

MEMBER READINESS CHECKLIST FOR A UNIVERSAL BROKER

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Introduction

- An SBC must submit to the SC and KLSE duly completed member readiness checklist for a UB together with its comprehensive merger proposal
- A member readiness audit will be conducted by KLSE to verify the information given
- KLSE will forward its recommendations to the SC as to whether the SBC is ready to become a UB



Salient Features

- Salient features of member readiness checklist
 - Corporate Governance
 - Documented policies and procedures
 - Supervision and Compliance
 - Firewalls policies
 - Compliance culture and track record
 - Record keeping and reporting information
- Provides the minimum requirements for stockbroking companies



Table of Contents

1. General information
2. Organisation information
3. Quantitative criteria
4. Qualitative criteria
5. Front-office activities
6. Middle-office activities
7. Back-office activities
8. Corporate Finance
9. Research
10. Asset Management
11. Margin Financing
12. Fixed Income / Debt Instruments
13. Information Technology



1. General Information

General information of the UB

- Date of incorporation
- Address of principal and branch offices
- Contact person
- Statutory auditor
- Panel of solicitors and bankers



2. Organisation Information

Detailed information of the UB

- Capital, shareholders & group structure
- Type of activities undertaken
- Organisation and reporting structure
- Infrastructure

3. Quantitative Criteria

Other pre-requisites to be a UB includes the assessment of:

- Clients' monies in trust account
- Trading restrictions imposed by exchanges
- Policy on bumiputera participation

4. Qualitative Criteria

The assessment of:

- Shareholders, board of directors and management
- Branch office operations and supervision
- Inter-company borrowing and lending
- Control environment and risk management
- Compliance with laws, rules and regulations

5. Front-Office Activities

Areas covered:

- Sales and trading functions
- Segregation of duties
- Proprietary trading
- Employee trading

6. Middle-Office Activities

Areas covered:

- Internal Audit function - Audit Committee
- Compliance function - Executive Director - Compliance
- Risk Management function - Risk Management Committee and early warning system
- Credit Control function - Credit evaluation



7. Back-office Activities

Areas covered:

- Overall accounting systems
- Back-office/clients accounting system
- Clients' complaints
- Opening of clients' accounts
- Trust accounts
- "Know your client" provisions



8. Corporate Finance

Areas covered:

- Due diligence
- Supervision, compliance and firewalls
- Firewall policies
- Safeguards on material confidential information



9. Research

Areas covered:

- Quality of information
- Firewalls policies
- Conduct of research
- Maintenance of resources



10. Asset Management

Areas covered:

- Investment committee
- Client's agreement
- Allocation process
- Reporting to clients



11. Margin Financing

Areas covered:

- Monitoring system
- Margin account agreement
- Effective back-office system



12. Fixed Income / Debt Instruments

Areas covered:

- Experience and expertise
- Segregation of duties
- Firewalls policies
- Maintenance of records



13. Information Technology

Areas covered:

- Computer operations
- Computer security
- System development and life cycle (SDLC)
- Business Continuity Plan (BCP)
- Web-site maintenance
- Service level agreement
- Network and telecommunications
- Help desk and problem management

