.sc.com.my](http://www.sc.com.my).
- (2) **A letter of undertaking** is also required from the service provider or sub-contractor stating that the SC, stock exchange, derivative exchange and their agents will have access to all information, records and documents relating to the material outsourced arrangement(s). The letter of undertaking must be attached to the notification form.
- (3) A CMSL holder must notify the SC of any variation or termination of the service level agreement and sub-contracting agreement in relation to any material outsourcing arrangement signed by the service provider or any adverse development arising in such material outsourcing arrangement that could significantly affect the CMSL holder, **within 14 days** from the occurrence of the event.

- (4) A CMSL holder must also notify the SC of any adverse development arising in the outsourcing arrangement of any outsourced function that could significantly affect the CMSL holder, **within 14 days** from the occurrence of the event.
- (5) A CMSL holder that is also a PO or TP must concurrently forward a copy of the notification form and/or any variation or termination of service level agreement and sub-contracting agreement or any adverse development as mentioned in subparagraphs 10.04(1) and 10.04(3) and 10.04(4), to the stock exchange or derivative exchange as the case may be.

### **10.05 Contact**

- (1) For any enquiries in relation to this chapter, you may contact:  
Intermediary and Fund Supervision  
Securities Commission Malaysia  
3 Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur  
Tel: +603-6204 8000  
(Attention: Supervision Department)



## Chapter 11

### TRADING REPRESENTATIVE

#### 11.01 General

- (1) A participating organisation (PO) is permitted to have a Trading Representative (TR) as a registered person under section 76 of the CMSA to carry out permitted activities as specified in this chapter.
- (2) An application by an individual to be registered with the SC as a TR must be made through a PO.
- (3) This chapter sets out the following:
  - (a) Qualifying criteria for an individual to be registered with the SC as a TR;
  - (b) Activities that may be carried out by a TR; and
  - (c) Duties of the PO for which the TR acts for.
- (4) The board of directors of a PO shall be ultimately responsible and held accountable for the acts of the PO's TR.

#### 11.02 Permitted activities and obligations of a trading representative

- (1) A TR must only act on behalf of one PO at all times.
- (2) *[Deleted]*
- (3) A TR is only permitted to accept clients' orders (order taking) and execute securities trades.
- (4) In carrying out the above activities, a TR must not induce, or attempt to induce, any client to enter into, or to make or offer to any client to enter into, any transaction or trade.
- (5) A TR must continuously comply with the fit and proper criteria as set out under Schedule 1 of this handbook.

#### 11.03 Registration

- (1) The SC may register an individual applicant provided the following requirements are satisfied:
  - (a) The applicant must be at least 21 years old;
  - (b) The applicant satisfy fit and proper criteria as set out under Schedule 1 of this handbook; and

- (c) The applicant has completed the Familiarisation Programme for Trading Representative 1 (FPTR 1) and passed the required assessment.

#### **11.04 Entry requirements**

- (1) The applicant must satisfy the following minimum qualification and experience requirement as set out below:
  - (a) Degree or professional qualification from an institution recognised by the Government of Malaysia;
  - (b) Diploma from an institution recognised by the Government of Malaysia;  
or
  - (c) Sijil Pelajaran Malaysia (SPM) or an equivalent qualification recognised by the Government of Malaysia, provided that the applicant has at least three years prior experience as a trading clerk registered with Bursa Securities.

#### **11.05 Procedures for registration**

- (1) An applicant must have his application made through a PO which he is acting for.
- (2) The PO must submit Form 30: Application for Registration of Trading Representative and pay the fees as may be prescribed by the SC.
- (3) The PO may be required to furnish any other information or documents as may be required by the SC for the purposes of the application.

#### **11.06 Duties of the principal**

##### ***Pre-registration***

- (1) A PO, through whom the application is made, must—
  - (a) conduct proper screening of the applicant to ensure that the applicant has satisfied the entry requirements and the fit and proper criteria as set out in Schedule 1 of this handbook before the application is submitted to the SC; and
  - (b) satisfy itself that any information or document that is furnished by an applicant is not false or misleading, including conducting due diligence checks.

##### ***Post-registration***

- (2) A principal must conduct ongoing supervision over its TR and ensure that they satisfy the training requirement as specified in this chapter.

- (3) The principal must ensure that the ratio of 1 licensed dealer's representative (DR):3 TRs is maintained. However, the SC may allow a variation of ratio from the current 1 DR:3 TRs to 1 DR:10 TRs subject to the following conditions:
  - (a) The TR is recruited directly by the PO;
  - (b) The TR is placed under the direct supervision of the PO and there is a clear supervision arrangement in place; and
  - (c) Clear accountability has been assigned within the PO for oversight of the TR.

### **11.07 Refusal of registration**

- (1) The SC may refuse an application for registration where the applicant failed to meet the following grounds:
  - (a) Non-compliance of any of the requirements as specified in the handbook;
  - (b) The SC has reason to believe that the applicant may not be able to act in the best interest of the clients of the principal having regard to his reputation, character, financial integrity and reliability;
  - (c) The SC is not satisfied as to the record of past performance or expertise of the applicant having regard to the nature of the duties which he may perform as a TR;
  - (d) The SC has reason to believe that the applicant will not carry out the regulated activity efficiently, honestly or fairly;
  - (e) There are other circumstances which are likely to lead to the improper conduct of business by, or reflect discredit on the manner of conducting the business of, the applicant or any person associated with him for the purpose of his business; or
  - (f) The SC is of the opinion that it would be contrary to the interests of the public to register such applicant.

### **11.08 Procedures for cessation**

- (1) Where a TR ceases to act on behalf of a PO, the PO must submit Form 31: Notice of Cessation of Trading Representative and such person shall cease to be a TR. In the event he wishes to act for a new PO, the new PO must submit a fresh application to the SC to register him as a TR.

### **11.09 Deregistration**

- (1) The SC may deregister a TR where—
  - (a) the TR or the PO does not comply with any of the requirements as specified under this handbook;

- (b) any of the grounds under paragraph 11.07 applies; or
  - (c) the TR contravenes any conditions or restrictions imposed on the registration.
- (2) The SC will not exercise its power to deregister without first giving the affected person an opportunity to be heard.

#### **11.10 Reporting requirement**

- (1) On the PO's anniversary date of licence, it must submit an annual report to the SC containing—
- (a) a declaration to the SC that all its TRs are in compliance with the fit and proper requirements;
  - (b) an update on training undertaken by each of the TR, including any specific training and development activities carried out for the TR;
  - (c) details of complaints received against any of its TR, if any; and
  - (d) the outcome of its supervision and findings against any of its TR, if any.

#### **11.11 Training requirements for trading representative**

- (1) A PO must ensure that its TR undergoes training from time to time to increase his knowledge and technical know-how and keep abreast with the current development in the industry.
- (2) The PO must—
- (a) ensure that a TR attends five days of training every year;
  - (b) ensure that the training attended by its TR is relevant to his functions; and
  - (c) maintain a training register to log in training days completed by each TR.

## Chapter 12

### RECOGNITION UNDER THE ASEAN CAPITAL MARKET FORUM (ACMF) INITIATIVE

#### RECOGNISED REPRESENTATIVE UNDER THE ACMF PASS PROFESSIONAL MOBILITY FRAMEWORK

##### 12.01 General

- (1) An eligible professional from a Recognised ACMF Member Country, who wishes to undertake capital market activities as specified in this chapter, must be attached to a CMSL holder and must also be registered with the SC under subsection 76(2) of the CMSA as a Recognised Representative (RR).
- (2) This chapter sets out the following:
  - (a) Eligibility criteria for an individual to be registered with the SC as an RR;
  - (b) Permitted activities that may be carried out by an RR;
  - (c) Procedures for registration;
  - (d) Duties of the CMSL holder to which the RR is attached; and
  - (e) Obligations of the RR.

##### 12.02 Eligibility criteria

- (1) An individual who is licensed, registered, approved or authorised by the Home Regulator in a Recognised ACMF Member Country to—
  - (a) undertake, including but not limited to, the activity of investment advice; and
  - (b) satisfy fit and proper criteria as set out under Schedule 1 of this handbook.

##### 12.03 Permitted activities

- (a) An RR is permitted to perform the following activities:
  - (a) Giving general investment advice on ASEAN capital market products as specified in this chapter; and
  - (b) Issuing or promulgating research analysis or research reports on ASEAN capital market products as specified in this chapter.
- (b) Notwithstanding subparagraph 12.03(1), the scope of permitted activities will also be subject to any limitations imposed by the licence, registration, approval or authorisation granted by the Home Regulator of the RR.

## Illustrations

### 1. Dealer's Representative / Fund Manager

You are allowed to provide investment advice to your clients that is solely incidental to the main regulated activity for which you are licensed, registered, approved or authorised and your Home Regulator does not permit you to issue or promulgate research analysis or research reports.

Your permitted activity as an RR will be limited to giving general investment advice and you are not permitted to issue or promulgate research analysis or research reports as specified in this chapter.

### 2. Research Analyst

You are licensed, registered, approved or authorised by your Home Regulator where you are allowed to issue or promulgate research analysis or research reports and provide investment advice to your clients.

Your permitted activity as an RR will be giving general investment advice, including issuing and promulgating research analysis or research reports as specified in this chapter.

- (c) An RR is not permitted to perform the following activities:
  - (a) Giving specific advice to investors by considering the investor's investment objective, financial situation and particular needs; and
  - (b) Soliciting for sales of capital market products.
- (d) The scope of capital market products captured under this chapter is limited to the following products from ASEAN countries:
  - (a) Listed securities;
  - (b) Bonds; and
  - (c) Units of a collective investment scheme, including units of a real estate investment trust and units of an infrastructure trust.

## 12.04 Registration

- (1) An application by an eligible professional to be registered with the SC as an RR (Form 35: Application for Registration of Recognised Representative) must be made through a CMSL holder.
- (2) The CMSL holder must submit to the SC all relevant documentation specified in the application form and any other information as may be prescribed or requested by the SC.
- (3) The CMSL holder may be required to furnish any other information or documents as may be required by the SC for the purposes of the application.

- (4) In the event the eligible professional wishes to be attached with multiple CMSL holders, each CMSL holder which the eligible professional wishes to be attached must submit a separate application to the SC for registration as an RR.
- (5) The SC may impose other conditions or restrictions on an RR or the CMSL holder at the time of granting an approval for the registration.
- (6) Notwithstanding subparagraph 12.04(5), the SC may at any time, where it deems necessary, vary the conditions or restrictions imposed upon the grant of the approval while the registration status remains valid.

### **12.05 Validity of registration**

- (1) The registration of an RR will be valid for a period of two years unless the registration is withdrawn or a deregistration is effected prior to the expiry of this period.
- (2) The registration of the RR is conditional upon the RR remaining licensed, registered, approved or authorised by the Home Regulator. In the event the licence, registration, approval or authorisation status becomes invalid, a submission to the SC by the CMSL holder must be made to deregister the RR immediately.
- (3) An RR who wishes to continue to carry out the regulated activity in Malaysia after the expiry of the two-year validity period must apply for the renewal of registration to the SC for its approval.

### **12.06 Duties of the principal**

#### ***Pre-registration***

- (1) A CMSL holder that submits an application to register an eligible professional as its RR must—
  - (a) conduct screening of the applicant to ensure that the applicant has satisfied the eligibility and the fit and proper criteria as set out in this handbook;
  - (b) satisfy itself that information or document that is furnished by the eligible professional for the appointment and registration as an RR is not false or misleading, including ensuring that the necessary due diligence is conducted; and
  - (c) has the requisite policies, procedures and controls to monitor the activities and the conduct of its RR.

### ***Post-registration***

- (2) A CMSL holder is accountable and responsible for monitoring the conduct of its RR and must satisfy the following conditions:
  - (a) Comply with the reporting requirements set out by the SC;
  - (b) Have proper compliance and oversight framework in place to ensure the RR only undertakes activities that is permitted under this registration; and
  - (c) Immediately notify the SC of the occurrence of any of the following events:
    - (i) The RR has committed any act that is detrimental to the interest of clients;
    - (ii) The RR has ceased to be fit and proper;
    - (iii) The RR fails or ceases to perform the activity for which it has been registered; or
    - (iv) The CMSL holder has received any complaints or has adverse findings against its RR.

### **12.07 Obligations of a recognised representative**

- (1) An RR must at all times satisfy the following conditions:
  - (a) Remain licensed or registered or approved or authorised by the Home Regulator in the Recognised ACMF Member Country to carry out investment advice;
  - (b) Remain fit and proper at all times;
  - (c) Comply with the relevant requirements stipulated in this handbook;
  - (d) Comply with the securities laws, regulations and guidelines and any other applicable law that may govern the activities carried out by the RR in Malaysia; and
  - (e) Keep the CMSL holder informed of any actions taken against him by the Home Regulator or if the RR fails to comply with the eligibility criteria and fit and proper requirements.

### **12.08 Refusal of registration**

- (1) The SC may refuse an application for registration, if the applicant fails to meet the eligibility criteria, fit and proper requirements or any other applicable requirements under the securities laws or relevant SC guidelines.



### **12.09 Procedures for cessation**

- (1) Where an RR ceases to act on behalf of a CMSL holder, the CMSL holder must submit the relevant form to the SC within 14 days from the effective cessation date. In the event the eligible professional wishes to act as an RR for another CMSL holder, the other CMSL holder must submit a fresh application to the SC for registration of the eligible professional as an RR.

### **12.10 Withdrawal of registration**

- (1) The SC may withdraw a registration granted if the SC is satisfied that the RR or the CMSL holder to which the RR is attached has failed to comply with or has breached:
  - (a) Any terms or conditions imposed by the SC;
  - (b) Any requirements as set out in this handbook or direction issued by the SC; or
  - (c) Any other requirements under the securities laws or relevant SC guidelines.

### **12.11 Reporting requirement**

- (1) On the anniversary date of the CMSL holder, the CMSL holder to which the RR is attached must submit an annual report to the SC which contains the following:
  - (a) A declaration that all its RRs are in compliance with the fit and proper requirements;
  - (b) A declaration that all its RRs remain licensed, registered, approved or authorised by the Home Regulator in a Recognised ACMF Member Country to undertake the regulated activity of investment advice;
  - (c) Details of complaints received against any of its RR, if any; and
  - (d) The outcome of its supervision and findings against any of its RR, if any.

## **CROSS-BORDER PUBLICATION OF RESEARCH REPORTS**

### **12.12 General**

- (1) Pursuant to the Memorandum of Understanding on the Cross-Border Publication of Research Report under the ASEAN Capital Market Professional Mobility Framework, licensed investment advisers from a Recognised ACMF Member Country would be able to issue and promulgate research reports to other Recognised ACMF Member Countries.

### 12.13 Conditions for cross-border publication of research reports

- (1) For the purpose of issuing and promulgating research reports, the foreign licensed investment adviser is allowed to carry out the regulated activity of investment advice provided that the following conditions are satisfied:
  - (a) The foreign licensed firm is registered with the SC and the foreign research report is made available through—
    - (i) a CMSL holder; or
    - (ii) any electronic or physical platform, as may be allowed by the SC.

Both (i) and (ii) shall be collectively known as a Hosting Platform;
  - (b) The foreign research report has been produced by a person licensed, registered, approved or authorised to issue or promulgate a research report in his home jurisdiction (Authorised Person) and was made available to the comparable class of investors in the home jurisdiction, as the class of investors for which the research report will be made available in Malaysia. The Authorised Person and the foreign licensed firm which the Authorised Person is attached to are responsible for the contents of the research report;
  - (c) The foreign licensed firm had given its consent to the Hosting Platform for the research report to be made available to investors in Malaysia;
  - (d) The research report is to be made available by the Hosting Platform in its entirety, without the Hosting Platform exercising any editorial control, translating or modifying the report. The Hosting Platform will act purely as a conduit in making available the research report to investors; and
  - (e) The research report must include a disclaimer stating that it is produced by the Authorised Person on behalf of the foreign licensed firm which the Authorised Person is attached to, and such Authorised Person and foreign licensed firm are subject to supervision by the regulator of its home jurisdiction.

### 12.14 Registration

- (1) A foreign licensed firm who wishes to issue and promulgate its research reports through a Hosting Platform in Malaysia must submit an application for registration with the SC.
- (2) The application to the SC must include all relevant documents as specified in the application form and any other information as may be requested by the SC.

- (3) In the event that the foreign licensed firm wishes to issue and promulgate its research report through multiple Hosting Platforms in Malaysia, the foreign licensed firm must submit a separate application for each Hosting Platform.
- (4) The SC may impose other conditions or restrictions on the foreign licensed firm at the time of granting an approval for registration.
- (5) Notwithstanding subparagraph 12.14(4), the SC may at any time, where it deems necessary, vary the conditions or restrictions imposed upon the grant of the approval while the registration status remains valid.
- (6) The issuer of the research report is deemed registered under subsection 76(2) of the CMSA after five business days of its completed submission, unless the application for registration is otherwise rejected by the SC.

#### **12.15 Rejection of registration**

- (1) The SC may reject an application for registration, if the applicant fails to meet the eligibility criteria or any other applicable requirements under the securities laws or relevant SC guidelines.

#### **12.16 Procedures for cessation**

- (1) Where a Hosting Platform ceases to act on behalf of a registered foreign licensed firm, the foreign licensed firm must submit the relevant form to the SC within 14 days from the effective cessation date. The Hosting Platform is also required to notify the SC within 14 days of such cessation.

#### **12.17 Withdrawal of registration**

- (1) The SC may withdraw a registration granted if the SC is satisfied that the registered foreign licensed firm or the Hosting Platform has failed to comply with or has breached—
  - (a) any terms or conditions imposed by the SC;
  - (b) any requirements as set out in this handbook or direction issued by the SC; or
  - (c) any other requirements under the securities laws or relevant SC guidelines.

#### **12.18 Ongoing obligations**

- (1) A registered foreign licensed firm and its Hosting Platform are required to comply with applicable Malaysian laws, regulations and guidelines at all times.

## Appendix 1

### POLICY ON PERMITTED ACTIVITIES FOR STOCKBROKING COMPANIES

#### Introduction

A stockbroking company is authorised to carry on the business of dealing in securities. Additional activities that may be carried out by a stockbroking company are listed in the schedule below, according to the different type of entity.

Prior to undertaking the additional activities, a stockbroking company shall comply with all applicable requirements stipulated in the CMSA, the licensing handbook, relevant guidelines or any other condition imposed by the SC and the rules of the relevant stock exchange.

Column 1	Column 2	Column 3
Entity	Activity	Condition Attached
<b>1. Investment banks</b>	Dealing in derivatives	Nil
	Dealing in debt securities	All types of activities in the primary and secondary market.
	Fund management	Provided that the dedicated fund management personnel shall not engage in proprietary trading.
	Unit trust	<ul style="list-style-type: none"> <li>Permitted to undertake activities pertaining to unit trust funds without having to set up a separate management company subject to obtaining the SC's approval under section 289 of the CMSA, and compliance with the <i>Guidelines on Unit Trust Funds</i>.</li> <li>Permitted to engage in the business of managing investment portfolios/funds and the business of marketing and distributing unit trust funds, either of its own or those of other management companies, subject to compliance with all relevant requirements of the <i>Guidelines on Unit Trust Funds</i>.</li> </ul>
	Investment advice	Nil
	Advising on corporate finance	<ul style="list-style-type: none"> <li>For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.</li> <li>For eligibility to submit corporate proposals and the types of proposals that can be submitted to the SC, refer to Chapter 7A of this handbook.</li> </ul>
	Financial planning	Nil

Column 1	Column 2	Column 3
Entity	Activity	Condition Attached
<b>1. Investment banks</b>	Dealing in private retirement schemes	Nil
	Branching and electronic access facility	<ul style="list-style-type: none"> <li>Permitted to establish branches and electronic access facilities (EAFs) in the manner stipulated in the <i>Guidelines on the Establishment and Location of a Branch Office by Universal Brokers and Eligible Non-universal Brokers, Practice Note 1 – Flexibilities Granted to Stockbroking Companies in Relation to Branch Offices and Branching Policy</i>, and <i>Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-universal Brokers</i>.</li> <li>Allowed unrestricted branching. Those intending to set up new branches shall be subject to a readiness assessment or audit to the satisfaction of the stock exchange and prior approval of the SC.</li> </ul>
	Structured products	Permitted to issue and/or undertake all activities pertaining to structured products subject to compliance with the <i>Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework</i> .
	Structured warrants	Permitted to issue and/or undertake all activities pertaining to structured warrants, subject to compliance with the <i>Issuer Eligibility Guidelines – Structured Warrants</i> and the <i>Prospectus Guidelines</i> .
<b>2. Universal brokers</b>	Dealing in derivatives	Nil
	Dealing in debt securities	All types of activities in the primary and secondary market.
	Fund management	Provided that the dedicated fund management personnel shall not engage in proprietary trading.
	Unit trust	<ul style="list-style-type: none"> <li>Permitted to undertake activities pertaining to unit trust funds without having to set up a separate management company subject to obtaining the SC's approval under section 289 of the CMSA, and compliance with the <i>Guidelines on Unit Trust Funds</i>.</li> <li>Permitted to engage in the business of managing investment portfolios/funds and the</li> </ul>

Column 1	Column 2	Column 3
Entity	Activity	Condition Attached
<b>2. Universal brokers</b>		business of marketing and distributing unit trust funds, either of its own or those of other management companies, subject to compliance with all relevant requirements of the <i>Guidelines on Unit Trust Funds</i> .
	Investment advice	Nil
	Advising on corporate finance	<ul style="list-style-type: none"> <li>For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.</li> <li>For eligibility to submit corporate proposals and the types of proposals that can be submitted to the SC, refer to Chapter 7A of this handbook.</li> </ul>
	Financial planning	Nil
	Dealing in private retirement schemes	Nil
	Access to money market for universal brokers	Permitted to access the interbank market to undertake borrowing or lending of funds, subject to compliance with the <i>Guidelines on Access to Interbank Market by Universal Brokers</i> as may be amended by BNM and/or prudential standards as may be prescribed from time to time.
	Branching and electronic access facility Branching and electronic access facility	<ul style="list-style-type: none"> <li>Permitted to establish branches and electronic access facilities (EAFs) in the manner stipulated in the <i>Guidelines on the Establishment and Location of a Branch Office by Universal Brokers and Eligible Non-universal Brokers; Practice Note 1 – Flexibilities Granted to Stockbroking Companies in Relation to Branch Offices and Branching Policy</i>, and <i>Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-universal Brokers</i>.</li> <li>Allowed unrestricted branching. Those intending to set up new branches shall be subject to a readiness assessment or audit to the satisfaction of the stock exchange and prior approval of the SC.</li> </ul>
	Structured products	Permitted to issue and/or undertake all activities pertaining to structured products subject to compliance with the <i>Guidelines on Unlisted</i>

Column 1	Column 2	Column 3
Entity	Activity	Condition Attached
<b>2. Universal brokers</b>		<i>Capital Market Products under the Lodge and Launch Framework.</i>
	Structured warrants	Permitted to issue and/or undertake all activities pertaining to structured warrants, subject to compliance with the <i>Issuer Eligibility Guidelines – Structured Warrants</i> and the <i>Prospectus Guidelines</i> .
<b>3. Special scheme brokers</b>	Dealing in derivatives	Nil
	Dealing in debt securities	Permitted to deal in unlisted debt securities subject to the requirements as specified in the rules of the stock exchange.
	Investment advice	Nil
	Advising on corporate finance	<ul style="list-style-type: none"> <li>For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.</li> <li>For eligibility to submit corporate proposals and the types of proposals that can be submitted to the SC, refer to Chapter 7A of this handbook.</li> </ul>
	Financial planning	Nil
	Dealing in private retirement schemes	Nil
	Structured products	Permitted to issue and/or undertake all activities pertaining to structured products subject to compliance with the Guidelines on <i>Unlisted Capital Market Products under the Lodge and Launch Framework</i> .
	Structured warrants	Permitted to issue and/or undertake all activities pertaining to structured warrants, subject to compliance with the <i>Issuer Eligibility Guidelines – Structured Warrants</i> and the <i>Prospectus Guidelines</i> .
<b>4. 1+1 brokers</b>	Dealing in derivatives	Nil
	Dealing in debt securities	Permitted to deal in unlisted debt securities subject to the requirements as specified in the rules of the stock exchange.

Column 1	Column 2	Column 3
Entity	Activity	Condition Attached
<b>4. 1+1 brokers</b>	Investment advice	Nil
	Advising on corporate finance	<ul style="list-style-type: none"> <li>For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.</li> <li>For eligibility to submit corporate proposals and the types of proposals that can be submitted to the SC, refer to Chapter 7A of this handbook.</li> </ul>
	Financial planning	Nil
	Dealing in private retirement schemes	Nil
	Branching and electronic access facility	<ul style="list-style-type: none"> <li>Permitted to establish branches and electronic access facilities (EAFs) in the manner stipulated in the <i>Guidelines on the Establishment and Location of a Branch Office by Universal Brokers and Eligible Non-Universal Brokers</i>, <i>Practice Note 1 - Flexibilities Granted to Stockbroking Companies in Relation to Branch Offices and Branching Policy</i>, and <i>Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-universal Brokers</i>.</li> <li>Allowed unrestricted branching. Those intending to set up new branches shall be subject to a readiness assessment or audit to the satisfaction of the stock exchange and prior approval of the SC.</li> </ul>
	Structured products	Permitted to issue and/or undertake all activities pertaining to structured products, subject to compliance with the <i>Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework</i> .
	Structured warrants	Permitted to issue and/or undertake all activities pertaining to structured warrants, subject to compliance with the <i>Issuer Eligibility Guidelines – Structured Warrants</i> and the <i>Prospectus Guidelines</i> .
<b>5. Stockbroking company that has not</b>	Dealing in debt securities	Permitted to deal in unlisted debt securities subject to the requirements as specified in the rules of the stock exchange.



<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>Entity</b>	<b>Activity</b>	<b>Condition Attached</b>
<b>complied with the <i>Policy Framework for Stockbroking Industry Consolidation</i></b>	Investment advice	Nil
	Advising on corporate finance	Advisory only
	Financial planning	Nil
	Dealing in private retirement schemes	Nil

## Appendix 2

### ELECTRONIC APPLICATION SYSTEM (EASy)

1. All CMSL applicants and CMSL holders (collectively known as “principal users”) must apply to the SC for access to EASy. The principal users will be required to sign the Acceptance of Terms and Conditions, evidencing the principal users' agreement to be bound by the Terms and Conditions of Use of EASy. All principal users and their authorised users <sup>8</sup> will thereupon comply with the Terms and Conditions of Use of EASy at all times, including any amendments, variations or modifications thereto. The Terms and Conditions of Use of EASy are available at <https://easy.seccom.com.my:8282>.
2. The list of submissions that can be made via EASy is available on–
  - (a) the SC website at [www.sc.com.my](http://www.sc.com.my); and
  - (b) the EASy website at <https://easy.seccom.com.my:8282>.
3. The original signed version of all EASy submissions together with relevant supporting documentation must be kept by the CMSL holder at the business address, the principal address or a designated place approved by the SC at all times for as long as the person is licensed and for a period of seven years from the date of submission.
4. For this purpose, the SC reserves the right to conduct an examination at the business address or principal address of the applicant or at the designated place to ascertain that this requirement is being complied with.

#### File upload specifications

5. Any supporting documentation for submission to the SC through EASy shall not exceed 10MB and should be in a format specified in EASy.

#### Unavailability of EASy

6. In the event of interruptions to or inaccessibility of EASy for more than five consecutive days, the principal users may make email submissions to the SC.
7. For email submissions, all duly completed forms and relevant supporting documentation must be submitted in soft copy version via email to [ALDMail@seccom.com.my](mailto:ALDMail@seccom.com.my). The SC may, through its website or via the mass media, inform the public of measures put in place for accepting such submissions until the system resumes normal operation. Thereafter, resubmission must be made via EASy and the email submission is to be uploaded as part of the supporting documentation.

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<sup>8</sup> Persons authorised by a principal user to access or connect to EASy.

8. Under such circumstances, all submissions must be made with the required fees to the SC at:

Authorisation and Licensing Department  
Securities Commission Malaysia  
3 Persiaran Bukit Kiara  
Bukit Kiara  
50490 Kuala Lumpur

9. A principal user and its directors are responsible for the validity, accuracy, completeness and consistency of all information, including the supporting documentation, submitted via EASy through the use of the principal user's account. Principal users must, therefore, put in place the necessary policies and procedures to ensure the same.
10. For further enquiries on EASy or assistance on submissions, principal users may contact the Helpdesk at +603-6204 8977 or e-mail [EASyHelp@seccom.com.my](mailto:EASyHelp@seccom.com.my).
11. *[Deleted]*

### **General**

- 1 2. Where necessary, the SC may require other relevant or additional information and documentation to be submitted.
- 1 3. All principal users must comply with the requirements of EASy at all times, in addition to all relevant provisions in the laws and the conditions for each type of regulated activity.
- 1 4. The SC may, where appropriate, allow any exemption from or variation to the requirements of EASy, whether on a permanent basis or for a specified period of time, based on the merits of the case.

## Appendix 3

### SUPPORTING DOCUMENTATION

#### FORM 1: APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE

No.	Description
1.	<p>A comprehensive and detailed proposal, which should generally include, but not limited to, the following:</p> <ul style="list-style-type: none"> <li>(a) Corporate profile;</li> <li>(b) Description of the overall ownership and corporate structure – from immediate to ultimate – in the form of a tree diagram depicting:               <ul style="list-style-type: none"> <li>(i) its related, subsidiary, associate and holding companies;</li> <li>(ii) percentage of shareholding in each category; and</li> <li>(iii) description of their roles or services in the named entity's operations or services to clients, if any;</li> </ul> </li> <li>(c) Profile of corporate and individual shareholders (both direct and indirect);</li> <li>(d) Details of any of the applicant's related, subsidiary and associate companies, which are or were involved in any regulated activity in Malaysia or elsewhere and their licence, registration and/or authorisation status;</li> <li>(e) Board composition, management and organisational structure, indicating the actual and the projected staff strength as well as any outsourcing arrangements (as a provider and a client);</li> <li>(f) Profile of individuals, comprising directors, proposed responsible person(s) and management team members, where applicable, describing, among others, their qualifications, track record, relevant skills and experience, strengths, as well as role(s) and responsibilities in the named entity;</li> <li>(g) Value proposition;</li> <li>(h) Business plan for the next five years, detailing, among others, the opportunities identified, market analysis, target market, objectives, strategies, and execution plan;</li> <li>(i) A five-year financial projection (a profit and loss forecast), with basis for each assumption; and</li> <li>(j) Compliance with all applicable requirements.</li> </ul>
2.	Constitution / Memorandum and Articles of Association*
3.	Certificate of incorporation under section 17 of the <i>Companies Act 2016</i> *
4.	Lodgement under section 68 of the <i>Companies Act 2016</i> : Annual Return** (if not applicable, submit the lodgement under section 14 of the <i>Companies Act 2016</i> : Application for Registration of a Company)
5.	Lodgement under section 46 of the <i>Companies Act 2016</i> : Notification of Change in the Registered Address**
6.	Company profile from the Companies Commission of Malaysia, containing such details as corporate information, summary of share capital, directors/officers, shareholders/members, company charges, and financial information**
7.	Lodgement under section 28 of the <i>Companies Act 2016</i> : Application for Change of Name* (if applicable)

No.	Description
8.	Lodgement under section 105 of the <i>Companies Act 2016</i> : Instrument of Transfer of Shares*
9.	Latest audited financial statements
10.	Latest management accounts (if the audited financial statements are more than three months old as at the submission date)
11.	Director's report on the financial standing, affairs, current assets and contingent liabilities of the company (for the period between the first day of the new financial year and a date within 14 days before the date of submission)
12.	List of employees indicating the Bumiputera / non-Bumiputera / foreign status, the employment status and position
13.	Operational and compliance manual describing in detail– (a) reporting principles and procedures; (b) internal audit procedures; (c) procedures for compliance with the securities laws; and (d) risk management policies, which the applicant has adopted or proposes to adopt for its proposed business.
14.	Declaration on the physical layout of business to avoid conflict of interest
15.	Declaration of compliance with cyber risk management

*Additional supporting documentation for the application for dealing in securities and/or dealing in derivatives*

16.	Participation / Membership certificate of approval in principle for admission from the exchange
17.	A duly completed form for the application of compliance officer (at least one)

*Additional supporting documentation for the application for fund management in relation to portfolio management*

18.	Company's portfolio management system manual
19.	Details of the funds projected to be managed in the next five years
20.	Letter of acceptance from the proposed custodian
21.	A completed self-assessment readiness checklist specified by the SC
22.	A duly completed form for the application of compliance officer (at least one)

*Additional supporting documentation for the application for fund management in relation to portfolio management lodged by a company owned by individuals*

23.	Declaration on loans and credit facilities, pursuant to subparagraph 4.04(5) of the Licensing Handbook
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*Additional supporting documentation for the application for dealing in unit trust products, dealing in private retirement schemes, investment advice, advising on corporate finance, and/or financial planning*

24.	A completed self-assessment readiness checklist as specified by the SC
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*Others*

25.	Other relevant documents
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\* To be certified as a true copy by a notary public / solicitor / company secretary

\*\* To be certified as a true copy by the Companies Commission of Malaysia

**FORM 1A: APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE***(to be completed by director / key management / company secretary)**[Deleted]***FORM 1B: APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE***(to be completed by director / key management who is also a proposed representative)**[Deleted]***FORM 1C: APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE***(to be completed by the first two proposed representatives)**[Deleted]***FORM 1E: APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE – APPOINTMENT OF INDIVIDUAL / PROFILE OF INDIVIDUAL SHAREHOLDER***(director / licensed director / chief executive / key management / compliance officer / responsible person / company secretary / representative / individual shareholder)*

No.	Description
1.	A copy of the individual's NRIC* (for Malaysian citizen) or passport(s)* (for non-Malaysian citizen) (must be crossed out with the remark "For The SC Use Only")
2.	A recent passport size colour photograph
3.	A copy of the individual's relevant academic certificates* (not applicable to individual shareholder)
4.	A copy of the relevant industry examination results / professional certificates and membership
5.	A copy of the relevant industry examination results / proof of completion of the SC licensing examination revision courses for the relevant modules / professional certificates and membership* (for proposed compliance officer)
6.	Detailed key performance indicators (KPIs) for the chief executive position**
7.	Justification for the appointment of chief executive / licensed director**
8.	Bankruptcy search results from the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority (no more than 31 days old as at the date of submission)
9.	Details of securities sold/purchased by the applicant for his/her own account during the last 12 months immediately preceding the date of this submission
10.	Declaration on the ownership and/or directorships to avoid conflict of interest in relation to the regulated activity(ies)
11.	Detailed job description / area of responsibility for executive directors (for all types of regulated activity) and head of operations (for stockbroking and participating organisation of the stock exchange only)**
12.	A copy of the individual's work permit* (for non-Malaysian citizen)
13.	Other relevant documents

*\* To be certified as a true copy by a notary public / solicitor / company secretary**\*\* Mandatory for the application of appointment of chief executive and/or licensed director, where applicable*

**FORM 2: APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE  
(INDIVIDUAL) [manual submission]**

No.	Description
1.	Processing fee of RM50.00 (Company cheque, bank draft, money order or postal order made payable to "Securities Commission Malaysia" or "Suruhanjaya Sekuriti Malaysia")
2.	A copy of the individual's NRIC* (for Malaysian citizen) or passport(s)* (for non-Malaysian citizen) (must be crossed out with the remark "For the SC Use Only")
3.	A recent passport size colour photograph
4.	A copy of the individual's relevant academic certificates*
5.	A copy of the relevant industry examination results / professional certificates and membership*
6.	Bankruptcy search results from the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority (no more than 31 days old as at the date of submission)
7.	A comprehensive and detailed proposal, which should generally include, but not limited to, the following: (a) Profile of individual; (b) Value proposition; (c) Compliance with licensing requirements; (d) Business plan for the next five years, detailing, among others, the opportunities identified, market analysis, target market, objectives, strategies, and execution plan; and (e) Financial projection (a profit and loss forecast), with basis for each assumption.
8.	Details of any individual's related parties, which are or were involved in any regulated activity in Malaysia or elsewhere and their licence and registration status
9.	A copy of registration of business with the Companies Commission of Malaysia*
10.	A detailed statement of the individual's current assets and contingent liabilities signed by the applicant and verified by an approved auditor
11.	Individual's operational and compliance manual describing in detail– (a) reporting principles and procedures; (b) internal audit procedures; (c) procedures for compliances with the securities laws; and (d) risk management policies which the applicant has adopted or proposes to adopt for its proposed business.
12.	Declaration on the physical layout of business to avoid conflict of interest
13.	A completed self-assessment readiness checklist as specified by the SC
14.	Details of securities sold/purchased by the applicant for his/her own account during the last 12 months immediately preceding the date of this submission
15.	A copy of the individual's work permit (for non-Malaysian citizen)
16.	Other relevant documents

*\* To be certified as a true copy by a notary public / solicitor / company secretary*

### FORM 3: APPLICATION FOR NEW CAPITAL MARKETS SERVICES REPRESENTATIVE'S LICENCE

No.	Description
1.	Declaration from the company attesting to the fit and proper standing of the CMSRL applicant, in accordance with section 65 of the CMSA
2.	A copy of the individual's NRIC (for Malaysian citizen) or passport(s) (for non-Malaysian citizen) (must be crossed out with the remark "For the SC Use Only")
3.	A recent passport size colour photograph
4.	A copy of the individual's relevant academic certificates
5.	A copy of the relevant industry examination results / professional certificates and membership
6.	Bankruptcy search results from the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority (no more than 31 days old as at the date of submission)
7.	Details of securities sold/purchased by the applicant for his/her own account during the last 12 months immediately preceding the date of this submission
8.	A copy of the individual's work permit (for non-Malaysian citizen)
9.	Other relevant documents

### FORM 4: ANNUAL REPORTING FOR AUTHORISATION ACTIVITY FOR CAPITAL MARKETS SERVICES LICENCE

No.	Description
1.	Lodgement under section 68 of the <i>Companies Act 2016</i> : Annual Return
2.	Company profile from the Companies Commission of Malaysia, containing such details as corporate information, summary of share capital, directors / officers, shareholders / members, company charges, and financial information
3.	Director's report on the financial standing, affairs, current assets and contingent liabilities of the company (for the period between the first day of the new financial year and a date within 14 days before the date of submission)
4.	Latest management accounts (if the audited financial statements are more than three months old as at the anniversary date)
5.	List of employees indicating the Bumiputera / non-Bumiputera / foreign status, the employment status and position
6.	Latest organisational structure
7.	Performance review

#### *Additional supporting documentation for registered representatives*

8.	Annual reporting on the trading representatives, consisting of the following: <ul style="list-style-type: none"> <li>(a) A declaration to the SC that all its trading representatives are in compliance with the fit and proper requirements;</li> <li>(b) An update on training undertaken by each of the trading representatives, including any specific training and development activities carried out for the trading representatives;</li> <li>(c) Details of complaints received against any of its trading representatives (if any); and</li> <li>(d) the outcome of its supervision and the findings against its trading representatives (if any).</li> </ul>
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No.	Description
	Annual reporting on the Recognised Representatives (RRs), consisting of the following: (a) A declaration to the SC that all its RRs are in compliance with the fit and proper requirements; (b) A declaration that all its RRs remain licensed, registered, approved or authorised by the Home Regulator in a Recognised ACMF Member Country to undertake the regulated activity of investment advice; (c) Details of complaints received against any of its RRs (if any); and (d) The outcome of its supervision and findings against any of its RRs (if any).

*Additional supporting documentation for the regulated activity of Islamic fund management*

9.	For companies carrying out Islamic fund management activities, a written disclosure and declaration that the Islamic fund management business is carried out in accordance with Shariah principles (in line with Chapter 17 of the SC's <i>Guidelines on Islamic Capital Market Products and Services</i> )
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*Others*

10.	Other relevant documents
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**FORM 5: ANNIVERSARY REPORTING FOR AUTHORISATION ACTIVITY FOR CAPITAL MARKETS SERVICES LICENCE (INDIVIDUAL)**

No.	Description
1.	A detailed statement of the individual's current assets and liabilities signed by the individual and verified by an external auditor
2.	Details of securities sold/purchased by the individual for his/her own account since the last anniversary date stated in the specified form
3.	Bankruptcy search results from the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority (no more than 31 days old as at the date of submission)
4.	Other relevant documents

**FORM 6A: FIT AND PROPER COMPLIANCE REPORT**

No.	Description
1.	Explanation of non-compliance
2.	Other relevant documents

**FORM 7: APPLICATION FOR VARIATION OF REGULATED ACTIVITY FOR CAPITAL MARKETS SERVICES LICENCE HOLDER**

No.	Description
1.	A comprehensive and detailed proposal, which should generally include, but not limited to, the following: (a) reasons for conducting the regulated activity;

No.	Description
	<p>(b) outline and summary of the regulated activity as a whole, including an overview and business targets at the end of three years. This includes products and services offered and a description of the delivery channels;</p> <p>(c) how the regulated activity fits within its corporate structure, group global strategy and global operations;</p> <p>(d) reasons why the company believes the business plan will be successful, stating key assumptions, and supported by feasibility and market studies. This may include:</p> <ul style="list-style-type: none"> <li>(i) analysis of proposed regulated activity against the corresponding operating environment, including target markets, competitors, threats and opportunities, and plans to address them;</li> <li>(ii) strength of financial resources to support the business, including sources of initial and future capital;</li> <li>(iii) ability and plans to manage associated operational and business risks;</li> <li>(iv) availability of human capital, expertise and knowledge, including names and credentials of key experts;</li> <li>(v) supporting technology, systems and processes;</li> <li>(vi) supporting research and development initiatives; and</li> <li>(vii) track record and experience of the company specifically pertaining to identified areas in the business plan;</li> </ul> <p>(e) pro-forma financial statements (base case), including balance sheet and income statement for the first three years of operations. Major asset, liability, income and expense categories should be identified, including a description of off-balance sheet activities. Identify and discuss key assumptions underlying the calculations;</p> <p>(f) sensitivity analysis showing the results of changes in key assumptions on the base case business plan under a worst case scenario and discuss the changes in assumptions;</p> <p>(g) contingency plans to address worst case or other adverse scenarios;</p> <p>(h) source of initial and future capital provided for in the base case and other scenarios in the form of a capital plan and funding policies;</p> <p>(i) projected staff complement and roles, and an organisation chart showing reporting lines for senior positions and key over the three-year period. This may include planned training, education and knowledge-sharing initiatives;</p> <p>(j) major risk areas and the policies and control procedures to monitor risk tolerance and risk managements. This may include market, operational, technology, legal, regulatory and strategic risks; and</p> <p>(k) description of any material outsourcing arrangement anticipated by the company.</p>
2.	Latest management accounts (if the audited financial statements are more than three months old as at the anniversary date)
3.	List of employees indicating the Bumiputera / non-Bumiputera / foreign status, the employment status and position
4.	Applicant's operational and compliance manual describing in detail, including— (a) reporting principles and procedures;

No.	Description
	(b) internal audit procedures; (c) procedures for compliances with the securities laws; and (d) risk management policies which the applicant has adopted or proposes to adopt for its proposed business
5.	Declaration on the physical layout of the business to avoid conflict of interest

*Additional supporting documentation for the application for dealing in securities and/or dealing in derivatives*

6.	Participation / Membership certificate of approval in principle for admission from the exchange
7.	A duly completed form for the application of compliance officer (at least one)

*Additional supporting documentation for the application for fund management in relation to portfolio management*

8.	Company's portfolio management system manual
9.	Details of the funds projected to be managed in the next five years
10.	Letter of acceptance from the proposed custodian
11.	Experience of related companies in relation to fund management
12.	A completed self-assessment readiness checklist specified by the SC
13.	A duly completed form for the application of compliance officer (at least one)

*Additional supporting documentation for the application for fund management in relation to portfolio management lodged by a company owned by individuals*

14.	Declaration on loans and credit facilities, pursuant to subparagraph 4.04(5) of the <i>Licensing Handbook</i>
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*Additional supporting documentation for the application for dealing in unit trust products, dealing in private retirement schemes, investment advice, advising on corporate finance, and/or financial planning*

15.	A completed self-assessment readiness checklist specified by the SC
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*Others*

16.	Other relevant documents
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**FORM 8: APPLICATION FOR VARIATION OF REGULATED ACTIVITY FOR REPRESENTATIVE**

No.	Description
1.	A copy of the individual's relevant academic certificate(s) attained after the representative's licence was granted
2.	A copy of the relevant industry examination results / professional certificates and membership
3.	Other relevant documents

**FORM 9: APPLICATION FOR VARIATION OF PRINCIPAL BY REPRESENTATIVE**

No.	Description
1.	Declaration from the company attesting to the fit and proper standing of the CMSRL holder applicant, in accordance with section 65 of the CMSA
2.	A copy of the approval letter of transfer from the exchange
3.	Bankruptcy search results from the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority (no more than 31 days old as at the date of submission)

*Supporting documentation for variation of regulated activity*

4.	A copy of the individual's relevant academic certificates
5.	A copy of the relevant industry examination results / professional certificates and membership

*Others*

6.	Other relevant documents, e.g. a copy of the order of annulment from the High Court or a copy of the letter of discharge by the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority
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**FORM 10: APPLICATION FOR CHANGE OF ENTITY NAME**

No.	Description
1.	Evidence of the approval of the Companies Commission of Malaysia for the name reservation
2.	Other relevant documents

**FORM 11: APPLICATION FOR CHANGE OF INDIVIDUAL'S BUSINESS NAME**

No.	Description
1.	Evidence of the approval of the Companies Commission of Malaysia for the name reservation
2.	Other relevant documents

**FORM 12: APPLICATION FOR CHANGE OF SHAREHOLDERS / SHAREHOLDINGS**

No.	Description
1.	Describe your overall ownership structure before and after the proposed change in the form of a tree diagram depicting the following details: (a) Shareholding structure; and (b) Percentage of shareholdings of each shareholder.
2.	Detailed write-up, which covers, among others— (a) purchase consideration, source of funding, and other transaction details; and (b) elaboration on how it may impact the CMSL holder, including, but not limited to, the following aspects, in a comparison table of pre- and post-change descriptions: (i) strategic direction; (ii) business operations and processes;

No.	Description
	(iii) financial impact; (iv) board composition and management; (v) organisational / reporting structure; and (vi) non-financial resources, including staff arrangements and composition (upsizing, downsizing or status quo).
3.	Other relevant documents

### FORM 13: NOTICE OF CHANGE OF SHAREHOLDERS / SHAREHOLDINGS

No.	Description
1.	Describe your overall ownership structure before and after the change in the form of a tree diagram depicting the following details: (a) Shareholding structure; and (b) Percentage of shareholdings of each shareholder.
2.	Detailed write-up, which covers, among others— (a) purchase consideration, source of funding, and other transaction details; and (b) elaboration on how it may impact the CMSL holder, including, but not limited to, the following aspects, in a comparison table of pre- and post-change descriptions: (i) strategic direction; (ii) business operations and processes; (iii) financial impact; (iv) board composition and management; (v) organisational / reporting structure; and (vi) non-financial resources, including staff arrangements and composition (upsizing, downsizing or status quo).
3.	Lodgement under section 68 of the <i>Companies Act 2016</i> : Annual Return
4.	Lodgement under section 105 of the <i>Companies Act 2016</i> : Instrument of Transfer of Shares
5.	Other relevant documents

### FORM 14: NOTICE OF APPOINTMENT OF DIRECTOR / LICENSED DIRECTOR / CHIEF EXECUTIVE / KEY MANAGEMENT / COMPLIANCE OFFICER / RESPONSIBLE PERSON / COMPANY SECRETARY

No.	Description
1.	A copy of the individual's NRIC (for Malaysian citizen) or passport(s) (for non-Malaysian citizen) (must be crossed out with the remark "For the SC Use Only")
2.	A recent passport size colour photograph
3.	A copy of the individual's relevant academic certificates
4.	Bankruptcy search results from the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority (no more than 31 days old as at the date of submission)
5.	Details of securities sold/purchased by the appointee for his/her own account during the last 12 months immediately preceding the date of this submission
6.	A copy of the individual's work permit (for non-Malaysian citizen)

No.	Description
7.	Company information from the Companies Commission of Malaysia, containing details of directors / officers
8.	Other relevant documents

### **NOTICE OF CHANGE IN ENTITY PARTICULARS**

*[Formerly Form 15: Notice of Change in Company's Particulars]*

No.	Description
<i>Supporting documentation for change in name</i>	
1.	Lodgement under section 28 of the <i>Companies Act 2016</i> : Application for Change of Name

<i>Supporting documentation for change in registered address</i>	
2.	Lodgement under section 46 of the <i>Companies Act 2016</i> : Notification of Change in the Registered Address

<i>Supporting documentation for change in business address</i>	
3.	Declaration on the physical layout of the business to avoid conflict of interest

<i>Supporting documentation for a new branch and/or branch closure (for dealing in securities and/or dealing in derivatives); establishment of new business or acquisition of shares / interests in or outside Malaysia (for capital market-based activities); and disposal of business or shares / interests in or outside Malaysia, including closure of business</i>	
4.	A copy of the letter of approval from the relevant authority / regulatory or supervisory body
5.	Evidence of the approval of the board of directors and/or shareholders (where applicable)

<i>Others</i>	
6.	Other relevant documents

### **FORM 15A: NOTICE OF ESTABLISHMENT OF NEW BUSINESS OR ACQUISITION OF SHARES / INTERESTS IN OR OUTSIDE MALAYSIA**

(for non-capital market-based activities)

No.	Description
1.	A copy of the letter of approval from the relevant authority / regulatory or supervisory body
2.	Evidence of the approval from the board of directors and/or shareholders (where applicable)
3.	Other relevant documents

**NOTICE OF CHANGE IN INDIVIDUAL PARTICULARS***[Formerly Form 16: Notice of Change in Individual's Particulars]*

No.	Description
<i>Supporting documentation for change in name</i>	
1.	A copy of the approval letter from the National Registration Department
<i>Supporting documentation for change in business name and/or business address</i>	
2.	A copy of the approval letter from the Companies Commission of Malaysia
<i>Others</i>	
3.	Other relevant documents

**NOTICE OF CHANGE IN REPRESENTATIVE'S PARTICULARS***[Formerly Form 17: Notice of Change in Representative's Particulars]*

No.	Description
<i>Supporting documentation for change in name</i>	
1.	A copy of the approval letter from the National Registration Department
<i>Supporting documentation for change in passport</i>	
2.	A copy of the passport
<i>Supporting documentation for change in remuneration type</i>	
3.	A copy of the approval letter from the company
<i>Others</i>	
4.	Other relevant documents

**FORM 18: NOTICE OF CESSATION OF CAPITAL MARKETS SERVICES LICENCE**

No.	Description
1.	Relevant documents, including a copy of the written confirmation by the licence holder that the cessation has been performed in accordance with section 81 of the CMSA, and any other information as may be required by the SC (the physical licence, if applicable, shall be returned to the SC upon cessation)
2.	Other relevant documents

**FORM 19: NOTICE OF CESSATION OF CAPITAL MARKETS SERVICES LICENCE (INDIVIDUAL)**

No.	Description
1.	Relevant documents, including a copy of the written confirmation by the licence holder that the cessation has been performed in accordance with section 81 of the CMSA, and any other information as may be required by the SC (the physical licence, if applicable, shall be returned to the SC upon cessation)
2.	Other relevant documents

**FORM 20: NOTICE OF CESSATION OF CAPITAL MARKETS SERVICES REPRESENTATIVE'S LICENCE**

No.	Description
1.	A copy of the representative's resignation / termination letter or relevant document (the physical licence, if applicable, shall be returned to the SC upon cessation)
2.	Other relevant documents

**FORM 21: NOTICE OF CESSATION FOR DIRECTOR / CHIEF EXECUTIVE / KEY MANAGEMENT / COMPLIANCE OFFICER / RESPONSIBLE PERSON / COMPANY SECRETARY**

No.	Description
1.	Lodgement under section 58 of the <i>Companies Act 2016</i> : Notification of change in the Register of Directors, Managers and Secretaries
2.	A copy of the individual's resignation / termination letter
3.	A copy of the acceptance letter from the exchange
4.	Other relevant documents

**FORM 22: NOTICE OF PLACE AT WHICH REGISTER OF SECURITIES IS TO BE KEPT**

No.	Description
1.	Any relevant document(s)

**FORM 23: NOTICE OF CHANGE OF PLACE OR CESSATION OF KEEPING OF REGISTER OF SECURITIES**

No.	Description
1.	Any relevant document(s)

**FORM 24: APPLICATION FOR COMPLIANCE OFFICER***[Deleted]***FORM 25: NOTICE OF CESSATION FOR COMPLIANCE OFFICER***[Deleted]***FORM 26: APPLICATION FOR ESTABLISHMENT OF NEW BUSINESS OR ACQUISITION OF SHARES / INTERESTS IN OR OUTSIDE MALAYSIA**

(for capital market-based activities)

No.	Description
1.	A copy of the letter of approval from the relevant authority / regulatory or supervisory body
2.	Detailed proposal covering, among others, the information provided in the "Details of the Proposed Establishment or Acquisition" section
3.	Evidence of the approval from the board of directors and/or shareholders (where applicable)
4.	Other relevant documents



**FORM 27: APPLICATION FOR APPOINTMENT OF CHIEF EXECUTIVE / KEY MANAGEMENT***[Deleted]***FORM 28: APPLICATION FOR TEMPORARY LICENCE***(to be completed by applicant and monitoring officer)*

No.	Description
<i>Supporting documentation for applicant</i>	
1.	A copy of the individual's NRIC (for Malaysian citizen) or passport(s) (for non-Malaysian citizen) (must be crossed out with the remark "For the SC Use Only")
2.	A recent passport size colour photograph
3.	A copy of the individual's relevant academic certificates
4.	Reference letter(s)
5.	Details of any of the applicant's related, subsidiary and associate companies which are or were involved in any regulated activities in Malaysia or elsewhere and their licence/registration status
6.	Certified copy of proof for all licences, registration or approval, that entitle you to provide financial services mentioned earlier in item 1 Section VI*
7.	Bankruptcy search results from the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority (no more than 31 days old as at the date of submission)
8.	Other relevant documents
<i>Supporting documentation for monitoring officer</i>	
9.	A copy of the monitoring officer's NRIC (for Malaysian citizen) or passport(s) (for non-Malaysian citizen) (must be crossed out with the remark "For the SC Use Only")
10.	Proof of monitoring officer's employment with current company
11.	Other relevant documents

*\* To be certified as a true copy by a notary public / solicitor / company secretary***FORM 29: MONITORING OFFICER'S REPORT FOR TEMPORARY LICENCE HOLDER(S)***(to be completed by monitoring officer)*

No.	Description
1.	Other relevant documents

**FORM 30: APPLICATION FOR REGISTRATION OF TRADING REPRESENTATIVE**

No.	Description
1.	A copy of the individual's NRIC (for Malaysian citizen) or passport(s) (for non-Malaysian citizen) (must be crossed out with the remark "For the SC Use Only")
2.	A recent passport size colour photograph
3.	A copy of the individual's relevant academic certificates
4.	Evidence that applicant has completed the Familiarisation Programme for Trading Representative 1 (FPTR 1) and passed the required assessment

No.	Description
5.	The principal's supervision and training framework for the trading representative
6.	Letter from the principal confirming that there is no conflict of interest arising from the appointment of the trading representative with a PO
7.	Declaration from the principal attesting to the fit and proper standing of the proposed trading representative, in accordance with Schedule 1 of the Licensing Handbook
8.	Bankruptcy search results from the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority (no more than 31 days old as at the date of submission)
9.	Details of securities sold/purchased by the individual for his/her own account during the last 12 months immediately preceding the date of this submission
10.	Other relevant documents

**FORM 31: NOTICE OF CESSATION FOR TRADING REPRESENTATIVE**

No.	Description
1.	A copy of the representative's resignation / termination letter or relevant document
2.	Other relevant documents

**FORM 32: PROFILE OF INDIVIDUAL SHAREHOLDER OF CAPITAL MARKETS SERVICES LICENCE HOLDER**

No.	Description
1.	A copy of the individual's NRIC* (for Malaysian citizen) or passport(s)* (for non-Malaysian citizen) (must be crossed out with the remark "For the SC Use Only")
2.	A recent passport size colour photograph
3.	Detailed curriculum vitae / professional profile of the individual (must be consistent with the information provided in this form)
4.	Bankruptcy search results from the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority (no more than 31 days old as at the date of submission)
5.	A copy of the individual's work permit* (for non-Malaysian citizen)
6.	Other relevant documents

*\* To be certified as a true copy by a notary public / solicitor / company secretary*

**FORM 33: APPLICATION FOR APPOINTMENT OF LICENSED DIRECTOR / CHIEF EXECUTIVE / KEY MANAGEMENT / COMPLIANCE OFFICER**

No.	Description
1.	A copy of the individual's NRIC (for Malaysian citizen) or passport(s) (for non-Malaysian citizen) (must be crossed out with the remark "For the SC Use Only")
2.	A recent passport size colour photograph
3.	A copy of the individual's relevant academic certificates
4.	A copy of the relevant industry examination results / proof of completion of the SC Licensing Examination revision courses for the relevant modules / professional certificates and membership (for compliance officer only)
5.	Detailed key performance indicators (KPIs) for the chief executive position

No.	Description
6.	Justification for the appointment of chief executive / licensed director
7.	Bankruptcy search results from the Malaysian Department of Insolvency or, if outside Malaysia, the competent authority (no more than 31 days old as at the date of submission)
8.	Details of securities sold/purchased by the applicant for his/her own account during the last 12 months immediately preceding the date of this submission
9.	A copy of the individual's work permit (for non-Malaysian citizen)
10.	Other relevant documents

**FORM 34: AUDITOR'S REPORT**

No.	Description
1.	Auditor's report

**FORM 35: APPLICATION FOR REGISTRATION OF RECOGNISED REPRESENTATIVE**

No.	Description
1.	A copy of the individual's NRIC (for Malaysian citizen) or passport(s) (for non-Malaysian citizen) (must be crossed out with the remark "For the SC Use Only")
2.	A recent passport size colour photograph
3.	A copy of the individual's work permit (for non-Malaysian citizen)
4.	Other relevant documents

## Appendix 4

### FEES

1. Application and licence fees in respect of the grant and variation of a Capital Markets Services Licence and a Capital Markets Services Representative's Licence

#### Capital Markets Services Licence

Activity	Fee Payable (RM)
1. Application for a– (a) licence; or (b) variation of a licence.	50
2. Submission of anniversary reporting	50
3. Licence fee payable by a licence holder which is a company, for a period of 12 months or any part thereof for- (a) any first regulated activity; and (b) each subsequent regulated activity.	2,000 1,000
4. Licence fee payable by a licence holder which is an individual for a period of 12 months or any part thereof for a regulated activity	1,000
5. Approval of an application for a variation of a licence	100

#### Capital Markets Services Representative's Licence

Activity	Fee Payable (RM)
1. Application for a- (a) licence; or (b) variation of a licence.	50
2. <i>[Deleted]</i>	<i>[Deleted]</i>
3. Licence fee payable by a licence holder for a period of 12 months or any part thereof, for any number of regulated activities	200
4. Approval of an application for variation of a licence	100

- 1A. Fees payable in respect of registration of a person as a trading representative

Activity	Fee Payable (RM)
1. Application for registration	50
2. Approval of an application for registration	200
3. Anniversary of registration payable for a period of 12 months or any part thereof	200

## 2. Other fees

<b>Matter</b>	<b>Fee Payable (RM)</b>
1. Lodgement or deposit of documents	20
2. A certified copy of a licence	50
3. Lodgement of any other documents to the SC where no fees are specifically provided	50

## Appendix 5

### NOTIFICATION FORM FOR MATERIAL OUTSOURCING ARRANGEMENTS

No.	Description
1.	<p>A notification form signed by either the chief executive or executive director (please refer to the template at <a href="http://www.sc.com.my">www.sc.com.my</a>) which sets out the following:</p> <p>(a) A brief description of the material outsourced functions; and</p> <p>(b) A brief explanation on the rationale to outsource to service provider or sub-contractor outside Malaysia and explanation on why the particular function could not be undertaken domestically (if applicable).</p>
2.	<p>The notification form and, if applicable, the letter of undertaking from the service provider(s) or sub-contractor(s) should be directed to:</p> <p>Intermediary and Fund Supervision                      Securities Commission Malaysia                      3 Persiaran Bukit Kiara                      Bukit Kiara                      50490 Kuala Lumpur                      (Attention: Supervision Department)</p> <p>Copied to (where applicable):                      Participants Supervision Division                      Regulation                      Bursa Malaysia Berhad                      2<sup>nd</sup> Floor Exchange Square                      Bukit Kewangan                      50200 Kuala Lumpur</p>

## **Schedule 1**

### **FIT AND PROPER CRITERIA FOR TRADING REPRESENTATIVE AND RECOGNISED REPRESENTATIVE**

The applicant must satisfy the following criteria:

- (a) The application for registration was made in accordance with this handbook;
- (b) The applicant has not failed to comply with any other requirements of the Act or any guidelines made under the Act;
- (c) Any information or document furnished to the SC is not false or misleading or from which there is a material omission;
- (d) The applicant is not an undischarged bankrupt whether within or outside Malaysia;
- (e) No execution against the applicant in respect of a judgement debt has been returned unsatisfied in whole or in part;
- (f) The applicant has not, whether within or outside Malaysia, entered into a compromise or scheme of arrangement with his creditors, being a compromise or scheme of arrangement that is still in operation;
- (g) The applicant has not—
  - (i) been charged for any offence in any court of law;
  - (ii) had any civil action initiated against him 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 outside Malaysia relating to capital market;
  - (v) 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;
  - (vi) engaged in any business practice appearing to the SC to be deceitful or oppressive or otherwise improper (whether unlawful or not) or which otherwise reflects discredit on his method of conducting business; or
  - (vii) engaged in or has been associated with any other business practices or otherwise conducted himself in such a way that cast doubt on his competence and soundness of judgment;

- (h) The applicant has satisfied the educational or other qualification or experience having regard to the nature of the duties he is to perform in connection with being registered as a trading representative or Recognised Representative;
- (i) The applicant is able to act in the best interest of the clients of a CMSL holder having regard to the applicant's reputation, character, financial integrity and reliability;
- (j) The SC or the principal is satisfied as to the record of past performance or expertise of the applicant having regard to the nature of the duties which he may perform in connection with the activity;
- (k) There are no other circumstances which are likely to lead to the improper conduct of business by, or reflect discredit on the manner of conducting the business of, the applicant or any person employed by or associated with him for the purpose of his activities as a trading representative or Recognised Representative;
- (l) The applicant will carry on the activities as a trading representative or Recognised Representative efficiently, honestly or fairly; and
- (m) That it would not be contrary to the interest of the public that the applicant be registered as a trading representative or Recognised Representative.



## Schedule 2

*[Deleted]*