

THE SC's GUIDELINES ON THE ESTABLISHMENT AND LOCATION OF A BRANCH OFFICE BY A UNIVERSAL BROKER AND A NON-UNIVERSAL BROKER

Cik Hasnah Omar

Head/Senior Manager, Intermediary Supervision Department

Market Supervision Division

Securities Commission

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Purpose

- A minimum guide for a UB and a Non-UB to establish a branch office before and after 1 January 2002
- The SC's criteria on the location of a branch office
- The procedures to establish a branch office



Branching - General Requirements

- An SBC that merges with/acquires another SBC:
 - shall surrender the licence
 - may convert it into a branch office at the original location
- The acquiring SBC may apply to relocate the branch office provided that:
 - sufficient justification is given
 - the application meets the criteria on the location of a branch office

Branching - UB

- Before 1 January 2002
 - An SBC that enters into a firm merger agreement to become a UB by 31 December 2000 will get:
 - an additional branch office for every licence surrendered
 - an additional branch office (if it has a Core Capital of at least RM500 million)
 - The additional branches can only commence operations after UB status is attained



Branching - UB (con't)

- After 1 January 2002
 - A UB shall be given latitude to open branch offices subject to the criteria on the location of a branch office

Branching - Non-UB

- Before and After 1 January 2002
 - An SBC that does not qualify or does not intend to become a UB can continue as a Non-UB
 - A Non-UB shall not be given the latitude to open additional branch offices



Criteria On Location Of A Branch Office

- An SBC may open a branch office at the original location of the acquired SBC or apply to relocate
- Criteria to relocate the acquired SBC:
 - On a first come first serve basis
 - Capital level
 - Risk management capability & compliance track record
 - Locations with insufficient, or not currently served by the physical presence of another SBC
 - Surrounding economic activity justifies the need for another branch office



Criteria On Location Of A Branch Office - UB

- An SBC that enters into a firm merger agreement to become UB by 31 December 2000 will get an additional branch office for every licence surrendered and another branch office if it has a Core Capital of at least RM500 million
- Criteria to locate the additional branch office:
 - On a first come first serve basis
 - Capital level
 - Risk management capability & compliance track record
 - Locations with insufficient, or not currently served by the physical presence of another SBC
 - Surrounding economic activity justifies the need for another branch office

Criteria On Location Of A Branch Office - UB (con't)

- After 1 January 2002, a UB shall be given latitude to open branch offices
- Criteria to locate a branch office by a UB after 1 January 2002:
 - The extent to which the UB has affected consolidation
 - On a first come first serve basis
 - Capital level
 - Risk management capability & compliance track record
 - Locations with insufficient, or not currently served by the physical presence of another SBC
 - Surrounding economic activity justifies the need for another branch office



Criteria On Location Of A Branch Office - The SC's Discretion

- The SC reserves the right to advise a UB or Non-UB to establish branch offices at other geographical locations, if necessary



Procedures To Establish A Branch Office

- Procedures to establish a branch office (merger with / acquisition of an existing SBC):
 - Submit proposal to the SC and KLSE
 - Submit application to MCD
 - Joint branch readiness audit by KLSE, SCANS and MCD
 - Submit application to transfer dealer's rep (Form 12)
 - SBC to propose date of commencement of operations to the SC, KLSE, SCANS and MCD
 - MCD will issue approval letter for branch ADA
 - Notice to depositors (depositors of a UB will be waived the transfer fees)
 - KLSE and MCD will assign branch codes
 - The SC and KLSE effect transfer of dealer's rep
 - Surrender licence

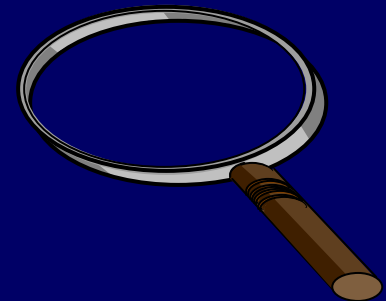
Procedures To Establish Additional Branch Office

- An SBC that enters into a firm merger agreement to become UB by 31 December 2000 will get an additional branch office for every licence surrendered and another branch office if it has a Core Capital of at least RM500 million. The SBC shall adhere to the following procedures:
 - Submit proposal to the SC and KLSE
 - Joint branch readiness audit by KLSE, SCANS and MCD
 - SBC to propose date of commencement of operations to the SC, KLSE, SCANS and MCD
 - KLSE and MCD will assign branch codes
 - Operations of additional branch office can only commence after UB status has been obtained



Review Of Guidelines

- These Guidelines shall be subject to review and amendment by the SC from time to time



Submissions

- All submissions to the SC in respect of these Guidelines are to be addressed to:

Head/Senior Manager
Intermediary Supervision Department
Market Supervision Division
Securities Commission
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur

