

**FREQUENTLY-ASKED QUESTIONS ON
CLEARING AS A NEW REGULATED ACTIVITY
(Date of Issuance: 23 June 2017)**

1. I am a holder of CMSL for dealing in derivatives; do I need to apply for a clearing licence for the clearing services I provide to clients?

Following the introduction of clearing as a new regulated activity, if you are dealing in derivatives and intend to continue undertaking clearing activity for derivatives, you are deemed to be licensed under the CMSA for such clearing activity. Therefore, you are not required to make any new application for a licence to undertake clearing for derivatives. However, you are required to meet with the relevant requirement to undertake clearing activity.

2. I do not hold any dealing in derivatives licence; can I apply for a clearing licence if I want to carry out clearing activity?

Bursa Malaysia Derivatives Bhd (Bursa Derivatives) will decouple the trading and clearing participation. Hence, it is possible for a standalone clearing participant to apply for a clearing licence with SC.

3. What is SC's objective for introducing a new regulated activity of clearing?

It encourages specialisation in business for industry players as it will enable intermediaries to focus on their niche services, be it trading or clearing, or both.

4. I am a holder of CMSL for dealing in securities; do I need to apply for a clearing for securities licence for the clearing services I provide to clients?

For the time being, the framework introduced in the *Licensing Handbook* only provides for the activity of Clearing for the **derivatives market**. CMSL holders for dealing in securities are permitted to continue providing clearing services for its securities clients.

5. Who can apply to carry out the regulated activity of clearing?

The following persons may apply to carry out the regulated activity of clearing:

- (a) existing CMSL holder for dealing in securities and derivatives; and
- (b) licensed financial institutions regulated by Bank Negara Malaysia i.e. commercial banks, Islamic banks and international Islamic banks.

6. What are the entry requirements?

The entity must comply with the following entry requirements:

- (a) Appoint a Compliance Officer;
- (b) Appoint two Responsible Persons (one responsible for risk management and the other for the overall clearing business);

- (c) Maintain a minimum paid up capital of RM10 million and shareholders' funds of RM10 million at all times; and
- (d) Maintain minimum adjusted net capital: the higher of RM500,000; or 10% of aggregate margins required.

7. If Company A who is currently licensed for dealing in securities and intends to carry out clearing activity for dealing in derivatives, can Company A apply for this clearing licence?

Yes. Company A will need to submit a complete Form 7 (Application for Variation of Regulated Activity for CMSL) through Electronic Licensing Application System (ELA).

8. Would a licensed financial institution that wishes to undertake clearing activity be required to apply for a licence?

Yes. It is required to apply to SC for a licence to undertake the clearing activity.

9. Does the Compliance Officer of a CMSL holder which undertakes the clearing activity need to sit and pass any of SC Licensing Examinations?

Yes, the proposed Compliance Officer is required to sit for and pass Module 11. He must also attend the familiarisation programme.

10. Does the Responsible Person need to sit and pass any of SC Licensing Examinations as well? Do they need to be registered with SC similar to Compliance Officer?

No, the Responsible Person is not required to sit for and pass any of the SC Licensing Examinations but they are required to be registered with SC.

11. If Company B wishes to carry out dealing in derivatives activities but excluding clearing activities, what type of licence should Company B apply for? And what are the requirements?

Company B should apply for dealing in derivatives licence from SC and be registered with Bursa Derivatives as a Trading Participant. The requirements to be a CMSL holder for dealing in derivatives remain unchanged as per Chapter 4 of the *Licensing Handbook*.

12. Would a CMSL undertaking clearing activity be required to be a member of Securities Industry Dispute Resolution Center (SIDREC) and contribute to the Capital Market Compensation Fund (CMC Fund)?

No, the CMSL will not be required to be a member of SIDREC nor contribute to the CMC Fund.