

**FREQUENTLY ASKED QUESTIONS ON
TRADING REPRESENTATIVE AND MARKETING REPRESENTATIVE
(Date of issuance: 23 June 2017)
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Background

The Securities Commission Malaysia (SC) has conducted a review of the referral/introducer framework to promote consistency and clarity on the role and parameters of an introducer in performing referral, introducing and marketing activities in the capital market.

Following the review, a revised **Marketing Representative (MR) framework** has been introduced to govern referral, introducing and marketing representatives **across all regulated activities**.

The *Guidelines for Registered Person (Registered Representative)* is superseded by the *Guidelines for Marketing Representative* effective from 23 June 2017. The revised framework on referral agents, Introducing Representative and Marketing Representative is subsumed in the *Guidelines for Marketing Representative* while the requirements in relation to Trading Representative (TR) are subsumed in Chapter 11 of the *Licensing Handbook*.

These Frequently-Asked Questions (FAQs) are divided into three parts:

- (a) Part 1 sets out the FAQs relating to MR;
- (b) Part 2 sets out the FAQs relating to TR; and
- (c) Part 3 sets out general FAQs, relevant to both MR and TR.

Part 1: Marketing Representative

1. What are the permitted activities of an MR?

An MR can introduce or refer prospective clients or market the services of the Principal that he represents or acts for as well as provide client support services. He is not allowed to take clients' orders, execute trades, make specific recommendations or give transactional advice. An MR is required to inform the client of any remuneration received by the MR and its amount, if requested.

The permitted activities of an MR consist of–

- arranging for the customer to meet with or speak to the Principal;
- forwarding customer's particulars to the Principal;
- providing the customer with factual information relating to products and services offered by the Principal including conducting presentations; or
- provide client support services such as forwarding information on performance of fund to clients.

2. **If a person wishes to undertake only introducing activities, is he required to be registered as an MR?**

If a person undertakes introducing activities, he is required to be registered as an MR with the Principal.

3. **If I forward a customer's particulars to the Principal as a one-off introducing activity, do I need to be registered as an MR?**

You will not be required to be registered as an MR if the activity is done on a one-off basis.

4. **Can an MR assist in opening clients' accounts on behalf of the Principal?**

An MR may assist the Principal in opening clients' accounts. 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 by gathering the essential information from the clients but the accountability and due diligence resides with the Principal.

5. **Can an MR distribute research reports issued by a CMSL holder to prospective clients?**

Yes, an MR may distribute research reports issued by its Principal (a CMSL holder licensed for investment advice) but the MR must not provide recommendation or advice on securities and derivatives or any other capital market products. An MR will need to refer the client to a licensed person if the client requires recommendation or advice on securities and derivatives or any other capital market products.

6. **What is the route for an MR of a derivatives broker, fund management company and advisory company¹ to become a full-fledged CMSRL holder?**

The said MR would be required to satisfy the licensing requirements including passing the relevant licensing examinations provided in Chapter 4 of the *Licensing Handbook*.

7. **Can CMSL and CMSRL holders in financial planning, dealing in securities and dealing in derivatives who carry out referral activities under the previous paragraph 7.04 of the *Licensing Handbook* (prior to the changes made on 23 June 2017), continue with their referral activities?**

The said licence holders are permitted to continue with their referral activities, subject to registration of the CMSRL holders as MRs with the Principal. However, financial planners who refer their clients in the course of providing financial planning services to another CMSL holder do not need to be registered as an MR.

¹ "Advisory company" in the context of this question refers to CMSL holders licensed for the regulated activity of advising on corporate finance, investment advice or financial planning.

8. **Can a financial institution or a CMSL holder enter into an agreement to be an MR for a Principal?**

Only individuals can be registered as an MR. However, the Principal may enter into an agreement with a financial institution or another CMSL holder to engage their employees as the Principal's MR. The Principal must ensure that it has the appropriate authority and control over the MRs and is able to discharge its oversight function pursuant to the *Guidelines for Marketing Representative*.

9. **I am currently a registered MR with multiple Principals and wish to be a CMSRL holder for dealing in securities with Principal A. Can I continue to be a MR with other Principals?**

You may continue to be a MR for other Principals subject to there being no conflict of interest and your Principals are aware of and agreeable with your multiple arrangements.

10. **In the scenario above, can I accumulate the training days from other Principals to satisfy the 10-day training requirement in order to apply as a CMSRL holder (for dealing in securities) with Principal A?**

You can accumulate your 10-day training over two years from various Principals. You are also required to pass the Familiarisation Programme 2 before applying for a CMSRL. You must submit the relevant supporting documents to Principal A to demonstrate that you have met the minimum competency requirements.

11. **I am currently a CMSRL holder and have decided to be an MR. Do I need to attend the Familiarisation Programme, pass the assessment and surrender my CMSRL?**

You do not have to surrender your CMSRL in order to be registered as an MR provided there is no conflict of interest and your CMSL holder and other Principals are aware and agreeable with your arrangement. As a CMSRL holder, you will neither be required to attend the Familiarisation Programme nor pass the assessment, as you have passed the relevant licensing examinations. However, prior to your registration as an MR, your Principal must ensure you have the necessary knowledge and understanding of the relevant MR activities prior to the registration.

12. **Are there any restrictions on the number of MR that a Principal is allowed to register?**

There are no restrictions on the number of MRs allowed to be registered with a Principal.

13. **If I am both a CMSRL holder and an MR, am I still required to undergo a minimum of five days of training in a year, in addition to the CPE requirement?**

No, you would only be required to collect 20 CPE points per year.

14. **I have been an MR with a CMSL holder in fund management for two years. In my application to be a CMSRL holder in fund management, can my experience as an MR be considered as having met the licensing criteria of two years relevant experience in fund management?**

Experience as an MR in a fund management company typically cannot be considered as having the relevant experience in fund management. However, if the MR has other specific experiences that are relevant to fund management, the application may be considered.

15. **I am currently registered with the SC as an Introducing Representative. What will happen to my status of registration with the SC?**

You will be regarded as an MR and you must be registered with your Principal.

16. **Is the monthly reporting for MR required for a Principal that does not have any MRs?**

No. The monthly reporting on MR is only required if the Principal has engaged MRs.

17. **When should the Principal notify the SC with its updated list of MR?**

The Principal is required to submit to the SC an updated list of its MR within five business days after the end of every month. However, if the Principal terminates an MR for misconduct, the notification to the SC is required to be immediate.

18. **Are CMSL holders who conduct referral activity within the same group of companies required to register their employees as MR?**

No. CMSL holders are permitted to market and refer to other CMSL holders within the same group, without being required to register their employees as MRs.

19. **If I am a foreign entity outside of Malaysia and intend to refer a foreign client to a CMSL holder in Malaysia, would the said CMSL holder be required to register my employees as MRs?**

No. As the referral activity is conducted outside Malaysia, the employees of the foreign entity are not required to be registered as MRs. However, the foreign entity and CMSL holder are to ensure compliance with all applicable laws in relevant jurisdictions in relation to the referral activity.

20. **What is the role of a Principal over the MR?**

The Principal will be responsible to supervise the conduct, ongoing training and development of the MR, as well as ensure payment of annual fee to continue to be an MR.

21. **In engaging and registering an MR, would a licensed fund management company (FMC) be considered as delegating its marketing and soliciting function to the said MR?**

Delegation in the context of the *Guidelines on Compliance Function for Fund Management Companies* (Compliance Guidelines) is primarily associated with the investment management of a portfolio and making investment decisions. As the MR framework allows for an FMC to engage individuals to market and solicit its services on its behalf, such an arrangement would not be considered as a delegation under the Compliance Guidelines.

22. **I am a CMSL holder and wish to engage the services of a digital platform provider to conduct marketing activities on my behalf. Am I required to register the digital platform provider as an MR?**

A digital platform provider will not be required to register its employees as an MR if the digital platform provider merely provides a link to a CMSL holder's advertising and promotional materials. However, if the platform is an interactive platform and actively carries out marketing activities, the CMSL holder may need to register the relevant qualified employee of the digital platform provider as an MR.

23. **Is a CMSL holder required to register its existing client who participates in a client referral programme (e.g. client-get-client) as an MR?**

The CMSL holder is not required to register the client as an MR, if the referral programme is—

- (a) carried out for a limited period and not with the intention of obtaining repeated referrals from the same client to circumvent the requirement for registration of MR; and
- (b) not intended for the client to perform the role of a marketing representative but merely to provide contact details to the CMSL.

Part 2: Trading Representative

24. **What are the permitted activities of a TR?**

A TR can accept clients' orders for securities and execute securities trades. He is not allowed to give advice, persuade, induce or make specific recommendations on capital market product.

25. **Can a TR of a CMSL that is a dual licence holder (dealing in securities and dealing in derivatives) execute derivatives trades?**

No. The current scope of activities for a TR is only limited to securities trades.

26. **I am currently a CMSRL holder and have decided to be a TR. Do I need to attend the Familiarisation Programme, pass the assessment and surrender my CMSRL?**

You have to cease your existing CMSRL before being registered as a TR. However, you will not be required to attend the Familiarisation Programme as you have passed the relevant licensing examinations.

27. **Subsequently, can I re-apply to be a CMSRL holder?**

Yes, provided that you cease the TR registration prior to re-applying for a CMSRL. You may apply for a CMSRL without having to re-sit the licensing examination, provided that you have not left the industry for more than three years.

28. **Does the Principal need to submit the training and supervisory framework for TRs every time they submit an application for a TR to the SC?**

The Principal is required to furnish the training and supervisory framework for TRs to the SC on the first submission of application for a TR. Subsequent submissions is not required unless there are changes to the framework.

29. **What is the role of a Principal over the TR?**

The Principal will be responsible to supervise the conduct, ongoing training and development of the TR, as well as ensure payment of annual fee for the continued registration. The Principal is required 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 TR.

Part 3: General

30. **What is the remuneration structure for a TR and MR?**

The remuneration structure shall be determined by the Principal.

31. **Is the TR or MR considered as full-time employee or agent of the Principal?**

The status of the TR or MR shall be determined by the Principal.

32. **Can the TR or MR assist in opening clients' accounts on behalf of the Principal?**

A TR or MR may assist the Principal in opening clients' accounts but the accountability and due diligence resides with the Principal. The scope of his assistance may include collecting, authenticating and witnessing the relevant forms.

33. **When a person is registered as a TR or an MR, can he be called by a different title or designation?**

A TR or an MR may be assigned any other appropriate designation provided the designation is not misleading and does not imply that the TR or MR is a licensed

person. Notwithstanding the title or designation assigned, the TR or MR remains under the obligation to act within the permitted activities of a TR or an MR.

34. **What is the responsibility of a Principal before registering a TR with the SC or notifying SC on the appointment of the MR?**

The Principal is responsible to conduct the necessary due diligence on the applicant's qualification, and to ensure that the TR or MR is fit and proper as required under the *Licensing Handbook* or the *Guidelines for Marketing Representative*, as the case may be, before proceeding with the registration.

35. **A TR and an MR are required to undergo five training days in a year. How many hours would be deemed one training day?**

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

36. **With reference to the above question, can the Principal conduct the training for the TR and MR?**

Yes. A Principal is allowed to conduct training for the TR and MR. The Principal is to ensure that the training conducted is relevant to enhancing the TR or MR's competency and understanding of the expected duties and responsibilities. The Principal must maintain a training register to log training days completed by each TR or MR.

37. **Can a TR or an MR be attached to more than one Principal?**

A TR must, at any point of time, only act on behalf of one Principal while an MR may act on behalf of multiple Principals.

38. **Can an applicant on his own accord apply to SC to be registered as a TR or an MR?**

Registration as a TR with the SC can only be submitted by a Participating Organisation (PO) that is the Principal of the TR, while an MR is registered with the Principal and not with the SC.

39. **Besides the minimum qualification as stipulated in the *Licensing Handbook* for TR and *Guidelines for Marketing Representative* for MR, what is the requirement for a TR or an MR who wishes to become a CMSRL holder for dealing in securities?**

Where a TR or an MR wishes to become a CMSRL holder for dealing in securities, the PO can submit an application to the SC, subject to the TR or MR satisfying the following conditions:

- (a) Served for a minimum period of two years on a continuous basis in one PO either as a TR or an MR;
- (b) Attended at least 10 days of training over two years on a continuous basis;
- (c) Obtained a satisfactory report on the conduct of business from the PO where the TR or an MR had served the two years;

- (d) Attended Familiarisation Programme 2 and passed the assessment at the end of the two-year period; and
- (e) Is fit and proper.

40. **A TR or an MR will be required to attend a Familiarisation Programme and pass its assessment before being registered. What does the Familiarisation Programme cover?**

The Familiarisation Programme covers areas that are directly relevant to the permitted scope of activities and also includes the 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) content of Familiarisation Programmes conducted by SIDC.

41. **Who will be conducting the Familiarisation Programme?**

The Familiarisation Programmes are conducted by SIDC.

42. **Does an applicant need to be attached to a Principal to attend the Familiarisation Programme?**

The applicant may attend the Familiarisation Programme 1 and pass the assessment before joining any Principal. The assessment result will be valid for two years from the date of passing the assessment. The applicant must ensure that the assessment result is valid at the time of his application to the SC or Principal, where relevant.

43. **Is the CPE requirement applicable to a TR and an MR?**

CPE requirement is not applicable to a TR and an MR. However, a TR and an MR is required to undergo a minimum of five days of training in a year.

44. **I have passed the relevant SC Licensing Examination modules and have decided to be either a TR or an MR, instead of a CMSRL holder. Do I need to attend the Familiarisation Programme and pass the assessment?**

You will not be required to attend the Familiarisation Programme as you have passed the relevant licensing examinations. However, you must ensure that the registration as a TR or an MR be made within two years from the date of passing the relevant licensing examination modules.