



Suruhanjaya Sekuriti
Securities Commission
Malaysia

ELIGIBILITY REQUIREMENTS FOR PRIVATE RETIREMENT SCHEME PROVIDERS

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1.0 INTRODUCTION

General

- 1.01 Part IIIA of the *Capital Markets and Services Act 2007* (CMSA) sets out the regulatory and supervisory framework for private retirement schemes, whereby the Securities Commission Malaysia (SC) will approve and regulate the following key components:
- (a) Private retirement scheme administrator (PRS Administrator);
 - (b) Private retirement scheme provider (PRS Provider);
 - (c) Private retirement scheme (PRS or Scheme); and
 - (d) Scheme Trustee.
- 1.02 With regard to a PRS Provider, the roles it is expected to undertake include the following:
- (a) Promotion of the Scheme and handling of members' queries;
 - (b) Administration of subscription to the Scheme, collection of contributions from contributors, and allocation of contributions to the selected fund;
 - (c) Management of fund's assets under the Scheme;
 - (d) Day-to-day management, operation and maintenance of books and records of the Scheme;
 - (e) Reporting to members and the SC, as well as working with the PRS Administrator; and
 - (f) Processing of members' request to switch funds within the Scheme, transfer of accrued benefits when members change from one Scheme to another, and administration of withdrawals from the Scheme.
- 1.03 A PRS Provider is also expected to have obligations toward the PRS Administrator, and may be required to enter into an arrangement with the PRS Administrator. The PRS Administrator will be established to act as a central repository of information and data of members of Schemes, as well as to enhance overall administrative efficiency in the PRS industry.
- 1.04 Within the Scheme established by a PRS Provider, a range of funds can be offered to meet different risk-return objectives. A minimum of three funds must be offered under the Scheme which would form the default option, namely a growth fund, balanced fund and conservative fund. A member of a Scheme will be automatically allocated to a fund within the default option where that member does not make a fund selection.

- 1.05 Subsection 139Q(1) of the CMSA states that an application for approval as a PRS Provider shall be made to the SC in such form and manner as may be specified by the SC.
- 1.06 This document is issued by the SC pursuant to section 377 of the CMSA and sets out the eligibility requirements for approval as a PRS Provider, as well as the format for applications made to the SC. This document (including the practice notes and any other accompanying documents) may be reviewed by the SC as and when necessary.
- 1.07 The SC may exempt where it deems appropriate or, upon application, grant exemptions or variations from compliance with any requirement in this document.
- 1.08 The SC may seek further clarification, information or documents as and when required in respect of any application to be a PRS Provider.
- 1.09 The SC may return applications which are deemed unsatisfactory or reject applications which do not comply with the requirements of the SC.

2.0 DEFINITIONS AND INTERPRETATION

2.01 In these guidelines, the following words have the following meanings, unless the context otherwise requires:

accrued benefit	has the meaning as provided for in section 139A of the CMSA;
applicant	in the context of this document, means a person who submits an application to the SC for approval as a PRS Provider;
CMSA	means the <i>Capital Markets and Services Act 2007</i> ;
CMSL	means the Capital Markets Services Licence;
contribution	has the meaning as provided for in section 139A of the CMSA;
contributor	has the meaning as provided for in section 139A of the CMSA;
financial intermediary	in the context of this document, means: (a) a management company approved under section 289 of the CMSA, CMSL holder for fund management, insurance company licensed under the <i>Insurance Act 1996</i> for life business, or <i>takaful</i> operator registered under the <i>Takaful Act 1984</i> for family solidarity business; or (b) a corporation performing similar activities as described in sub-paragraph (a) above that is duly licensed or authorised and regulated by a relevant foreign regulatory authority;
member	has the meaning as provided for in section 139A of the CMSA;
group of companies	in the context of this document, means any corporation and a corporation that is related to the first-mentioned corporation by virtue of section 6 of the <i>Companies Act 1965</i> ;
PRS or Scheme	means private retirement scheme as defined in section 139A of the CMSA;
PRS Administrator	means private retirement scheme administrator as defined in section 139A of the CMSA;
PRS Provider	means private retirement scheme provider as defined in section 139A of the CMSA;
SC	means the Securities Commission Malaysia;
Scheme Trustee	has the meaning as provided for in section 139A of the CMSA.

3.0 ELIGIBILITY REQUIREMENTS FOR PRS PROVIDER

Ownership and Background

3.01 The applicant must be an existing financial intermediary, or parent or holding corporation of an existing financial intermediary.

Governance

3.02 The applicant must have an organisational structure for the proposed PRS Provider with clear lines of reporting, responsibility and authority.

3.03 Paragraph 3.02 shall also apply where the proposed PRS Provider is part of a group of companies and there are reporting lines within the group.

3.04 The applicant must ensure that the proposed members of the board of directors and other committees of the proposed PRS Provider are fit and proper persons with relevant skills, experience and competence to perform their roles in the company.

Risk Management and Internal Controls

3.05 The applicant must ensure that the proposed PRS Provider establishes a comprehensive compliance and risk management system, including having the following:

- (a) Internal audit framework;
- (b) Risk management framework;
- (c) Compliance framework; and
- (d) Business continuity plan.

3.06 Additionally, the proposed PRS Provider with current business operations must demonstrate adequate policies and procedures to manage any conflict of interest between the PRS business and its current operation.

Track Record

3.07 The applicant must, within its group of companies, have relevant experience in fund management, pension fund management or life insurance investment, including in

the operation and administration of retail or pension funds, or life insurance business.

- 3.08 The applicant or a financial intermediary within its group of companies must have assets under management of RM1 billion (or its equivalent in foreign currency) annually within the last three consecutive years.
- 3.09 For the purposes of paragraphs 3.07 and 3.08, where the proposed PRS provider relies upon the track record of others within its group of companies, the applicant must be able to demonstrate and explain how the proposed PRS Provider will leverage on the capability of the group in fulfilling the obligations of an approved PRS Provider.
- 3.10 The key personnel in the proposed PRS Provider must have at least–
- (a) three years experience in the relevant investments of the proposed funds under the Scheme; and
 - (b) ten years fund management experience in a related industry.
- 3.11 The applicant must ensure that the proposed PRS Provider establishes appropriate investment processes and controls for the Scheme. Where the proposed processes and controls for the proposed PRS Provider differs from those processes and controls currently used within its group of companies, the applicant must be able to explain the reason for any differences.

Administration Capability

- 3.12 The applicant must ensure that the proposed PRS Provider will have adequate human resources with the necessary qualification, expertise, and experience to carry on the PRS business.
- 3.13 The proposed PRS Provider must have adequate and appropriate policies, systems, procedures and processes to undertake the PRS business in a proper and efficient manner, including:
- (a) The ability to handle large volumes of transactions;
 - (b) The ability to administer small and inactive account balances;
 - (c) The willingness and ability to interface with the PRS Administrator's system according to the PRS Administrator's specifications;
 - (d) The ability to interface with the systems of other PRS Providers to accommodate members' investment requests; and
 - (e) The ability to handle and resolve complaints; and
 - (f) The ability to ensure members' confidentiality.

- 3.14 The proposed PRS Provider must have adequate and appropriate policies, systems, procedures and processes to report to the following:
- (a) Members on fund performance and other relevant matters;
 - (b) Scheme Trustee;
 - (c) The PRS Administrator; and
 - (d) The SC.

4.0 APPLICATION PROCESS

- 4.01 In applying for approval as a PRS Provider, the applicant must–
- (a) comply with the application format attached in Appendix 1; and
 - (b) submit three copies of the application as well as one electronic copy in CD-ROM.
- 4.02 The application can be submitted by–
- (a) the proposed PRS Provider;
 - (b) the parent company or holding company of the proposed PRS Provider; or
 - (c) the related company (who is an existing financial intermediary) of the proposed PRS Provider.
- 4.03 Each applicant will be notified as soon as practicable after the evaluation of the application has been completed.
- 4.04 Successful applicants will receive approval-in-principle for establishment as a PRS Provider and, within six months from the date of the approval-in-principle, the PRS Provider must–
- (a) be incorporated in Malaysia;
 - (b) be a CMSL holder for fund management and any other regulated activity (where applicable), and comply with the licensing requirements under the securities laws and the SC's *Licensing Handbook* prior to commencing its PRS activities;
 - (c) meet the minimum paid-up capital of RM5 million and shareholder's fund requirements of RM20 million to be maintained at all times;
 - (d) establish a Scheme approved by the SC;
 - (e) conduct its activities from an office in Malaysia; and
 - (f) comply with such terms and conditions as specified by the SC.

- 4.05 Upon approval as a PRS Provider, the PRS Provider must comply with the requirements of the CMSA and the relevant guidelines issued by the SC.
- 4.06 All submissions relating to the application for approval as a PRS Provider must be addressed to:

Chairman
Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Malaysia
(Re: Application to be PRS Provider)

Prior to making the submission, applicants are required to register their interest as soon as possible with the SC at PRSgroup@seccom.com.my, in order to receive further information regarding the PRS framework.

APPLICATION FORMAT AND CONTENT

1. Cover letter

The cover letter, signed by two authorised directors of the applicant, must contain the following:

- (1) A statement declaring that all the information provided in the application (including attachments) is complete, true and correct; and
- (2) An undertaking that if the application is approved, the proposed PRS Provider will:
 - (a) Enter into any agreement, if required, with the PRS Administrator to enable the PRS Administrator to perform its duties and responsibilities; and
 - (b) Perform such necessary action to ensure that the computer system platforms used by the PRS Provider are able to interface with the PRS Administrator and other PRS Providers.

2. Application details

Section 1 - Particulars of applicant

- (1) Name of corporation
- (2) Name of direct and ultimate holding company (if any)
- (3) Type of entity (e.g. public listed company, Berhad, Sdn Bhd or Ltd)
- (4) Date of incorporation
- (5) Incorporation/Registration number
- (6) Registered office
- (7) Core business
- (8) Principal place of business
- (9) Years of operation in Malaysia and/or overseas (where applicable)
- (10) Corporate profile and history

Section 2 – Contact information

- (1) Names of contact persons and their positions
- (2) Telephone number
- (3) Facsimile number
- (4) E-mail address
- (5) Correspondence address

Section 3 - Ownership, background and governance

- (1) Please provide a description of the applicant's ownership, corporate and governance structures, including:
 - (a) Group corporate and equity structure;
 - (b) Corporate structure (organisation chart), including details of board composition and number of independent board members and an overview of governance activities undertaken;
 - (c) Nature of any other board committees (investment, audit and compliance committee) and composition of these committees; and
 - (d) Reporting lines within the group of companies.

The applicant must also include information on each board member and other key personnel including academic, professional qualifications and relevant work experiences.

- (2) Please describe the applicant's corporate governance principles, how they are set and communicated throughout the organisation and to stakeholders.
- (3) Please provide information on the Shariah adviser if the applicant intends to offer Shariah-compliant funds under the private retirement scheme.
- (4) Please provide confirmation of total number of employees and their locations (branches).
- (5) Please provide annual reports and audited accounts for the past five financial years for–
 - (a) the applicant; and
 - (b) where the applicant is not the proposed PRS Provider or relies on the track record of another financial intermediary within the group of companies, the relevant financial intermediary and parent company.
- (6) Please provide details of the nature of any financial backing or support provided by the parent company, including from any entities outside Malaysia.

Section 4 - Business proposition

- (1) Please provide details of the business plan and proposed range of funds offered under the private retirement scheme.
- (2) Please provide details on the indicative fees and charges for the private retirement scheme business, which would include all fees charged to members.
- (3) Please provide details on the revenue model for the private retirement scheme business.

- (4) Please provide details on its marketing strategy for different target segments and use of distribution channels (if any).
- (5) Please submit the proposed educational and awareness campaign of the proposed PRS Provider.

Section 5 – Licence record in other jurisdictions

Please state the countries where the applicant and its group of companies are licensed, authorised or registered with regulatory bodies to engage in fund management, pension and life insurance-related activities.

Section 6 – Compliance, risk management and internal controls

- (1) Please provide a brief outline of the applicant's group of companies' compliance, internal audit and risk management function, system and framework.
- (2) Please provide details on the risk management system, including:
 - (a) Details of those parties who have primary responsibilities for developing and approving policies;
 - (b) Processes and procedures by which these policies are implemented;
 - (c) Processes and procedures in place to monitor and assess compliance with these policies and the reporting of non-compliance; and
 - (d) The profile of the team responsible in implementing the risk management framework.
- (3) Please provide details of the internal audit framework and compliance framework including the profile, duties and responsibilities of the team(s) responsible in implementing the frameworks.
- (4) Please provide details on the applicant's policies and procedures to manage conflicts of interests and, how are they handled e.g. Chinese walls.
- (5) Please provide details and explain the reason for any differences (if any) in the compliance, internal audit and risk management function, system and framework for the proposed PRS Provider.
- (6) Please submit a business continuity plan for the proposed PRS Provider.
- (7) Please provide details of any disciplinary actions or proceedings taken against the applicant, or any of its directors by any regulatory authority in relation to the activities of a financial intermediary for the last five years.
- (8) Please provide details on whether the applicant or any of its directors have been investigated for offences involving fraud or dishonesty or adjudged by a court to be civilly liable for fraud, dishonesty or misfeasance within the last five years.

- (9) Please provide details on whether the applicant or any of its directors have been a party to a civil litigation in the past five years in relation to fund management activities. Please specify whether there are any judgments or court orders which have not been complied with.
- (10) Please provide details on whether the applicant has been a party to a scheme of arrangement or been served a winding-up petition or entered into any form of compromise with creditors in the past five years.
- (11) Please provide any other material information that you may wish to disclose relating to the applicant and the group's compliance track record.

Section 7 - Track Record

- (1) Please provide a description of the applicant's or the group of companies' experience in fund management, pension fund management or life insurance investment, and where relevant, how the proposed PRS Provider will leverage on the capability of the applicant or the group.
- (2) Please provide a description of the key investment personnel's expertise and experience in managing retail, pension or life insurance funds, including:
 - (a) The academic, professional qualifications and relevant work experiences. The tenure spent with the applicant or relevant financial intermediary (where relevant), previous employer(s) and job responsibility (if any); and
 - (b) To indicate the relevant experience gained that is consistent with the type of investments proposed for the funds under the private retirement scheme.
- (3) Please provide the following information for the past five financial years in the format prescribed in the table below:

- (a) Asset Under Management;

Period as at	AUM/NAV (RM)	Average AUM/NAV during the year (RM)

- (b) The fund performance including equity, balanced, fixed income fund and any other fund that is proposed to be duplicated for the PRS. To provide a separate table for funds invested in foreign markets.

Period as at	Average total returns of the fund(s) (for one year, three years and five years)	Annual total return of the fund(s) (for each of last five financial years)

- (4) Please provide details on the current investment process and controls used, as well as the proposed process and controls for the proposed PRS Provider if there are any differences, including:
- (a) Description of the applicant’s investment philosophy and approach including investment policy and process flow [including the role of the research team, if any];
 - (b) Description of current reporting structure for the investment team, fund manager’s educational qualifications, fund management experience, current job responsibilities and profiles of the fund managers who are expected to be appointed to manage the fund(s) under the PRS; and
 - (c) Rationale for any differences in the investment processes and controls used (if any).

Section 8 - Administration Capability

- (1) Description of the human resource of the proposed PRS Provider including staff numbers, average years of experience and a general outline of duties performed.
- (2) Overview of the training programmes catered for directors and employees updating on industry developments and compliance matters.
- (3) Please provide details on the proposal to integrate the private retirement scheme business into the applicant’s current operation, including but not limited to, training, resourcing, impact on current business, systems and processes.
- (4) Descriptions of the computer system platforms (hardware and software) used to administer the private retirement scheme business, including the ability and willingness to interface with the PRS Administrator and other PRS Providers.
- (5) Details of the proposed PRS Provider’s policies, systems, procedures and processes to undertake the private retirement scheme business, including:
 - (a) Handling large volumes of transactions;
 - (b) Administering small and inactive account balances;
 - (c) Handling and resolving complaints;
 - (d) Ensuring the reliability, availability and integrity of information on member transactions;
 - (e) Ensuring the privacy and security of confidential member information; and
 - (f) Reporting to members, the PRS Administrator and the SC.