



Suruhanjaya Sekuriti
Securities Commission
Malaysia

APPLICATION FOR ESTABLISHMENT OF A NEW STOCKBROKING COMPANY

Date Issued: 8 January 2008

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1.0 INTRODUCTION

- 1.1 The Capital Markets & Services Act 2007 (“CMSA”) provides that the Securities Commission is responsible for the regulation as well as development of the capital market including the securities industry.
- 1.2 This document sets out the requirements in relation to applications for the establishment of the three (3) New Stockbroking Companies (“New Stockbroking Companies”) in Malaysia pursuant to the announcement in Budget 2008 to encourage greater flows of funds from the Middle East to Malaysia.
- 1.3 The “Applicant” herein refers to the parent company (or holding or related company, as may be applicable) of the proposed New Stockbroking Company.
- 1.4 Unless otherwise defined, all words used have the same meaning as defined by the CMSA.

2.0 APPLICATION PROCEDURE

- 2.1 An application for the establishment of the New Stockbroking Company shall be made to the Securities Commission by providing the information as set out in the attached ‘Form for Establishment of a New Stockbroking Company’.
- 2.2 The Applicant is required to provide information to the Securities Commission in relation to its:
 - (i) financial soundness;
 - (ii) compliance, internal audit and risk management capabilities;
 - (iii) track record in capital market activities;
 - (iv) track record in sourcing and intermediating business and order flows from the Middle East;
 - (v) proposal on how it can source and intermediate business and orders flows from the Middle East and the estimated fund flows for the first five (5) years in operations;

- (vi) geographical presence;
- (vii) brand value and expertise in various markets, products and services; and
- (viii) technological capabilities.

- 2.3 The Applicant is also required to provide information on its proposed business model as well as business plan in Malaysia and its value proposition for the overall development of the capital market.
- 2.4 The Securities Commission may seek further clarification, information or documents from the Applicants.
- 2.5 To attract new sources of funds to the Malaysian capital market, existing stockbroking companies or the controller of the existing stockbroking companies are not eligible to establish a New Stockbroking Company.

3.0 CONDITIONS FOR ESTABLISHMENT

- 3.1 The New Stockbroking Company established pursuant to these Guidelines is permitted to have up to 100% foreign equity.
- 3.2 The New Stockbroking Company shall comply with all licensing requirements under the securities laws, prior to commencing dealing in securities activities.
- 3.3 The New Stockbroking Company shall conduct activities of dealing in securities as permitted under the securities laws, guidelines, rules and Securities Commission's policies from time to time, subject to the terms and conditions of its licence.
- 3.4 A New Stockbroking Company shall ensure that a substantial part of its business is sourced and originated from the Middle East on a continuous basis.
- 3.5 Within six (6) months from the date of approval of establishment, the followings shall be satisfied:
 - (i) the New Stockbroking company shall be incorporated in Malaysia to operate ;
 - (ii) the New Stockbroking Company shall apply for a new Capital Markets Services Licence from the Securities Commission; and

(iii) the New Stockbroking Company shall obtain from Bursa Malaysia Securities approval for registration as a Participating Organisation.

3.6 The licence granted to the New Stockbroking Company will permit it to operate from only one (1) business office.

3.7 The applicant should also refer to the Licensing Handbook for relevant requirements of a Capital Markets Services Licence holder.

3.8 The applicant should ensure that its business is Syariah compliant if it is involved in Islamic stockbroking services.

4.0 SUBMISSIONS

4.1 All submissions relating to this Application should be addressed to:

**The Senior Executive Director
Market Supervision Division
Securities Commission
No. 3, Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Malaysia
Tel : (603) 6204 8000
Fax : (603) 6201 5208**

FORM FOR ESTABLISHMENT OF A NEW STOCKBROKING COMPANY

This form is an attachment to the "Application for Establishment of a New Stockbroking Company".

Section 1: Particulars of the Applicant

1. Corporation Name
2. Name of immediate, penultimate and ultimate holding company
3. Date of incorporation
4. Incorporation/Registration number
5. Registered office
6. Principal place of business

Please provide relevant information on the group corporate and equity structure in relation to the application.

Please attach the last three (3) year annual reports and audited accounts.

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: Licence Record in Other Jurisdictions

Please state the countries where the Applicant's group of companies are licensed/authorised, approved or registered with regulatory bodies to engage in stockbroking activities.

Section 4: Compliance Information

1. Please provide a brief outline of the Applicant's group compliance, internal audit and risk management function, system and framework.

2. Please provide a brief outline of the Applicant's organisation initiatives and major actions taken in Anti-Money Laundering/Counter Terrorism Financing (AML/CTF) and promoting "Know Your Customer"; for example, to adopt best practices for financial institutions under the 40 + 9 recommendations issued by the Financial Action Task Force.
3. Please provide the Applicant's organisation risk management scorecard/register and the latest internal audit and compliance (including AML/CTF) report.
4. Has any disciplinary actions or proceedings been taken against the Applicant, or any of its directors by any regulatory authority in relation to stockbroking activities for the last five (5) years?

If yes, please provide details.

5. Has the Applicant or any of its directors 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 (5) years?

If yes, please provide details.

6. In relation to stockbroking activities, has the Applicant or any of its directors been a party to a civil litigation in the past five (5) years?

If yes, are there any judgments or court orders, which have not been complied with?

7. Has the Applicant been a party to a scheme of arrangement or served a winding up petition or entered into any form of compromise with creditors in the past five (5) years?

If yes, please provide details.

8. Please provide any other material information that you may wish to disclose relating to the Applicant and the group's compliance track record.

Section 5: Additional Information

1. Please provide information in relation to the Applicant's group market share, position and asset size based on the following:

- a. geographical coverage; and
 - b. coverage by market segments.
2. Please provide information on the Applicant's group brand value and expertise in various markets, products, services and technological capabilities, including research capabilities.
3. Please also provide track record in capital market activities as well as track record in sourcing and intermediating business and order flows from the Middle East for the past five (5) years.
4. Please describe the Applicant's proposed business model as well as business plan in Malaysia and its value proposition for the overall development of the capital market. This would include:
 - a. the proposal on how the Applicant can source and intermediate business and orders flows from the Middle East and the estimated fund flows for the first five (5) years in operations; and
 - b. the possibility of conducting capital market activities other than stockbroking in the near future (3 – 5 years), the proposed staffing requirement of the proposed business model and etc.
5. Please briefly describe the Applicant's relationship with its home country regulator or exchange. This may include active participation in dialogues, workshops, roadshows, sharing of information/technology and other promotional or marketing activities.
6. Please provide information on Syariah advisers or committee members if the Applicant intends to be involved in Islamic stockbroking services.

I / We declare that all the information provided in this Application (including attachments) is complete, true and correct.

Signature of Authorised Company Representative
Name
Designation
Date