



Suruhanjaya Sekuriti
Securities Commission

GUIDELINES ON REGISTRATION OF AN ELECTRONIC BROKING SYSTEM

Effective Date: 6 January 2006

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1.0 INTRODUCTION

- 1.1 These Guidelines set out the regulatory requirements and procedures that shall be met by a licensed money broker with regard to an electronic broking system which falls within the meaning of “stock market” under the Securities Industry Act 1983.
- 1.2 Under these Guidelines, the term “electronic broking system” or “EBS” means a stock market established or operated by a licensed money broker for the trading of debentures or bonds of any government, body corporate or unincorporated, Islamic securities or any right, option or interest in respect thereof.
- 1.3 Pursuant to the Securities Industry (Declaration of Exempt Stock Market) Order 2005, in order for an EBS to be accorded an exempt stock market status, a licensed money broker should cause such EBS to be duly registered with the SC in accordance with the Guidelines.
- 1.4 For the purposes of these Guidelines, the term “licensed money broker” has the meaning assigned to it under section 2(1) of the Banking and Financial Institutions Act 1989 (“BAFIA”).

2.0 SCOPE

- 2.1 Save as otherwise approved by the SC, the eligible participants of an EBS are as follows:
 - (a) institutions licensed under the BAFIA;
 - (b) universal brokers;
 - (c) institutions licensed under the Islamic Banking Act 1983;
 - (d) insurance companies and takaful operators; and
 - (e) Cagamas Berhad.
- 2.2 The following securities may be traded on an EBS:
 - (a) debentures issued or guaranteed by the Federal Government, the Central Bank and State Governments;
 - (b) debentures issued by any body corporate or unincorporated;
 - (c) Islamic securities (as defined under the Securities Commission (Prescription of Islamic Securities) Order 2004) issued by any corporation; and
 - (d) any other debt securities as may be specified by the SC.

3.0 CONDITIONS TO BE COMPLIED WITH BY AN OPERATOR OF AN EBS

- 3.1 In order to achieve an orderly market for securities that are traded through an EBS, a licensed money broker shall ensure that the EBS maintains a minimum standard of operational integrity. In this regard, a licensed money broker shall ensure that an EBS has complied with all the standards and requirements that are specified by Bank Negara Malaysia ("BNM") prior to submitting an application to the SC. A letter of certification confirming compliance with the requirements imposed by BNM must be submitted to the SC.
- 3.2 An EBS shall undertake to interface with a centralised price repository system operated by Bursa Malaysia or any other system as may be specified by the SC. The interface would relate to pre-trade and post-trade information as specified by the SC on securities that are traded on the EBS. In this regard, the licensed money broker shall ensure that all applicable rules on trade confirmation and reporting issued by Bursa Malaysia are adhered to at all times. The licensed money broker shall exercise due care and diligence to ensure that the information disseminated to Bursa Malaysia is accurate, timely and complete.

4.0 DOCUMENTS AND INFORMATION TO BE SUBMITTED TO THE SC

- 4.1 A licensed money broker is required to submit the following information and documents in its application letter to the SC:
 - (a) corporate information and information pertaining to the operations of the EBS (as stated in Appendix 1);
 - (b) Declaration letter (as set out in Appendix 2); and
 - (c) Letter of certification on compliance with BNM's requirements.
- 4.2 Where an EBS is jointly operated by two or more licensed money brokers, the information and documents stated in Paragraph 4.1 of these Guidelines shall be submitted jointly by the licensed money brokers involved.
- 4.3 Upon the occurrence of the following events after the application has been submitted to the SC, or after an EBS has been registered with the SC, the licensed money broker(s) shall undertake to notify the SC of the following within a reasonable period of time:
 - (a) any material change in the operations of the EBS;
 - (b) any material change to the licensed money broker that would affect the operations of the EBS;
 - (c) any change to the information specified in Appendix 1 of these Guidelines that has been submitted to the SC; and

- (d) without prejudice to the provisions of the BAFIA, any enforcement and remedial actions taken to address any non-conformance by the participants of the EBS that relate to the provisions stated under Part IX, Division I (Prohibited Conduct) of the SIA.
- 4.4 Subsequent to the registration of an EBS by the SC, the licensed money broker(s) shall submit the following information to the SC:
- (a) audited annual financial statements, within 3 months after the close of each financial year; and
 - (b) any other relevant information or documents as required by the SC.
- 4.5 All correspondences with the SC shall be addressed to:

Chairman
Securities Commission
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur

(Attention : Director of Market Policy & Development Division)

5.0 DEREGISTRATION

- 5.1 The SC may, upon consultation with BNM, withdraw the registration of an EBS if the licensed money broker involved:
- (a) ceases to operate the EBS;
 - (b) is being wound up or otherwise dissolved;
 - (c) provides false and/or misleading information to the SC;
 - (d) is contravening or has contravened any material terms and/or conditions imposed by the SC and/or BNM; or
 - (e) operates in a manner that, in the opinion of the SC, would jeopardise the integrity of the market.
- 5.2 The licensed money broker shall be given an opportunity to be heard prior to the withdrawal of registration by the SC.

APPENDIX 1

I. CORPORATE INFORMATION TO BE SUBMITTED BY A LICENSED MONEY BROKER:

- (a) Address, telephone number and facsimile number of the principal place of operation of the EBS;
- (b) URL of the internet web page of the EBS, where applicable;
- (c) Name, IC number, position and telephone number of management staff involved in the operation of the EBS as well as an organization chart showing their reporting lines; and
- (d) A copy of the latest audited financial statement of the money broker.

II. SPECIFIC INFORMATION PERTAINING TO THE OPERATIONS OF THE EBS:

- (a) Broad description of the EBS system, in particular, trade execution and transaction flows;
- (b) Category of eligible participants and types of membership, where applicable;
- (c) A list of eligible securities and instruments to be traded on the system;
- (d) Provisions for the expulsion, suspension or disciplining of members for misconduct in business transactions or for a contravention of or failure to comply with the Member Rules of the EBS;
- (e) Provisions with respect to the resolution of trade disputes;
- (f) Procedures to minimise the system down-time and the necessary contingency plans;
- (g) Restrictions on trading of eligible securities by its employees, if any;
- (h) Business rules, if any, that are imposed by a licensed money broker on its customers in the course of trading through the EBS; and
- (i) Where the electronic facilities of the EBS are owned or maintained by an external party, relevant information with regard to the collaborative arrangement between the licensed money broker(s) and the external party in relation to the EBS operations. For example, the name, paid-up capital and directors of the external party as well as the extent of its involvement in the EBS.

APPENDIX 2

Declaration by a Licensed Money Broker(s)

Date: ...(Date of Application)...

The Chairman
Securities Commission

Dear Sir,

DECLARATION PURSUANT TO THE APPLICATION FOR REGISTRATION OF AN ELECTRONIC BROKING SYSTEM ("EBS")

1. We, ...(Name of licensed money broker)..., confirm that to the best of our knowledge and belief there is no false or misleading statement contained in, or material omission from, the information that is provided to the Securities Commission ("SC") in relation to this Application.
2. We declare that we are satisfied after having made all reasonable enquiries that:
 - (i) this Application is in full compliance with the SC's Guidelines on Registration of an Electronic Broking System ("Guidelines");
 - (ii) a certification on compliance with the requirements imposed by BNM on the EBS has been obtained pursuant to paragraph 3.1 of the Guidelines and a copy of the letter of certification is attached herewith; and
 - (iii) We have not been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the last 10 years prior to the submission.
3. We declare that we will ensure continuous compliance with the requirements stipulated in the Guidelines and to the terms and conditions imposed by the SC in relation to this Application.
4. We undertake to ensure that the EBS duly registered with the SC will interface with a centralised price repository system operated by Bursa Malaysia, or to any other system specified by the SC.
5. We undertake to provide to the SC all such information as the SC may require in relation to this Application.

The above Declaration has been signed by me as ...(designation of executive director)...
of the licensed money broker pursuant to the authority granted to me by a resolution of
the Board of Directors on ...(date of resolution)...

Yours faithfully,

.....

Name:

Name of Licensed Money Broker: