

## FREQUENTLY ASKED QUESTIONS ON REGISTERED REPRESENTATIVES

### (Trading Representative, Introducing Representative and Marketing Representative)

#### 1. What are the three categories of Registered Representatives?

Registered Representatives are divided into three categories :

- **Trading Representative (TR)** who can accept clients' orders for securities (order taking) and execute securities trades;
- **Introducing Representative (IR)**, who is able to introduce or refer prospective clients to or market the services of the participating organisation (PO) he/she represents or acts for; and
- **Marketing Representative (MR)**, who undertakes marketing of fund management services and provide client support services.

#### 2. What is the SC's objective for introducing the Registered Representatives framework to the industry?

For the stockbroking industry, the Registered Representatives framework is introduced with the objectives of expanding the licensed dealer's representative (DR) base, promoting intermediation capacity and growing the stockbroking industry. This measure is intended to strengthen the role of dealers, facilitate provision of specialised services and broaden their client base.

For the fund management industry, the introduction of MR will enable resources to be utilised more efficiently when building a client base and to provide for enhanced client servicing activities.

#### 3. Why are these Representatives registered and not licensed?

A licensed representative is able to carry out the full scope of the regulated activities that he/she is licensed for, while the Registered Representative will only be carrying out limited scope of activities. Should the Registered Representative want to carry out the full scope of dealing in securities or fund management activity, he/she can apply to be licensed as a dealer's representative or fund manager.

#### **4. What are the permitted activities of Registered Representatives?**

A TR can only carry out execution of trades in securities. As such, he/she is not allowed to give advice, persuade, induce or make specific recommendations on securities trades.

An IR can introduce or refer prospective clients to or market the services of the PO he/she represents or acts for. He/she is not allowed to take clients' orders, execute trades, make specific recommendations or give transactional advice.

A MR can carry out marketing of fund management services and provide client support services. Scope of permitted activities by MR may include:

- Marketing and Promotional activities – conducting presentations and providing information on fund management services and wholesale products
- Business development – develop business relationships, communication to new or existing clients and distribution channels
- Client servicing - reporting to clients on fund management activities including performance

#### **5. Can an individual be registered for more than one activity at the same time?**

A Registered Representative can only undertake one activity at a time either as TR or IR or MR.

#### **6. Can a Registered Representative of a PO execute derivative trades (as a TR) or introduce clients (as an IR) to a derivative trading company / futures broking company?**

No. The current scope of activities for which the Representatives is registered for is only in respect of securities.

#### **7. Can an IR distribute research reports<sup>1</sup> issued by the PO to prospective clients?**

Yes, as long as the IR does not provide recommendation or advice on securities. The IR will have to refer a client to a licensed person if the client asks for specific recommendation or advice on securities.

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<sup>1</sup> Research reports from a participating organisation must be issued or promulgated by a licensed investment adviser of the same firm, having reasonable basis for making such recommendation in the research report.

## **8. How would this initiative help build up the DR base?**

The initiative will facilitate a TR/IR to become a full-fledged licensed DR via a fast-track route introduced by the SC. Under this route, the TR/IR must satisfy the following conditions:

- served for a minimum period of two years on a continuous basis in one participating organisation either as an TR or an IR;
- attended at least 10 days of training over two years on a continuous basis;
- obtained a satisfactory report on the conduct of business from the PO where the Registered Representative had served his two years;
- attended a familiarisation programme and passed an assessment at the end of the two-year period (FP2); and
- remain fit and proper.

Upon satisfaction of the above requirements, such persons may be licensed without having to take the relevant SC licensing examinations. The familiarisation programme (FP1) prior to registration and the continuous training over two years together with the FP2 are meant to equip the Registered Representative with relevant knowledge and skills in becoming a licensed dealer's representative.

## **9. How can a Marketing Representative become a full-fledged fund manager?**

A Marketing Representative must sit for Modules 9 and 10 to qualify himself as a fund manager.

## **10. How is the remuneration structure for the Registered Representative determined?**

The remuneration structure will be determined by the Principal.

## **11. Are Registered Representatives considered as full-time employees or agents of the Principal?**

The status of the TR/IR will be determined by the PO. The MR will need to be an employee of the fund management company.

## **12. Once a person has been registered as a Registered Representative, can he/she be called by a different title?**

A Registered Representative may be called by any other appropriate name provided it does not imply that the Registered Representative is licensed. The business card issued by the Principal must state in some form that the individual is registered with the SC.

**13. What is the role of a Principal over the Registered Representative?**

The Principal will be responsible for the supervision, conduct, on-going training and development of the Registered Representative, as well as payment of annual fee for the continued registration. It will have to submit an annual report to the SC on the outcome of its supervision and findings, if any, as well as training and development activities carried out for the Registered Representative.

**14. Registered Representatives are required to undergo five training days in a year. How many hours should one training day consist of?**

One day of training should consist of at least seven hours of training.

**15. Can the training for Registered Representatives be conducted by a Principal?**

Yes. For TR/IR, the training must be relevant in enhancing the TR/IRs competency to facilitate his transition towards becoming a full-fledged licensed dealer's representative for TR/IR and understanding of the expected duties involved in the full spectrum of dealing in securities

In the case of MR, the training must be relevant to ensure continuous competency in carrying out the activities.

**16. Can a TR/IR assist in opening clients' accounts on behalf of the PO?**

He may assist the licensed dealer's representative in opening clients' accounts but the accountability and due diligence rests with the PO. The scope of his assistance may include collecting, authenticating and witnessing the relevant forms from the clients for purposes of account opening, be involved in part of the "Know-Your-Client" process in gathering the essential information from the clients and filling in the necessary information in the account opening form.

**17. Can a Registered Representative be attached to more than one Principal?**

A Registered Representative must, at any point of time, only act on behalf of one Principal.

**18. Can a company apply to be registered to do trade execution or introducing or marketing on behalf of a Principal?**

The current registration framework for Registered Representative caters for individuals to be registered as a TR, an IR or a MR.

**19. Can a licensed financial planner apply to be registered as an IR?**

The current registration framework for Registered Representative requires the registered person to act for only one principal at a time. As a licensed financial planner who is employed by a Capital Markets Services Licence (CMSL) holder for financial planning, it would be contrary to the principle of a single tie-up / attachment with one participating organisation where one principal is accountable for the conduct of its registered person.

**20. Can an applicant on his own accord apply to the SC to be registered as a Registered Representative?**

An applicant must apply through the Principal. The Application Form for Registration of Registered Representative must be signed by the applicant and co-signed by the relevant signatories of the Principal as specified in the application form.

**21. Can a Registered Representative seek a variation of principal i.e. transfer from one Principal (Company A) to another (Company B)?**

The person would have to resign from Company A and submit the relevant cessation form to the SC. If he/she wishes to be registered again, he/she will have to apply to be registered with the SC through Company B.

**22. In the scenario above, if a TR/IR ceases his registration with Company A and goes to Company B, can his training be corroborated and the satisfactory report be prepared by Company A, but submitted by Company B to apply on behalf of the TR/IR to become a licensed DR?**

The SC expects a continuous two-year service with one PO, which is the same company that will be assessing the TR/IR at the end of the two-year period for the company's submission of a satisfactory report to the SC.

**23. What is the process for cessation?**

The Principal must submit the cessation form to the SC within 14 days from occurrence of event, stating the reason for cessation.

**24. What will the familiarisation programme cover?**

It will cover areas that are directly relevant to the permitted scope of activities, which include understanding of relevant rules and regulations, business practices, market conduct, know-your-client (KYC) rules, and anti-money laundering policies and procedures. Reference may be made to the Securities Industry Development

Corporation's (SIDC) list of frequently asked questions on the familiarisation programmes conducted by SIDC.

**25. Who will carry out the familiarisation programmes?**

The familiarisation programme will be conducted by SIDC.

**26. Must the applicant be attached with a Principal in order to attend the familiarisation programme?**

Yes, he/she must be attached with a Principal before he/she is able to attend the familiarisation programme.

**27. Are there going to be CPE requirements and CPE points to be accumulated?**

There are no CPE requirements on the Registered Representative. However, the Registered Representative is required to undergo a minimum of five days of training in a year. There will be no requirement for annual CPE points to be accumulated by the Registered Representative.

**28. What is meant by "proper screening" as stated in sub-paragraph 7.1 of the *Guidelines for Registered Person (Registered Representative)*?**

The Principal is responsible to conduct the necessary due diligence on the applicant's qualification, experience requirement and his fit and properness before the submission for registration is made to the SC.

**29. How will the submission of application be made to the SC?**

Pending the Electronic Licensing Application (ELA) System enhancement, the submission for application for registration will have to be made manually to the Authorisation and Licensing Department of the SC.

**30. Is the Registered Representative subject to annual submission of registration to the SC?**

The registration process is a one-off exercise. However, the Principal will have to, as part of the company's Form 4: Anniversary Reporting for Authorisation Activity (ARAA) submission, submit an annual report to the SC on the Registered Representative's continuous fit and proper status and compliance with the relevant requirements in respect of conduct and training. The Principal must also make annual fee payment for the Registered Representative's continued registration.

**31. Are the TR/IR also required to be registered with Bursa?**

The registration is only with the SC. Bursa will be notified of the registered representatives (TR/IR) by the SC.

**32. What are the fees for registration?**

Upon submission of an application for registration to the SC, the Principal will be required to pay a processing fee of RM50. Upon approval of registration, a fee of RM200 is payable to the SC. An annual fee of RM200 is also payable by the Principal for the continued registration of the Registered Representative.