

LICENSING HANDBOOK

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Chapter 1

INTRODUCTION

- 1.01 The *Capital Markets and Services Act 2007* (CMSA) repeals the *Securities Industry Act 1983* (SIA) and the *Futures Industry Act 1993* (FIA). The CMSA which takes effect on 28 September 2007 introduces a single licensing regime for capital market intermediaries. Under this new regime, a capital market intermediary will only need one licence to carry on the business in any one or more regulated activities. This will mean less cost and paperwork for capital market intermediaries who carry on more than one regulated activity.
- 1.02 This handbook sets out–
- (a) the single licensing regime under the CMSA;
 - (b) the criteria to be met for applying and varying a licence;
 - (c) the application procedures; and
 - (d) ongoing obligations imposed on licensed persons, including conditions and restrictions attached to a licence.
- 1.03 This handbook will replace the following guidelines:
- (a) *Guidelines for Dealers and Dealer's Representatives Under the SIA;*
 - (b) *Guidelines for Fund Managers and Fund Manager's Representatives Under the SIA;*
 - (c) *Guidelines for Investment Advisers and Investment Representatives Under the SIA;*
 - (d) *Guidelines for Futures Brokers and Futures Broker's Representatives Under the FIA;*
 - (e) *Guidelines for Futures Fund Managers and Futures Fund Manager's Representatives Under the FIA;*
 - (f) *Guidelines for Futures Trading Advisers and Futures Trading Adviser's Representatives Under the FIA;*
 - (g) *Guidelines for Submission Through the Electronic Licensing Application System;*
and
 - (h) *Guidelines on Permitted Activities for Stockbroking Companies.*

Note that:

1. This handbook is issued pursuant to section 377 of the CMSA and has the effect of a guideline issued by the Securities Commission Malaysia (SC). The SC can institute an action against any person contravening the requirements specified in this handbook, including administrative actions against licensed persons; and
2. Unless otherwise defined, all words used have the same meaning as defined by the CMSA.

1.04 Acronyms and Definitions

For the purposes of this handbook:

BNM	means Bank Negara Malaysia.
Business Trust	has the same meaning as provided for under section 2(1) of the CMSA
Chief Executive Officer	has the same meaning as defined by the CMSA i.e. chief executive, in relation to a corporation, means the principal executive officer of the corporation for the time being, by whatever name called and whether or not he is a director.
CMSL	means Capital Markets Services Licence.
CMSR	means the <i>Capital Markets Services Regulations 2007</i> .
CMSRL	means Capital Markets Services Representative's Licence.
controller	has the same meaning as defined under section 60(7) of the CMSA, which means a person who— <ol style="list-style-type: none"> (a) is entitled to exercise, or control the exercise of, not less than 15% of the votes attached to the voting shares in the CMSL holder; (b) has the power to appoint or cause to be appointed a majority of the directors of the CMSL holder; or (c) has the power to make or cause to be made, decisions in respect of the business or administration of such CMSL holder,

and to give effect to such decisions or cause them to give effect to.

investment bank (IB)	means an entity that holds a CMSL pursuant to section 58 of the CMSA for the regulated activity of dealing in securities and a merchant bank licence pursuant to section 5 of the <i>Banking and Financial Institutions Act 1989</i> , and duly established pursuant to the <i>Guidelines on Investment Bank</i> issued jointly by BNM and the SC.
manager	has the same meaning as provided in section 60(8) of the CMSA, which is, in relation to a body corporate, means a person who is appointed by the body corporate to manage any part of its business and includes an employee of the body corporate (other than the chief executive) who, under the immediate authority of a director or chief executive of the body corporate, exercises managerial functions or is responsible for maintaining accounts or other records of the body corporate.
management company	as defined by the CMSA
non-participating organisation (non-PO)	means a holder of a CMSL for the regulated activity of dealing in securities but is not a participating organisation of the stock exchange.
participating organisation (PO)	means any person who carries on the business of dealing in securities and is recognised as a participating organisation by the rules of the stock exchange and the terms "participant" and "participantship" shall be construed accordingly.
policy on permitted activities for stockbroking companies	means the <i>Policy on Permitted Activities for Stockbroking Companies</i> as set out under Appendix 1 of this handbook.
real estate investment trusts (REIT)	or "property trust fund" means unit trust scheme that invests or proposes to invest primarily in income-generating real estate
sophisticated investors	means persons falling within paragraph 9, 10 or 11 of Schedule 6 of the CMSA.
special scheme broker	means a foreign stockbroking company established pursuant to the <i>Application for</i>

Establishment of Foreign Stockbroking Companies Under the Special Scheme.

special scheme fund manager	means a holder of a CMSL for the regulated activity of fund management established pursuant to the <i>Application for Establishment of Foreign Fund Management Companies Under the Special Scheme.</i>
stockbroking company	means a holder of a CMSL for the regulated activity of dealing in securities and is registered as a participating organisation under the rules of the stock exchange and the terms "stockbroker" or "broker" shall be construed accordingly.
trading participant	shall have the same meaning as provided by the rules of the futures exchange.
universal broker (UB)	means a stockbroking company that has merged with or acquired at least three other stockbroking companies and has satisfied all the conditions and requirements stipulated by the SC under the <i>Policy Framework for Stockbroking Industry Consolidation.</i>
1+1 broker	means a stockbroking company that has complied with the <i>Policy Framework for Stockbroking Industry Consolidation</i> and has acquired, taken-over, amalgamated or merged with at least one other stockbroking company.

Chapter 2

LICENCES UNDER THE CMSA

2.01 What is a CMSL and a CMSRL?

- (1) The CMSA provides for two types of licences:
 - Capital Markets Services Licence (CMSL) which entitles an institution to carry on the business in any one or more regulated activities; and
 - Capital Markets Services Representative's Licence (CMSRL) which entitles an individual to carry on any one or more regulated activities on behalf of his principal.
- (2) Only a holder of a CMSL or a CMSRL can carry on any of the regulated activities that the CMSL or CMSRL permits.

Note to representatives:

Note 1

You can only carry on regulated activities that your principal is licensed to carry on.

For example, if you wish to carry on the regulated activity of financial planning, then your principal must be licensed to carry on that activity.

Note 2

The combination of activities that a representative is allowed to carry on depends on the nature of the activities, and whether there are inherent conflicts arising from simultaneously carrying on the activities.

For example, if you are an employee of an investment bank licensed to carry on the full range of regulated activities, including dealing in securities and advising on corporate finance activities, it is unlikely that you will be allowed to carry on dealing in securities and advising on corporate finance, both at the same time.

Note 3

If your activity of corporate finance also involves assisting your principal in its underwriting arrangements, you will need to be licensed for the two regulated activities, i.e. advising on corporate finance and dealing in securities. In this instance, your dealing capability will be restricted to the underwriting arrangements that relates to the transaction which you had provided corporate finance advice on. You will not, however, be required to sit for any additional licensing examination for your dealing activities.

Obligations on anniversary of licence

- (3) The licence of CMSL and CMSRL holders is valid in perpetuity. However, both CMSLs and CMSRLs will continue to have obligations on the anniversary of their licenses.

2.02 What are regulated activities?

- (1) There are seven types of regulated activities under the CMSA. The list of regulated activities is set out in Schedule 2 of the CMSA. They are–
- dealing in securities;
 - dealing in derivatives;
 - fund management;
 - dealing in private retirement schemes;
 - advising on corporate finance;
 - investment advice; and
 - financial planning.
- (2) The licence issued under the CMSA will set out the specific regulated activities that you can conduct.

Illustration 1

An investment bank applies to the SC for approval to carry on the full range of regulated activities under the CMSA. In this case, the licence will indicate that the investment bank is allowed to carry on all the following regulated activities:

- Dealing in securities;
- Dealing in derivatives;
- Fund management;
- Dealing in private retirement schemes;
- Advising on corporate finance;
- Investment advice; and
- Financial planning.

Illustration 2

A 1+1 broker applies to the SC for approval to carry on the range of regulated activities allowed under the policy on permitted activities for stockbroking companies. In this case, the licence will indicate that the broker is allowed to carry on all the following regulated activities:

- Dealing in securities;
- Dealing in derivatives;
- Dealing in private retirement schemes;
- Advising on corporate finance;
- Investment advice; and
- Financial planning.

2.03 Licences for dealing in securities

Dealing in securities - general

- (1) If you carry on the business of dealing in securities, you will be granted a CMSL for dealing in securities. You may deal in all securities, including equities, debentures, unit trust products and any other structured product.

Dealing in securities - unit trust products

- (2) If you carry on the business of dealing in unit trust products only, you will be granted a CMSL for dealing in unit trust products, i.e. a restricted CMSL for dealing in securities that permits you to deal in unit trust products only.
- (3) The requirement to obtain a CMSL for dealing in unit trust products is only applicable to a principal who deals in unit trust products, including:
- (a) Unit trust management companies;
 - (b) A CMSL holder licensed for fund management who also wishes to deal in unit trust products;
 - (c) A CMSL holder licensed for financial planning distributing unit trust products following a financial plan; and
 - (d) Any other person as the SC deems appropriate.
- (4) Such principal is required to be a member of or registered with a body approved by the SC, which is the Federation of Investment Managers Malaysia (FIMM).

Agents and employees of a holder of a CMSL for dealing in unit trust products

- (5) Agents and employees of a holder of a CMSL for dealing in unit trust products only will not be required to hold a CMSRL. However, they must comply with the provisions of Chapter 3 on Registered Persons and any other guidelines issued by the SC.

Dealing in securities - unlisted debt securities

- (6) If your principal holds a CMSL for dealing in securities and you only deal in unlisted debt securities on behalf of your principal, you will be granted a CMSRL for dealing in unlisted debt securities, provided you are certified by *Persatuan Pasaran Kewangan Malaysia* (PPKM).

2.04 Licences for Dealing in private retirement schemes

- (1) The requirement to obtain a CMSL for dealing in private retirement schemes is only applicable to a principal who deals in private retirement schemes, including:
- (a) An approved private retirement scheme provider under the CMSA;
 - (b) Unit trust management companies;
 - (c) A CMSL holder licensed for fund management;
 - (d) A CMSL holder licensed for financial planning distributing private retirement schemes following a financial plan;
 - (e) A CMSL holder licensed for dealing in securities;
 - (f) A CMSL holder licensed for dealing in securities restricted to unit trusts;
 - (g) An insurance company licensed under the Insurance Act 1996
 - (h) Financial advisers licensed under the Insurance Act 1996; and
 - (i) Any other person as the SC deems appropriate.
- (2) Such principal is required to be a member of or registered with a body approved by the SC, which is the Federation of Investment Managers Malaysia (FIMM).

Agents and employees of a holder of a CMSL for dealing in private retirement scheme or of a Registered Person dealing in private retirement schemes

- (3) Agents and employees of a holder of a CMSL for dealing in private retirement schemes or of a Registered Person dealing in private retirement schemes only will not be required to hold a CMSRL. However, they must be registered with FIMM and comply with the provisions of Chapter 3 on Registered Persons and any other relevant guidelines issued by the SC.

2.05 Licences for Fund management in relation to portfolio management

- (1) If you carry on the business of fund management in relation to portfolio management only, you will be granted a fund management in relation to portfolio management licence only, i.e. a restricted CMSL for fund management to manage a portfolio of securities or derivatives or a combination of both.

2.06 Licences for Fund management in relation to asset management

- (1) If you carry on the business of a trustee manager only, you will be granted a fund management in relation to asset management licence restricted to business trust only, i.e. a restricted CMSL for fund management to manage business trust only.
- (2) If you carry on the business of a REIT manager only, you will be granted a fund management in relation to asset management licence restricted to real estate investment trusts only, i.e. a restricted CMSL for fund management to manage REITs only.
- (3) The requirement to obtain a fund management in relation to asset management licence restricted to real estate investment trusts is only applicable to a principal who deals in REITs, except where the management company is licensed by the SC, must be a subsidiary of the following:
 - (a) a company involved in the financial services industry in Malaysia;
 - (b) a property-development company;
 - (c) a property-investment holding company; or
 - (d) any other person as the SC deems appropriate

2.07 Temporary licence for foreign intermediaries

- (1) A foreign intermediary may be considered for a temporary CMSRL provided the foreign intermediary satisfies the following conditions:
 - (a) That the foreign intermediary is appropriately licensed, registered or approved in its home jurisdiction;
 - (b) In the SC's opinion, the regulation of the foreign intermediary by its home regulator is sufficiently equivalent to the regulation of the SC; and
There are effective co-operation arrangements between the home regulator and the SC. Effective co-operation arrangements will provide for—
 - (i) prompt sharing of information by the relevant home regulator; and
 - (ii) effective co-operation on supervision, investigation and enforcement.
- (2) The temporary CMSRL granted to the foreign intermediary is subjected to the following conditions:

- (a) The regulated activities carried out in Malaysia must only be provided to sophisticated investors;
 - (b) The regulated activities carried out in Malaysia must comply with the requirements of the foreign intermediary's home regulatory regime;
 - (c) Throughout the duration of its licence the foreign intermediary must remain licensed, registered or approved under its home regulatory regime; and
 - (d) In the SC's opinion, the foreign intermediary's home regulatory regime must continue to be sufficiently equivalent to our own regime.
- (3) The tenure of the temporary CMSRL granted to the foreign intermediary will be for a maximum period of three months. The foreign intermediary must submit a fresh application for a further three-month period if more time is required to complete the work assignment. We may grant a temporary licence for a total maximum period of six months within a 24-month period. The 24-month period will commence on the date of issue of the first temporary licence.
- (4) Applications for a temporary CMSRL licence must be made in the form and manner as specified by the SC.

Product support by foreign intermediaries

If a foreign intermediary is invited by a CMSL holder to provide support and training for a particular product, he will not be required to hold a licence provided that-

- (a) the foreign intermediary has an arrangement or understanding with the CMSL holder;
- (b) all marketing activities are conducted by the CMSL holder;
- (c) intermediation is carried out by the CMSL holder who takes full responsibility and accountability for any marketing or provision of investment advice for the product;
- (d) the foreign intermediary does not distribute any of his own promotional materials to the clients of the CMSL holder;
- (e) the foreign intermediary is appropriately licensed, registered or approved in his home jurisdiction.

2.08 In what situation is a licence not required?

- (1) In a limited number of situations, persons or entities may engage in a regulated activity without having to hold a licence. These situations are set out in Schedule 3 (Specified Persons) and Schedule 4 (Registered Persons) of the CMSA. It is important that these activities are carried on within the parameters set out in Schedule 3 and Schedule 4 by Specified Persons and Registered Persons respectively, such as being solely incidental to the carrying on of the practice of their profession, or where such activities are being performed solely for the benefit of a related corporation or restricted to the activities provided for in Schedule 4.

Chapter 3

REGISTERED PERSONS

3.01 What is the status of registered persons under the CMSA?

- (1) Registered persons are allowed to carry out certain regulated activities without having to apply for a CMSL. These persons include the financial institutions set out in Schedule 4 of the CMSA and other entities, such as credit rating agencies and bond pricing agencies. The scope of regulated activities which may be carried out by registered persons are set out in the Second Column of Schedule 4. Financial institutions engaging in regulated activities will, however, be required to comply with certain integral investor protection and conflict management provisions in the CMSA in ensuring that minimum standards of conduct are observed.
- (2) Registered persons also include unit trust agents who are registered with the Federation of Investment Managers of Malaysia (FIMM) which is deemed to be a body approved by the SC.

3.02 Who is a registered person?

- (1) Section 76 of the CMSA sets out the following to be registered persons:
 - (a) Persons set out in Parts 1 and 2 of Schedule 4 of the CMSA;
 - (b) Individuals registered with a recognised self-regulatory organisation;
 - (c) Individuals registered with a body approved by the SC; and
 - (d) Persons who are registered with the SC.

Financial institutions who are registered persons

- (2) Persons set out in Part 1 of Schedule 4 of the CMSA are–
 - licensed banks;
 - licensed merchant banks;
 - licensed Islamic banks;
 - licensed discount houses;
 - licensed finance companies;
 - licensed insurance companies;
 - registered *takaful* operators;
 - Bank Kerjasama Rakyat Malaysia Berhad;

- Bank Simpanan Nasional Berhad;
 - Bank Pembangunan; and
 - KAF Investment Bank Berhad.
- (3) For clarification, an investment bank (which is licensed merchant bank that also holds a CMSL to carry on the business of dealing in securities) is not a registered person for purposes of the CMSA. This is because an investment bank may be licensed as a CMSL holder for all seven regulated activities.

Other registered persons

- (4) Registered persons other than financial institution who are described in Part 2 of Schedule 4 are—
- (a) any venture capital corporation and venture capital management corporation registered under the SC's *Guidelines for the Registration of Venture Capital Corporations and Venture Capital Management Corporations*;
 - (b) any credit rating agency registered under the SC's *Guidelines on Registration of Credit Rating Agencies*;
 - (c) any bond pricing agency registered under the SC's *Guidelines on the Registration of Bond Pricing Agencies*;
- ; and
- (d) Pengurusan Danaharta Nasional Bhd and all its subsidiaries prescribed under subsection 60(2) of the *Pengurusan Danaharta Nasional Berhad Act 1998*.

Individuals registered with a body approved by the SC

Agents and employees of a holder of a CMSL for dealing in unit trust products

- (5) Agents and employees who deal in unit trust products on behalf of a holder of CMSL for dealing in unit trust products will not be required to hold a CMSRL. Such agents and employees are, however, required to be registered with a body approved by SC, i.e. the FIMM.
- (6) Further, these agents and employees must pass the examinations for persons dealing in unit trusts (PDUT) or any other qualification recognised by the FIMM and approved by the SC in order to carry on their dealing in unit trust products.

Agents and employees of a holder of a CMSL for dealing in private retirement schemes

- (7) Agents and employees who deal in private retirement schemes on behalf of a holder of CMSL for dealing in private retirement schemes will not be required to hold a CMSRL. Such agents and employees are however, required to be registered with a body approved by SC, i.e. FIMM.
- (8) Further, these agents and employees must pass the examinations for persons dealing in private retirement schemes or any other qualification recognized by FIMM and approved by the SC in order to carry out their dealing in private retirement schemes.

Note to registered persons:

Except for the category of registered persons in section 76(1)(b) of the CMSA, you do not need to apply for registration with the SC as your registered person status is provided for by operation of law.

3.03 Who is responsible for supervising registered persons?

Financial institutions

- (1) BNM is responsible for supervising this category of registered persons in terms of ensuring that–
 - (a) this category of registered persons complies with the integral investor protection provisions in sections 91, 92, 93 and 97 of the CMSA and any regulation or guideline made pursuant to these sections; and
 - (b) individuals employed by this category of registered persons are fit and proper and that the registered persons maintain a register of these individuals.

Note to financial institutions:

The CMSA provides a one-year transitional period from 28 September 2007 for financial institutions to comply with the relevant requirements in the CMSA. In supervising such financial institutions, BNM and the SC will co-ordinate to ensure that similar standards and requirements are applied to the financial institutions and the employees with regard to the regulated activities that the financial institutions carry on.

Other registered persons

- (2) The SC is responsible for supervising all categories of registered persons other than financial institutions.
- (3) The SC may withdraw a registration which has been accorded to a person—
 - (a) who has been registered with the SC; or
 - (b) specified in Part 2 of Schedule 4 of the CMSA,if it is necessary for the protection of investors or public interest or for the maintenance of an orderly market.

Chapter 4

LICENSING CRITERIA

4.01 Fit and proper

- (1) Persons who apply to be licensed under the CMSA must be fit and proper, as set out in section 64 and 65 of the CMSA. In assessing if you are fit and proper, we refer to the following criteria:
 - Your organisational requirements;
 - Your shareholding composition;
 - The adequacy of your financial resources; and
 - Requirements relating to representatives' competencies.

In assessing a licence application, the SC is also guided by relevant policies and guidelines, such as the policy on permitted activities for stockbroking companies and the *Guidelines on Investment Banks*.

- (2) Every CMSL applicant will be required to submit its business model and scope of activities that it plans to carry on.

What are the requirements for a CMSL?

4.02 Organisational requirements

Incorporation

- (1) If you want to carry on any of the following regulated activities, you must be a company incorporated in Malaysia:
 - Dealing in securities;
 - Dealing in derivatives;
 - Fund Management;
 - Dealing in private retirement schemes;
 - Advising on corporate finance; and
 - Investment advice.
- (2) However, if you want to carry on the regulated activity of financial planning, you may do so either as a company, sole proprietorship or partnership. If you are a sole proprietor or in a partnership, you will be granted a CMSL but you will not be allowed to have any licensed representative acting on your behalf.

Member of an alternative dispute resolution body

CMSL holders who carry on one or more of the following regulated activities are required to be a member of an alternative dispute resolution body that is approved by the SC under the *Capital Markets and Services (Dispute Resolution) Regulations 2010*:

- Dealing in securities;
- Dealing in derivatives; and
- Fund management.

Organisational competence

- (3) As a CMSL applicant, you must ensure that your business is properly established, which includes the following:
- An organisational structure with clear lines of responsibility and authority;
 - Necessary IT systems and infrastructure;
 - Adequate internal control systems;
 - Risk management policies and processes;
 - Policies and processes on conflict management and the monitoring of unethical conduct and market abuse; and
 - Policies and procedures to ensure compliance with applicable laws and regulations.
- (4) In situations where you want to carry on more than one regulated activity, you must demonstrate that you have—
- (a) the requisite system and procedures to monitor all relevant activities within your organisation; and
 - (b) control procedures in place to monitor any conflict of interest, unethical conduct and market abuse.

Note to applicants:

Your conflict management procedures must be appropriate to the nature, scale and complexity of your business. In many cases, there may be a number of possible ways for you to comply with these obligations.

You must monitor and supervise the activities of your representatives to ensure that they are complying with all requirements of the securities laws. They must also be competent and properly trained to carry on the regulated activity on your behalf and continue to be so.

Fit and proper requirements for directors, chief executive officers, managers and controllers of a CMSL applicant

General requirements

Your directors, chief executive officers, managers and controllers must be fit and proper. As a CMSL applicant, you must ensure that none of the grounds specified in paragraphs 64(1) (h), (i), (l) and (m) of the CMSA applies to any of them.

Prior approval for establishment of new business or acquisition of shares/interests in or outside Malaysia

- (5) A CMSL must obtain the SC's prior approval when establishing a new business or acquiring shares/interests in or outside Malaysia in relation to capital market-based activities.

Notification on establishment of new business or acquisition of shares/interests in or outside Malaysia

- (6) A CMSL must notify the SC within 14 days of establishing a new business or acquiring shares/interests in or outside Malaysia in relation to non-capital market-based activities.

Notification on disposal of business or shares/interests in or outside Malaysia

- (7) A CMSL must notify the SC within 14 days of disposing of a business or shares/interests in or outside Malaysia.

Prior approval for change in controller

- (8) You must obtain the SC's prior approval in circumstances where any proposed change to your shareholding will result in a change in your controller.
- (9) Controller has the same meaning as defined under section 60(7) of the CMSA, which means a person who—
 - (a) is entitled to exercise, or control the exercise of, not less than 15% of the votes attached to the voting shares in the CMSL holder;
 - (b) has the power to appoint or cause to be appointed a majority of the directors of the CMSL holder; or
 - (c) has the power to make or cause to be made, decisions in respect of the business or administration of such CMSL holder, and to give effect to such decisions or cause them to be given effect to.

Prior approval for the appointment of chief executive officers

- (10) All CMSL holders, including investment banks should seek the SC's prior approval for the appointment of its CEO.
- (11) The CEO is expected to demonstrate the capability and competence to lead the company. The CEO must act honestly and exercise due skill and diligence and be suitably qualified to assume the position.

Process flow for the appointment of directors

- (12) You can appoint directors without prior approval of the SC. However, before appointing a director, you must undertake the necessary due diligence to ensure that the candidate is fit and proper, and suitably qualified to assume the position.
- (13) You are required to notify the SC in writing on the appointment or reappointment of a director within **two working days** of the appointment or reappointment, or prior to any public announcement, whichever is earlier.
- (14) We will carry out a post-appointment assessment of directors of a CMSL holder. If our assessment reveals that a director is not fit and proper, we may direct you to remove the person from the post.

Note to investment banks:

You will also need to comply with the *Guidelines on Investment Banks* for the appointment of your directors and chief executive officers.

Requirement of a licensed director

- (15) You must have at least one director with a minimum of 10 years' relevant experience in the licensed regulated activity. The director must hold a CMSRL for the regulated activity. However, if you are an investment bank, this requirement is not mandatory. The requirement for appointing a licensed director for a regulated activity is to ensure that a person with board representation will be able to provide direction and feedback to the board on issues relating to the carrying on of the regulated activity, as well as supervising representatives with respect to such an activity.
- (16) If you are licensed for dealing in unit trust products or dealing in private retirement schemes, your director need not hold a CMSRL, but he must be registered with the FIMM and have a minimum of 10 years' relevant experience.
- (17) If you are licensed for both dealing in unit trust products and dealing in private retirement schemes, you can appoint one director who must be registered with FIMM for dealing in private retirement schemes as well as for dealing in unit trust products and also have a minimum of 10 years' experience in the capital market.

- (18) If you are licensed for financial planning and for dealing in private retirement schemes, your director must hold a CMSRL for the regulated activity of financial planning and must be registered with FIMM for dealing in private retirement schemes and also have a minimum of 10 years' relevant experience.
- (19) If you are licensed for fund management in relation to asset management, your director must hold a CMSRL for the regulated activity of fund management in relation to asset management restricted to business trust or REITs. Your director must show the relevant experience and knowledge in the management of the specific assets invested in by the asset manager, or in the management of a class of asset in a unit trust scheme.

Requirement of a head of regulated activity

- (20) If you are licensed to carry on more than one type of regulated activity, then in addition to the requirement of a licensed director, you must also have a person with a minimum of eight years of relevant experience to head each additional regulated activity. The requirement for appointing a head for each regulated activity is to ensure that a person with the necessary skills and expertise will provide guidance and supervision to the representatives carrying on that particular regulated activity.
- (21) An individual can be appointed to be the head of more than one regulated activity, provided he is fit and proper, and there is no conflict in him performing such functions. The head must hold a CMSRL and have sufficient authority to supervise the business of the licensed regulated activity.
- (22) If you are an investment bank where it is not mandatory to have a licensed director, a head is required for each regulated activity.

Requirement for Head of Operations

- (23) If you are licensed to carry on the regulated activity of dealing in securities and you are a participating organisation (PO) of the stock exchange, you must have a head of operations and this person must not be involved in dealing in securities. This is to avoid any conflict of interest that may arise if such a person deals in securities.

Requirement for Compliance Officer

- (24) If you are licensed to carry on the regulated activity of dealing in securities and you are a PO, dealing in derivatives or fund management in relation to portfolio management, you are required to have a compliance officer. This person must carry out the compliance function pertaining to the securities laws, regulations and guidelines and any other applicable law governing the regulated activities. He must not deal in securities, deal in derivatives or manage funds. This is to avoid potential conflicts of interest.

Requirement for Head of Compliance

- (25) If you are licensed to carry on the regulated activity of dealing in securities and you are an investment bank or a universal broker, you are required to have a head of compliance. This person must not be involved in dealing in securities. The head of compliance is responsible for overall supervision of compliance with securities laws, regulations and guidelines, and any other applicable law governing the regulated activities.
- (26) Where the regulated activities are carried on through a group of companies, the function of the head of compliance can be centralised.

Requirement for two CMSRL holders

- (27) You must have at least two CMSRL holders for each regulated activity. If the number of CMSRL holders falls below the minimum requirement of two, you must take immediate steps to recruit a new candidate. If you are licensed for dealing in unit trust products and/or dealing in private retirement schemes, you must have at least two individuals who are registered with FIMM.
- (28) A CMSRL holder may be licensed for more than one regulated activity, provided he is fit and proper, and there is no conflict in him performing such activities.
- (29) Given the importance of the positions of head of regulated activity, head of operations, compliance officer and head of compliance, you must ensure that individuals appointed to these positions satisfy the requirements of paragraph 4.06.

Note to applicants:

You must always have adequate and competent personnel for conducting your business efficiently, honestly and fairly, and with the integrity and professional skills appropriate to the nature and scale of your activities.

Bumiputera directors, representatives and employees composition

- (30) The composition of your board of directors, representatives and employees must be in accordance with the national policy of Malaysia. The specific requirements applicable to a CMSL holder operating as an investment bank are set out in the *Guidelines on Investment Banks*. Therefore, the following requirements regarding the Bumiputera director, representative and employee composition do **not** apply to an investment bank.

Director

- (31) You must at all times have a Bumiputera director on your board. However, this requirement does not apply if you are –
- a special scheme broker, including a special scheme broker promoting investments from the Middle East;
 - a special scheme fund manager, including an Islamic fund management company; or
 - a company which deals in derivatives, undertakes derivatives fund management, undertakes fund management in relation to asset management or provides investment advice on derivatives.

Representative

- (32) You must at all times maintain at least 30% Bumiputera composition of your representatives for your licensed regulated activities. This requirement is not applicable for the regulated activities of dealing in derivatives, fund management in relation to derivatives, fund management in relation to asset management and investment advice on derivatives.
- (33) If you are licensed to deal in securities and you are a PO and employ remisiers (commissioned representatives), you must maintain a minimum of 15% Bumiputera composition of all your remisiers.

Illustration:

A CMSL holder, who is licensed to carry on the regulated activities of dealing in securities and dealing in derivatives, employs the following number of licensed representatives:

Salaried CMSRL holders licensed to deal in securities	40
Commissioned CMSRL holders licensed to deal in securities	60
Total number of CMSRL holders licensed to deal in securities	100
CMSRL holders licensed to deal in derivatives	20
Total number of CMSRL holders	120

Of the total 100 CMSRL holders licensed to deal in securities, at least 30 must be Bumiputera. Of the 60 commissioned CMSRL holders licensed to deal in securities, at least nine must be Bumiputera. However, the Bumiputera representative composition does not apply to the 20 CMSRL holders licensed to deal in derivatives.

Employee

- (34) You must at all times maintain a Bumiputera composition of at least 30% of your employees. However, this requirement does not apply if you are a company which deals in derivatives, undertakes derivatives fund management, undertakes fund management in relation to asset management or provides investment advice on derivatives.

Participants of exchange

(35) A CMSL applicant needs to become a participant with the relevant exchange for carrying on one or both of the following regulated activities:

- Dealing in securities as a PO; and
- Dealing in derivatives,

through the facilities of the stock exchange or the derivatives exchange.

You must obtain an approval in principle from Bursa Malaysia Securities Bhd to become a PO and an approval in principle from Bursa Malaysia Derivatives Bhd to become a trading participant.

Readiness assessment

(36) A CMSL applicant is required to undertake a readiness assessment by completing and submitting a readiness checklist to the SC or Bursa Malaysia, as the case may be, when applying to be licensed for a regulated activity or to add on another regulated activity.

(37) The readiness assessment may include the applicant's risk management system, capital adequacy, organisational structure, operational manuals, information technology, policies and procedures, internal controls and systems, and procedures for compliance with applicable laws and regulations.

(38) The SC may conduct an examination to ascertain the readiness of CMSL applicants to commence business in the regulated activity, even if a readiness assessment has been submitted to Bursa Malaysia.

(39) If you are only licensed to carry on the regulated activity of fund management in relation to securities and decide to carry on derivatives fund management, you will be required to submit a readiness checklist for derivatives fund management. You also require the SC's approval before commencing the regulated activity.

4.03 Shareholding composition

(1) Your shareholding composition for regulated activities depends on the type of regulated activities you offer and the nature of your establishment. You must comply with this composition at all times. Table 1 sets out the relevant requirements.

(2) For further information on specific schemes, please refer to the *Application for Establishment of Foreign Stockbroking Companies Under the Special Scheme*, *Application for Establishment of Foreign Fund Management Companies Under the Special Scheme* and any other relevant policies and guidelines as announced or issued by the SC from time to time. These documents also contain information on the permissible activities or restrictions applicable to such companies.

Table 1: Shareholding Composition Requirement

Dealing in securities	<u>Investment Banks and Management Company</u> Minimum of 30% local shareholding <u>Stockbrokers which are not Investment Banks (Universal Broker, 1+1 Brokers and Standalone Brokers)</u> No specific shareholding <u>Special Scheme Broker</u> No specific shareholding
Dealing in derivatives	No specific shareholding
Fund management	No specific shareholding
Investment advice	No specific shareholding
Advising on corporate finance	No specific shareholding
Financial planning	No specific shareholding
Dealing in private retirement schemes	No specific shareholding

Note to investment banks:

You will need to comply with the *Guidelines on Investment Banks* for your shareholding composition.

- (3) If you wish to carry on more than one regulated activity, the highest of the shareholding composition requirement applies.
- (4) If you wish to carry on the regulated activity of fund management in relation to portfolio management, you must also satisfy the following:
 - (a) You must be a "related corporation" of an entity regulated by the SC or BNM or such other entities as may be approved by SC; or
 - (b) If you are a company owned by individuals, two of your shareholders whose total shareholding forms the majority (51% or more) in the company must have the requisite track record, as follows:
 - (i) Each of the two shareholders must have at least 10 years' relevant experience in the capital market; and
 - (ii) At least one of the two shareholders must have five years' direct experience in fund management in relation to portfolio management activities.

Note:

This requirement is a continuing obligation and must be maintained even if there are changes to your shareholders and/or your shareholding composition.

Change in shareholding for a holder of a CMSL for dealing in securities

- (5) In the case of a stockbroking company that is not an investment bank—
- (a) a person who wishes to acquire more than 51% of the total paid-up capital of a PO must be a company or corporation with shareholders' funds of not less than RM100 million; and
 - (b) no individual other than a Malaysian citizen may hold up to 10% of the total paid-up capital of a stockbroking company. However, the aggregate total participation of individuals in the share capital of the stockbroking company shall not be more than 49% of the total paid-up capital.

Exemptions from paragraphs (a) and (b) can only be granted with prior written approval of the Minister of Finance on recommendation of the SC.

Notification of other changes to shareholding

- (6) For changes in shareholding composition or paid-up capital that does not result in a change of controller, the Licensing Department of the SC must be notified within 14 days of the occurrence of the event.

Note to investment banks:

Any proposed change to your shareholding will be subject to the *Guidelines on Investment Banks*.

4.04 The adequacy of financial resources

- (1) You must satisfy the minimum financial requirement for a regulated activity and any other requirement specified by the SC or the rules of a stock exchange or a futures exchange.
- (2) The minimum financial requirements for a CMSL are set out in Table 2.
- (3) If you wish to carry on more than one regulated activity, the highest of the minimum financial requirement applies to you.

Table 2: Minimum Financial Requirements for a CMSL

<p>Dealing in securities</p>	<p>Investment bank</p> <ul style="list-style-type: none"> • Minimum capital funds unimpaired by losses of RM500 million or minimum capital funds unimpaired by losses of RM2 billion on a banking group basis • Minimum risk-weighted capital ratio of 8%. <p>Universal broker</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM100 million • Minimum shareholders' funds of RM100 million to be maintained at all times • Minimum capital adequacy ratio of 1.2 or any other financial requirement as determined by the SC from time to time. <p>Stockbroking company (other than IB or UB)</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM20 million • Minimum shareholders' funds of RM20 million to be maintained at all times • Minimum capital adequacy ratio of 1.2 or any other financial requirement as determined by the SC from time to time. <p>Issuing house</p> <ul style="list-style-type: none"> • Minimum shareholders' funds of RM2 million to be maintained at all times. <p>Dealing in unit trust products</p> <p>(a) Applicable to an applicant dealing in unit trust products as a principal business (for own products and/or third-party products). Such companies may use a nominee system.</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM5 million • Minimum shareholders' funds of RM5 million to be maintained at all times. <p>(b) Applicable to persons licensed to carry on</p>
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	<p>the regulated activity of financial planning and who want to deal in unit trust products following a financial plan.</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM100,000 • Minimum shareholders' funds of RM100,000 to be maintained at all times.
Dealing in derivatives	<ul style="list-style-type: none"> • Minimum paid-up capital of RM5 million • Minimum adjusted net capital: The higher of <ul style="list-style-type: none"> - RM500,000; or - 10% of aggregate margins required. <p><i>Holders of a CMSL that open trading kiosks or branch offices</i></p> <ul style="list-style-type: none"> • <i>Paid-up capital requirement of RM10 million</i>
Fund management	<p>Portfolio Management</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM2 million • Minimum shareholders' funds of RM2 million to be maintained at all times. <p>Business Trust</p> <ul style="list-style-type: none"> • No specific paid up capital <p>REIT</p> <ul style="list-style-type: none"> • Minimum shareholders' funds of RM1 million at all times.
Advising on corporate finance investment advice	<ul style="list-style-type: none"> • Minimum paid-up capital of RM500,000 • Minimum net tangible asset of RM50,000 at all times.
Financial planning	<ul style="list-style-type: none"> • Minimum paid-up capital of RM50,000 • Minimum net tangible asset of RM50,000 at all times
Dealing in private retirement schemes	<ul style="list-style-type: none"> • These companies may not use a nominee system • Minimum paid-up capital of RM5 million • Minimum shareholders' funds of RM5 million to be maintained at all times. <p>Applicable to holders of a CMSL for Financial planning only.</p> <ul style="list-style-type: none"> • Minimum paid-up capital of RM100,000 • Minimum shareholders' funds of RM100,000 to be maintained at all times.

Illustration:

If you apply for a CMSL to carry on the regulated activities of fund management and investment advice, the following financial requirements are relevant:

For fund management in relation to portfolio management

- Minimum paid-up capital of RM2 million; and
- Minimum shareholders' funds of RM2 million to be maintained at all times.

For investment advice

- Minimum paid-up capital of RM500,000; and
- Minimum net tangible assets of RM50,000 at all times.

The highest of the financial requirement will apply to you and this means that you must have a paid-up capital of RM2 million.

Once licensed, you must maintain the minimum financial requirement throughout your licence. Therefore, your shareholders' funds must be maintained at a minimum of RM2 million while you hold the licence.

- (4) If your financial condition falls below the minimum financial requirement, you must not continue to carry on the licensed regulated activity without the written consent of SC.

Clearance on loans and credit facilities

- (5) If you intend to carry on the regulated activity of fund management and are a company owned by individuals, you are required to ensure that your shareholders, directors and licensed representatives provide the SC with a declaration that they have satisfactorily maintained their accounts, loans and other credit facilities extended by banks and financial institutions within or outside Malaysia.
- (6) The declaration is to be in a format specified by the SC. The SC reserves the right to verify the information provided.

4.05 What are the requirements for a CMSRL?

General requirements

- (1) You must be at least 21 years old.
- (2) You must be fit and proper and satisfy yourself that none of the grounds specified under section 65(1) of the CMSA apply to you.
- (3) You must provide all relevant information to your principal to enable it to undertake the necessary due diligence before supporting your application. This is to ensure that you have satisfied the minimum requirements for carrying on the regulated activity.

Qualification and experience requirement

- (4) In assessing your competency to carry on a regulated activity, we will consider your educational and professional background. If your academic or professional qualification is lacking, we will consider your working experience and previous track records.

Licensing examinations

- (5) In addition to the qualification and experience requirements, you must also pass the relevant licensing modules as set out in Table 4.

Validity of the licensing examination

- (6) Your examination result is valid for two years from the date of passing each module of the SC licensing examination. You must ensure that your examination results are valid at the time of your application.
- (7) There are three instances in which we will not apply the general rule on validity of licensing examination. These are as follows:
 - (a) You have passed the SC licensing examination while under the employment of a CMSL holder and remain working in the capital market industry. You may apply for a CMSRL without having to resit the licensing examination;
 - (b) You have passed the SC licensing examination while under the employment of a CMSL holder, and you resign to take up employment outside the industry before being licensed. If you wish to return to the industry, you may apply for a CMSRL without having to resit the licensing examination, provided your application is made within three years from the date you left the industry; and
 - (c) You were previously licensed and have left the industry. You may reapply for a CMSRL to undertake the same regulated activity for which you were previously licensed without having to resit the SC licensing examination, provided your application is made within three years from the date you left the industry.

Table 3: Minimum Qualification and Experience Requirement for CMSRL Applicants for Regulated Activities

<p>Dealing in securities</p> <p>Dealing in derivatives</p>	<ul style="list-style-type: none"> • A degree or professional qualification from an institution recognised by the government of Malaysia; • A diploma in the relevant field of study, including finance, economics, accounting, or commerce from an institution recognised by the government of Malaysia; or • A diploma in other field of study recognised by the government of Malaysia with at least two years of relevant experience in the capital market. <p>In exceptional circumstances, the SC may consider an applicant-</p> <ul style="list-style-type: none"> • with Sijil Pelajaran Malaysia/Malaysia Certificate of Education or its equivalent with at least four years of relevant experience in the capital market; or • without any of the above qualifications but has been licensed for at least three years in a recognised jurisdiction to undertake dealing in securities or dealing in derivatives. The applicant must have at least five years direct and relevant experience in the capital market.
<p>Fund management in relation to portfolio management</p>	<ul style="list-style-type: none"> • A degree or professional qualification from an institution recognised by the government of Malaysia with at least two years of relevant experience in fund management in relation to portfolio management activity; or • Applicants without any degree or professional qualification must have at least five years of relevant experience in fund management in relation to portfolio management activity.
<p>Fund management in relation to asset management</p>	<ul style="list-style-type: none"> • No specific qualification requirement
<p>Advising on corporate finance</p> <p>Investment advice</p>	<ul style="list-style-type: none"> • A degree or professional qualification from an institution recognised by the government of Malaysia; or • Applicants without any degree or professional qualification must have at least five years of relevant experience in the regulated activity.
<p>Financial planning</p>	<ul style="list-style-type: none"> • The Certified Financial Planner (CFP) qualification and a member of the Financial Planning Association of Malaysia (FPAM); • The Chartered Financial Consultant (ChFC) qualification and a member of the Malaysian Association of Chartered Financial Consultant (MAChFC); or • The Registered Financial Planner (RFP) qualification and an ordinary member of the Malaysian Financial Planning Council (MFPC).

Table 4: Licensing Examinations for CMSRL Applicants

Dealing in securities	<p>Dealing in securities</p> <ul style="list-style-type: none"> Applicants must pass the SC Licensing Examination: Modules 6 & 7 or 6 & 18 or 7 & 17 or 17 & 18. <p>Dealing in unlisted debt securities only</p> <ul style="list-style-type: none"> Applicants who are certified by Financial Markets Association or Persatuan Pasaran Kewangan Malaysia (PPKM) as eligible.
Dealing in derivatives	<ul style="list-style-type: none"> Applicants must pass the SC Licensing Examination: Modules 14 & 16 or 17 & 18 or 14 & 17 or 16 & 18.
Fund management in relation to portfolio management	<ul style="list-style-type: none"> Applicants must pass the SC Licensing Examination: Modules 9 & 10.
Fund management in relation to asset management	<ul style="list-style-type: none"> No specific licensing examination required.
Advising on corporate finance	<ul style="list-style-type: none"> Applicants must pass the SC Licensing Examination: Modules 12 & 19 or 12, 19A & 19B.
Investment advice	<ul style="list-style-type: none"> Applicants must pass the SC Licensing Examination: Modules 12 & 19 or 12 & 19A
Financial planning	<ul style="list-style-type: none"> No specific licensing examination required.

Exemption from the licensing examination

- (8) You may apply for exemption from the relevant SC licensing examination modules if you are an individual with distinguished service, which includes having–
- (a) a total of at least 20 years' working experience;
 - (b) spent at least 10 years in the capital market or the financial services industry or in a regulatory body which regulates the capital market or the financial services industry and you were directly involved in the area in which you seek exemption; and
 - (c) held a senior management position during your tenure in the capital market or the financial services industry or in the regulatory body.

Dual licence arrangements

- (9) You will only be considered to carry on both dealing in securities and dealing in derivatives if–
 - (a) your principal is licensed for both dealing in securities and dealing in derivatives as allowed under the policy on permitted activities for stockbroking companies; or
 - (b) the sponsoring CMSL holder carrying on dealing in derivatives is–
 - (i) a subsidiary of the holding company of your principal; or
 - (ii) a separately incorporated company held by the individual shareholders of your principal.
- (10) The sponsoring CMSL holder must be approved by the SC to enter into an arrangement with your principal to facilitate the carrying on of dealing in derivatives. In this case, you will be operating under a dual principal arrangement which requires you to hold separate CMSRL for dealing in securities and dealing in derivatives respectively.

4.06 What are the requirements for key management of a CMSL holder and compliance officer?

General requirements

- (1) If you are a candidate for a key management position or compliance officer, you must be at least 21 years old. For purposes of clarity, "key management" refers to the head of regulated activity, head of operations and head of compliance.
- (2) You must be fit and proper, and satisfy yourself that none of the grounds specified under section 65(1) of the CMSA applies to you.
- (3) The CMSL holder to whom you are employed with or attached to, must undertake the necessary due diligence to ensure minimum requirements are satisfied.

Prior approval

- (4) You must obtain the SC's prior approval before being appointed as a key management personnel or a compliance officer.
- (5) If any key management personnel or compliance officer position becomes vacant, the CMSL holder is expected to take the necessary steps to recruit a new candidate within three months from the date of the vacancy.

Qualification and experience requirement

- (6) A licensed director and head of regulated activity are required to hold a CMSRL. Table 3 sets out the qualification and experience requirements for obtaining a CMSRL, according to the type of regulated activity. A CMSL holder must ensure that the candidate appointed as a licensed director or head of regulated activity has a minimum of 10 years and eight years of relevant experience, respectively.

If you are a CMSL holder for fund management in relation to asset management, your director must show the relevant experience and knowledge in the

management of the specific assets invested in by the asset manager, or in the management of a class of asset in a unit trust scheme.

- (7) The candidate for head of operations, head of compliance and compliance officer will also be expected to possess relevant and adequate experience in carrying out the respective functions. Table 5 sets out the minimum qualification and experience requirements for the head of operations, head of compliance and compliance officer.
- (8) In addition to the above, a candidate is also expected to have an adequate level of knowledge about developments in the market, products and regulation and possess skills and technical know-how. The candidate must pass the relevant modules as set out in Table 6.

Table 5: Minimum Qualification and Experience Requirement

Head of operations	<p>A candidate must possess the following experience:</p> <ul style="list-style-type: none"> • Employed at a senior management position for a minimum of two years by a CMSL holder carrying in dealing in securities; • Relevant working experience for a minimum of five years at level of middle management of an institution in the capital market; or • Previously a participant of a recognised exchange.
Head of compliance	<p>A candidate must possess–</p> <ul style="list-style-type: none"> • a degree or professional qualification from an institution recognised by the government of Malaysia; and • has at least seven years of working experience, with at least five years of relevant experience in the capital market; or • at least three years direct experience as a compliance officer in the capital market; or • at least five years relevant experience in the capital market; or • at least eight years relevant experience in the capital market.
Compliance officer	<p>A candidate must possess–</p> <ul style="list-style-type: none"> • a degree or professional qualification from an institution recognised by the government of Malaysia with at least three years of relevant experience in the capital market; or • a relevant diploma from an institution recognised by the government of Malaysia with at least five years relevant experience in the capital market.
Compliance officer with companies that has a head of compliance	<p>A candidate must possess–</p> <ul style="list-style-type: none"> • a degree or professional qualification from an institution recognised by the government of Malaysia; or • a relevant diploma from an institution recognised by the government of Malaysia with at least three years relevant experience in the capital market.

Table 6: Licensing Examinations

<p>Head of operations</p>	<p>Candidates must pass the SC Licensing Examination - Modules 6 & 7 or 6 & 18 or 7 & 17 or 17 & 18.</p>
<p>Head of compliance and compliance officer</p>	<p>Candidates must pass the SC Licensing Examination - Module 11 and the relevant modules as determined by the regulated activities of his principal:</p> <p>Dealing in securities</p> <ul style="list-style-type: none"> • Modules 6 & 7 or 6 & 18 or 7 & 17 or 17 & 18; <p>OR</p> <ul style="list-style-type: none"> • Attend the SC Licensing Examination Preparatory Courses on the relevant modules which the applicant will be responsible with regard to compliance; and • To complete at least three Industry Transformation Initiative (ITI) courses that are relevant to the regulated activity that they are supervising. <p>Dealing in derivatives</p> <ul style="list-style-type: none"> • Modules 14 & 16 or 17 & 18 or 14 & 17 or 16 & 18; <p>OR</p> <ul style="list-style-type: none"> • Attend the SC Licensing Examination Preparatory Courses on the relevant modules which the applicant will be responsible with regard to compliance; and • To complete at least three Industry Transformation Initiative (ITI) courses that are relevant to the regulated activity that they are supervising. <p>Fund Management in relation to portfolio management</p> <ul style="list-style-type: none"> • Modules 9 & 10; <p>OR</p> <ul style="list-style-type: none"> • Attend the SC Licensing Examination Preparatory Courses on the relevant modules which the applicant will be responsible with regard to compliance; and • To complete at least three Industry Transformation Initiative (ITI) courses that are relevant to the regulated activity that they are supervising.

Note for applicants:

Interview

- (1) Where necessary, the SC may require applicants for a CMSL or a CMSRL or key management personnel to attend an interview to demonstrate credibility and knowledge in their regulated activities.

Exemption or variation of requirement

- (2) The SC may, where it deems appropriate, allow exemption or variation from any requirement based on the merits of the case, whether on a permanent basis or for a specified period of time.

Chapter 5

LICENSING CRITERIA FOR AN INDIVIDUAL APPLYING FOR A CMSL TO CARRY ON FINANCIAL PLANNING

5.01 General

- (1) A CMSL is issued only to a company. However, in the case of financial planning, a CMSL may be issued to an individual who is fit and proper, as set out in section 64 of the CMSA and complies with the following criteria set out below.

General requirements

- (2) You must be at least 21 years old.
- (3) Unless otherwise approved, you must have your business registered with the Companies Commission of Malaysia.
- (4) You must at all times have net total personal assets (net worth) of at least RM50,000 or its equivalent in foreign currencies.
- (5) You must be a resident of Malaysia.
- (6) You must also complete and submit a readiness checklist to us, which may include your operational manuals, information technology, policies and procedures, internal controls and systems and procedures for compliance with applicable laws and regulations. We reserve the right to conduct a readiness examination to ascertain if you are ready to commence your business.

Qualification and experience requirements

- (7) In assessing your competency, we will consider your educational and professional background, working experience and previous track record. Table 7 sets out the minimum qualification and experience requirements for an individual CMSL applicant.

Table 7: Minimum Qualification and Experience Requirement for Individual CMSL Applicants in Financial Planning

Financial planning	<ul style="list-style-type: none"> • The Certified Financial Planner (CFP) qualification and a member of the Financial Planning Association of Malaysia (FPAM); • The Chartered Financial Consultant (ChFC) qualification and a member of the Malaysian Association of Chartered Financial Consultant (MACHFC); or • The Registered Financial Planner (RFP) qualification and an ordinary member of the Malaysian Financial Planning Council (MFPC) <p>and the applicant must have a minimum of eight years' relevant experience in financial planning.</p>
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Note to applicants:

- Unless specifically mentioned, the requirements set out under Chapter 4 will not apply to you.
- As an individual CMSL holder, you cannot have any licensed representative to act on your behalf.
- If your business is carried out through a partnership, only the licensed partner can carry on financial planning.

Chapter 6

APPLICATION PROCEDURES AND FEES

6.01 General

- (1) This chapter will provide you with information on—
 - forms to be used for various applications and notifications;
 - application procedures;
 - fees to pay for applications or notifications; and
 - time lines to adhere to as licensed persons.

6.02 What Is the electronic licensing application system?

- (1) All licensing applications, except for applications for a new CMSL, are to be made online to the SC via the Electronic Licensing Application system (ELA). As licensed persons, you must familiarise yourselves with the system. Further information on ELA can be found in Appendix 2.
- (2) When submitting an application or notification to the SC through ELA, you must ensure that all forms are printed out and duly signed by the relevant persons as indicated in the forms. The particulars on your printed copy must be the same in content as that which you will submit through ELA.
- (3) We will notify your application results via e-mail, except under circumstances where we have grounds for a refusal to grant a licence. In such cases, we will issue a letter.
- (4) As a CMSL holder, you must apply to the SC for access to ELA within three months from the date you obtain your licence. This is necessary because specific applications and notifications to us, including the appointment of directors, chief executives and notification of any material change to information submitted earlier, must be made through ELA.

6.03 What is our commitment?

- (1) In reviewing your licence application, the Licensing Department of the SC will comply with our clients' charter which is ISO 9001:2008 certified.
- (2) We are committed to satisfy all market participants by providing quality, professional and excellent service through a transparent process in a timely manner, and to strive for continuous improvement.
- (3) Our clients' charter for processing time is as follows:
 - a) Six weeks for new CMSL applications which are complete upon submission and meet the SC's fit and proper criteria; and
 - b) Two weeks for all new CMSRL applications which are complete upon submission and meet the SC's fit and proper criteria.

6.04 How to apply for a new licence?

- (1) Upon satisfying relevant requirements as set out in Chapter 4 or 5, you must fill the relevant forms outlined in Table 8 to apply for a CMSL or CMSRL to carry on any one or more regulated activities. You can refer to Appendix 3 for the list of documents which must accompany your applications.
- (2) Due to the nature and amount of information and documents required for a new CMSL, you cannot apply through ELA. Instead, you must submit the relevant information and documents required in printed and soft copies (diskette or CD-ROM). You must also submit the fees together with the application, in the form of bank drafts or cheques, made payable to the "Securities Commission" and sent to the address stated in paragraph (8) of Appendix 2.

Table 8: Forms for New Licences

Type of Licence	Forms
CMSL	Form 1: Application for New Capital Markets Services Licence
	Form 1A: Application for New Capital Markets Services Licence (to be filled by directors/key management/company secretary)
	Form 1B: Application for New Capital Markets Services Licence (to be filled by directors/key management/company secretary who are also the proposed representative)
	Form 1C: Application for New Capital Markets Services Licence (to be filled by the first two proposed licensed representatives)
CMSL (Individual)	Form 2: Application for New Capital Markets Services Licence (individual)
CMSRL	Form 3: Application for New Capital Markets Services Representative's Licence

- (3) If you wish to apply for a new CMSL, you must also submit at least two applications for a CMSRL for every regulated activity you intend to carry on as a principal.
- (4) Upon receiving your application for a new CMSL, we may conduct the necessary background checks on you, your directors, managers, and controllers to ensure that none of the grounds for refusal of a licence as provided for under sections 64 of the CMSA applies.
- (5) If you wish to apply for a new CMSRL with an existing CMSL holder, you must submit your application through ELA. Such an application must be made through your principal, who must be responsible for verifying your good character, reputation and competency.
- (6) If your application is successful, we will issue you a licence.

Note to applicants:

Before you apply for a CMSL, you must make sure that you–

- know your business and understand which regulated activity you need to apply for to enable you to carry on your business;
- understand the obligations of a CMSL holder and have appropriate systems and processes in place to meet them; and
- are able to support your application with any document we may request.

You should only apply for the regulated activity that is relevant to your business. Do not apply for a regulated activity just in case you might want to do it in the future. If your business changes, you can apply to vary your licence at that time. Paragraph 6.06 explains how to apply to vary your licence.

6.05 Submission of Anniversary Reporting for Authorisation of Activity (ARAA)

- (1) CMSL and CMSRL holders are required to submit the ARAA form to the SC on the anniversary date of their licences. ARAA is represented by Forms 4, 5 and 6.
- (2) If you are an individual CMSL holder or a CMSRL holder who wishes to continue your licence, you must satisfy the Continuing Professional Education (CPE) requirements (refer to Chapter 8) before submitting your ARAA.
- (3) As a CMSL holder, you must ensure that your ELA account has adequate funds before you submit your ARAA through the system. The licence fees will be deducted from your ELA account on the anniversary date.

Table 9: Forms on Anniversary Date

Type of Licence	Forms
CMSL	Form 4: Anniversary Reporting for Authorisation of Activity (CMSL)
CMSL (Individual)	Form 5: Anniversary Reporting for Authorisation of Activity (Individual)
CMSRL	Form 6: Anniversary Reporting for Authorisation of Activity (CMSRL)

6.06 How to vary a licence?

- (1) If you wish to add or reduce any regulated activity under your CMSL or CMSRL, or you wish to change your principal, you will need to complete the relevant form(s) set out in Table 10.
- (2) Your applications to add or reduce your regulated activity and your applications for variation of your principal, are to be submitted through ELA.
- (3) As a CMSL holder, ensure that your ELA account has an adequate sum of money before you apply for a variation through the system (you can refer to Appendix 4 for the schedule of application and licence fees).

Table 10: Forms for Variation of Regulated Activity and Variation of Principal

Type of Licence	Forms
CMSL	Form 7: Application for Variation of Regulated Activity for Capital Markets Services Licence
CMSRL	Form 8: Application for Variation of Regulated Activity for Capital Markets Services Representative's Licence
	Form 9: Application for Variation of Principal by Representative

Note to stockbroking companies and investment banks:

Your ability to add on any additional regulated activity to your CMSL is subject to the policy on permitted activities for stockbroking companies and the *Guidelines on Investment Banks*.

- (4) Upon our approval, a new licence reflecting your new regulated activity or principal will be issued once you have returned the existing licence to us. The anniversary date of the new licence will be the same as that of your existing licence.

Illustration:

Existing licence

Type of regulated activity: Dealing in securities

- Anniversary date of licence: 1 December 2011
- Proposed additional regulated activity: Dealing in derivatives
- Application to add new regulated activity approved by the SC: 1 November 2011

New licence

- Type of regulated activity: Dealing in securities and dealing in derivatives
- Anniversary date of new licence: 1 December 2011.

- (5) If you are a CMSL holder who is licensed to carry on the regulated activity of fund management in relation to securities only, and you decide to expand your fund management activity to include derivatives, you will not need to apply for a variation of your regulated activity. However, you will require our approval before commencing the fund management activity in derivatives.

6.07 How much is the application and licence fee?

- (1) If you are a CMSL holder which is a company, the annual licence fee payable is—
- (a) for any first regulated activity, RM2,000; and
 - (b) for any subsequent additional regulated activity, RM1,000 each.

If you carry on more than one regulated activity, the licence fees payable will be the aggregate amount.

Illustration:

If you are a CSML holder who conducts the following activities:

- Dealing in securities:
- Dealing in derivatives; and
- Advising on corporate finance,

This is the first regulated activity, therefore the licence fee is RM2,000 per annum.

The licence fee for these two activities is RM1,000 each per annum.

You are required to pay RM4,000 per annum to carry on the above regulated activities.

- (2) If you are a CMSL holder who is an individual licensed to carry on financial planning activity, the annual licence fee payable is RM1,000.
- (3) If you are a CMSRL holder, the annual licence fee payable is RM200, regardless of the number of regulated activities you carry on for your principal.

Illustration:

If you are a CMSRL holder who conducts the following activities:

- Dealing in securities; and
- Dealing in derivatives

You are required to pay RM200 per annum.

Illustration:

You are a CMSL holder who is licensed for dealing in securities. You decide to expand your business to include a new regulated activity of dealing in derivatives. Assume your current licence anniversary date is on 31 January 2012 and your company's application to carry on dealing in derivatives was approved by the SC on 1 November 2011.

The computation of fees for the new regulated activity on a pro-rated basis:

$$\begin{aligned}
 &= 1 \text{ November 2011 to 31 January 2012} = 3 \text{ months} \\
 &= \text{RM}1000 \times 3/12 \\
 &= \text{RM}250
 \end{aligned}$$

6.08 How to withdraw an application?

- (1) You may withdraw an application made through ELA whose status is "In Process" by using the "Withdraw" button appearing at the bottom of ELA's submissions page. The application fees will be deducted by the system if your withdrawal takes place after your application has been reviewed by the Licensing Department.
- (2) Similarly, for the withdrawal of applications submitted manually, your application fees will not be refunded if your application has been reviewed by the Licensing Department.

6.09 What information requires a notification to the SC after being licensed?

- (1) The SC maintains a public, searchable register of current licence holders as required under section 77 of the CMSA. After you have received your CMSL and CMSRL, you are obliged to notify us of such information as required under section 78 of the CMSA.
- (2) There are some changes that require our prior approval while other changes only require you notifying us after the change has taken place.

Changes that require prior approval

- (3) Changes that require our prior approval are stated in Table 11. Such changes must be lodged through ELA (you can refer to Table 11 for type of changes and relevant forms required).

Table 11: Changes Requiring Prior Approval for CMSL

Variation of name	Form 10: Application for Change in Corporation's Name * After obtaining the SC's approval on the application made under Form 10, you must submit Form 15 within 14 days of the change occurring.
	Form 11: Application for Change in Individual's Business Name * After obtaining the SC's approval on the application made under Form 11, you must submit Form 16 within 14 days of the change occurring.
Change of shareholders/shareholding structure which results in a change of controller	Form 12: Application for Change of Shareholders/Shareholdings * After obtaining the SC's approval on the application made under Form 12, you must submit Form 13 within 14 days of the change occurring.
Application for compliance officer	Form 24: Application for compliance officer
Application for Establishment of New Business or Acquisition of Shares/Interests In or Outside Malaysia (for capital market based activities)	Form 26: Application for Establishment of New Business or Acquisition of Shares/Interests In or Outside Malaysia • After obtaining the SC's approval on the application made under Form 26, you must submit Form 15 within 14 days of the change occurring.
Application for Appointment of Chief Executive Officer and Key Management	Form 27: Application for Appointment of Chief Executive Officer and Key Management

<ul style="list-style-type: none"> • Chief Executive Officer • Head of Regulated Activity • Head of Operations • Head of Compliance 	* After obtaining the SC's approval on the application made under Form 27, you must submit Form 14 within 14 days of the change occurring.
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Changes that require notification

- (4) As licensed persons, you must notify the SC of the particulars stated in Table 12. This notification must be made within 14 days of the occurrence of the event. However, in the case of your directors or chief executive officers, you must notify us within two working days of their appointment or reappointment or prior to any public announcement, whichever is earlier.

Table 12: Changes Requiring Notification

CMSL	
Change in shareholders/ shareholding details	Form 13: Notice of Change of Shareholders/ Shareholdings
Appointment of– <ul style="list-style-type: none"> • director • chief executive officer • company secretary • head of regulated activity • head of operations • head of compliance Change of designation for– <ul style="list-style-type: none"> • director • head of regulated activity • head of operations • head of compliance 	Form 14: Notice of Appointment of Directors/Key Management/Company Secretary
Change of corporation's particulars: <ul style="list-style-type: none"> • Name of CMSL holder • Registered address • Business address • Correspondence address • New branch • Branch closure • Establishment of new business or acquisition of shares/interests in or outside Malaysia (for capital market based activities) • Establishment of new business or acquisition of shares/interests in or outside Malaysia (for non capital market based activities) • Disposal of business or shares/interests in or outside 	Form 15: Notice of Change in Corporation's Particulars

Malaysia including closure of business	
<p>Change of individual's particulars:</p> <ul style="list-style-type: none"> • Name of CMSL holder • Registered address • Business address • Correspondence address • Establishment of new business or acquisition of shares/interests in or outside Malaysia (for capital market based activities) • Establishment of new business or acquisition of shares/interests in or outside Malaysia (for non- capital market based activities) • Disposal of business or shares/interests in or outside Malaysia including closure of business 	Form 16: Notice of Change in Individual's Particulars
Cessation of CMSL/ CMSL (individual)	Form 18: Notice of Cessation for Capital Markets Services Licence
	Form 19: Notice of Cessation for Capital Markets Services Licence (individual)
Cessation of directors/key management/company secretary	Form 21: Notice of Cessation for Directors/Key Management/ Company Secretary
Cessation of compliance officer	Form 25: Notice of Cessation of Compliance Officer

CMSRL	
<p>Variation of particulars:</p> <ul style="list-style-type: none"> • Name of CMSRL holder • Residential address • Location • Passport number (for non- Malaysian) • remuneration type 	Form 17: Notice of Change in Representative's Particulars
Cessation of CMSRL	Form 20: Notice of Cessation of Capital Markets Services Representative's Licence
General	
Place where register of securities is to be kept for CMSL/CMSRL	<p>Form 22: Notice of Place Where Register of Securities Is to Be Kept</p> <p><i>* Note that this form is not relevant if a licensed person had already provided the information in an earlier application to the SC, eg. in Form 1 or 3 when applying for a new licence.</i></p>
Cessation/change of place where register of securities is to be kept for CMSL/CMSRL	Form 23: Notice of Change of Place or Cessation of Keeping of Register of Securities

	<p><i>* Note that this form is not relevant if a licensed person had already provided the information in an earlier application to the SC, eg. in Form 18, 19 or 20 when notifying the SC on cessation of business or in Form 9 when applying for variation of principal.</i></p>
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6.10 What other submissions can be made through ELA?

- (1) You may also lodge the auditor's report as required under section 127 of the CMSA through ELA.
- (2) We may, from time to time, add new categories of submissions to be included under ELA.

Chapter 7

CONDITIONS AND RESTRICTIONS OF LICENCE

7.01 General

- (1) The SC may grant a licence subject to such conditions or restrictions as it thinks fit under section 61 of the CMSA. This chapter sets out the general conditions or restrictions applicable to a CMSL and CMSRL granted by the SC. A licensed person must comply with these conditions and restrictions as long as the CMSL and the CMSRL remain valid. The SC may also impose other conditions or restrictions on a licensed person at the time of granting a CMSL or a CMSRL to an applicant.
- (2) If a licensed person contravenes or fails to comply with any condition or restriction, the SC is empowered under the CMSA to initiate and administer a broad range of actions against the licensed person under Part XI of the CMSA.

7.02 What are the conditions and restrictions in relation to a CMSL holder?

General conditions and restrictions

You must satisfy the following:

- (1) Remain fit and proper as required by the CMSA.
- (2) Comply with the requirements set out in Chapter 4 or 5 of this handbook.
- (3) Comply with securities laws, its regulations and guidelines and any other applicable law that may govern the business activities carried on by you.
- (4) Obtain the SC's prior approval if there are any changes to your core business which you are licensed to carry on.
- (5) If you are a company, you are required to notify the SC of any change to your shareholding, paid-up capital, any establishment of a new business or acquisition of shares/interests in or outside Malaysia (for capital market-based activities and non capital market-based activities) and disposal of business or shares/interests in or outside Malaysia within 14 days of the change. Where a change in your shareholding, directly or indirectly results in a change of your controller and there is a proposal for the establishment of a new business or acquisition of shares/interests in or outside Malaysia in relation to capital market-based activities, you require the SC's prior approval for such change.
- (6) Carry on your business for which you are licensed for efficiently, honestly and fairly.
- (7) Supervise and monitor your business to ensure compliance to securities laws, its regulations, guidelines and relevant code of conduct. Such supervision and monitoring should also be able to prevent and identify breaches to securities laws, its regulations, guidelines and relevant code of conduct.

- (8) Return your licence to the SC if it has been cancelled upon variation, revoked or if you cease to carry on your licensed regulated activities.
- (9) Ensure that the carrying on of any licensed regulated activity on your behalf is performed by persons who are appropriately licensed.
- (10) Ensure that your employees, including your licensed representatives, where applicable, comply with securities laws, its regulations and guidelines and any other applicable law that may govern your regulated activity.
- (11) Ensure that your licensed representatives are—
 - (a) adequately supervised in the performance of their duties;
 - (b) sufficiently trained for those duties before acting as a representative; and
 - (c) kept abreast of developments by means of continuing training programmes.
- (12) Immediately inform the SC of any occurrence of these events:
 - (a) Where any of your employees has misappropriated clients' funds or committed any act that is detrimental to the interests of your clients;
 - (b) Where any of your licensed representatives, where applicable, ceases to be fit and proper to hold a CMSRL; or
 - (c) Where any of your licensed representatives, where applicable, fails or ceases to perform their function.

Additional conditions and restrictions

Fund management

You must satisfy the following if you are a CMSL holder who carries on the business of fund management:

- (13) Immediately disclose to your clients—
 - (a) any legal or disciplinary event that is material to an evaluation of your integrity and ability to meet contractual commitments to your clients; and/or
 - (b) any material fact about your financial condition which will impair your ability to meet your contractual commitments to your clients.
- (14) Undertake the purchase/sale of securities listed on Bursa Malaysia through a CMSL holder who carries on the business of dealing in securities. However, in the case of a purchase/sale of fixed income securities listed on Bursa Malaysia, you may also do so through a licensed institution who is authorised to deal in fixed income securities.

- (15) Undertake the purchase/sale of derivatives on a derivatives exchange through a CMSL holder who carries on the business of dealing in derivatives who is a clearing member of Bursa Derivatives Bhd or a clearing member of a specified exchange.
- (16) Not undertake the purchase/sale of securities or derivatives which involves or potentially involves a conflict of interest between you and the funds under your management.
- (17) Not for your own account, undertake, directly or indirectly, the purchase/sale of securities from or to the funds under your management.
- (18) Obtain the SC's prior approval for investments in assets other than conventional and Shariah-compliant securities, derivatives, money market instruments and deposits in conventional and Shariah-compliant deposit accounts.
- (19) Submit any advertisement and/or promotional material to the SC for purposes of post-vetting.

Financial planning

You must satisfy the following if you are an individual CMSL holder who carries on the business of financial planning:

- (20) Comply with the requirements of the Continuing Professional Education in accordance with the format specified by the SC.

7.03 What are the conditions and restrictions in relation to a CMSRL holder?

General conditions and restrictions

You must satisfy the following:

- (1) Remain fit and proper at all times as required by the CMSA.
- (2) Comply with the requirements in Chapter 4 of this handbook.
- (3) Comply with securities laws, its regulations and guidelines and any other applicable law that may govern the business activities carried on by you.
- (4) Not allow any unlicensed person to perform any of your licensed regulated activities on your behalf.
- (5) Ensure that you carry on your licensed regulated activity efficiently, honestly and fairly.
- (6) Comply with the requirements of the Continuing Professional Education in accordance with the format specified by the SC.
- (7) Return your licence to the SC if it is cancelled upon variation, revoked or if you cease to carry on the licensed activities.

7.04 Permissible Activities for Referral Agents

General conditions and restrictions

Both CMSLs and CMSRLs in dealing in securities and dealing in derivatives can act as referral agents to introduce potential clients to the other, within the parameters set out in this paragraph.

(1) Eligibility Criteria

- (a) Only CMSLs and CMSRLs licensed for dealing in securities and dealing in derivatives are allowed to act as referral agents.
- (b) The CMSRLs of companies dealing in securities and derivatives are required to refer through their respective principals. Both principals must undertake a referral arrangement, setting out the terms of referral arrangement, including the referral fees or commissions or any other remuneration earned.

Note:

As a CMSRL of a principal that is licensed for dealing in securities, you can refer clients to a CMSRL of a company licensed for the regulated activity of dealing in derivatives through your principal.

It would be expected that the referral activity will occur within the same group if there are companies within the group licensed for both activities. For companies that do not belong to a group with either license, the principal may have a referral arrangement with another principal licensed for either activity, as applicable.

(2) The referral agent must comply with the following requirements:

- (i) The referral agent must act with honesty and integrity at all times;
- (ii) The referral agent cannot undertake the regulated activity that he is not licensed for;
- (iii) The referral agent cannot accept orders;
- (iv) The referral agent shall not receive or deal with client's money or property in relation to the introducing activity;
- (v) The introducing activity is incidental to his licensed activity and thus cannot be his sole business; and
- (vi) The referral agent must make the appropriate disclosures to the client, which include the following:
 - a. That he is carrying out introducing activities on behalf of his principal;
 - b. Inform the clients that he is not allowed to give advice or provide recommendations in relation to the activity; and
 - c. Whether he will be remunerated by the introduction and if so the amount or rate of remuneration.

(3) Obligations of the CMSL in undertaking introducing activities

- (i) The principals of the respective CMSRL are responsible and accountable for the conduct of their CMSRLs.
- (ii) The CMSL must notify Bursa Malaysia Securities Bhd and/or Bursa Malaysia Derivatives Bhd for registration of their CMSRLs as referral agents.
- (iii) The principals are required to maintain a register of their CMSRLs who act as referral agents. The register should set out the names of the CMSRLs acting as referral agent, contact details, date of appointment as referral agent, clients introduced, terms of the referral arrangement and any other relevant information that the principal requires in monitoring the activity of its referral agents.
- (iv) The principals must establish proper policies and controls on the introducing activities carried out or received.
- (v) The principals must approve the CMSRLs that can act as referral agents.

Chapter 8

CONTINUING PROFESSIONAL EDUCATION (CPE) PROGRAMME 8.01

8.01 What Is CPE?

- (1) The CPE programme is introduced to foster a culture of continuous learning among individual licensed persons. As an individual licensed person, you must fulfil the CPE requirements in order to continue your licence.

CPE requirements

- (2) As a general requirement, you must obtain 20 CPE points a year.

Note to representatives:

If you are a CMSRL holder who carries on more than one regulated activity, you are not required to collect points to mirror the number of regulated activities which you carry on.

For example, if you are a CMSRL holder who carries on the regulated activity of dealing in securities and dealing in derivatives, you will only need to collect 20 CPE points a year.

- (3) You will not be allowed to carry forward the excess of your CPE points.
- (4) You will not be entitled to collect CPE points if you attend **the same CPE-approved course** within one anniversary period.

8.02 How to collect CPE points?

- (1) You may collect CPE points through the following means:
 - (a) Attend CPE-approved courses (including the Industry Transformation Initiative (ITI) curriculum);
 - (b) Complete CPE-approved e-learning programmes;
 - (c) Purchase CPE-approved CD-ROMs;
 - (d) Serve in approved industry associations/committees;
 - (e) Speak in CPE-approved courses/courses relating to the development of the capital market;
 - (f) Write approved articles;
 - (g) Obtain CPE-recognised professional qualifications; and
 - (h) Any other means which may be approved by the CPE Working Committee.

- (2) You are advised to check the CPE portal at: http://www.sc.com.my/eng/cpe/fs_CPE.html or contact the CPE Secretariat for further updates and information relating to the fulfilment of the CPE requirements.

8.03 What is the CPE-ITI requirement?

- (1) The Industry Transformation Initiative (ITI) is introduced to facilitate the development of critical skills to enhance your professional competence and ethical conduct.
- (2) If you are a CMSRL holder dealing in securities, you will have to attend the following four **mandatory** equity courses of the ITI curriculum. The CPE-ITI requirement will apply to all other licence holders upon implementation of the second phase of the ITI.
- (3) You will not be given exemptions from the CPE-ITI mandatory requirement. However, under exceptional cases, if you wish to attend ITI courses other than the above prescribed mandatory courses, you must identify and justify your course choices and submit them to the Licensing Department for approval.

Table 13: Mandatory Equity Courses for CMSRL Holders (Dealing in Securities)

Category	Name of Course
EQ01	Economics and Capital Markets I: Forces Shaping Global Capital Markets
EQ02	Essentials of Fundamental Analytics I: Analysing Company Performance
EQ03	Corporate Strategic Analytics I: Essentials of Corporate Proposal Analysis
EQ04	Corporate Governance and Ethics: Strengthening Professionalism Through Ethics

8.04 What is the time frame given to comply with the CPE-ITI requirement?

- (1) If you are an existing CMSRL holder for dealing in securities, you will be given a maximum of four years to comply with the CPE-ITI requirement starting from 28 September 2007 when the CMSA comes into effect.
- (2) If you obtain your CMSRL after the CMSA comes into effect, you must comply with the CPE-ITI requirement within a period of two years from your licence anniversary date.

Illustration

A person who is issued a new CMSRL for dealing in securities on 12 December 2007 must attend all four mandatory equity courses within the two years from the anniversary date of his license, in this case, by 12 December 2009.

8.05 How does ITI relate to the CPE requirement?

- (1) All ITI courses are SIDC-CPE accredited with 10 CPE points.
- (2) You must strictly comply with the requirement of attending the total duration of the ITI course to be entitled for 10 CPE points.

Note to representatives:

It is important that you plan your training well so as to meet the CPE requirement of 20 points a year and the mandatory attendance of four equity courses within a time frame of four years and two years for existing and new CMSRL holders respectively. Therefore, for better planning, you may choose to attend:

Existing CMSRL holders for dealing in securities

- At least one mandatory equity course each year over a period of four years.

New CMSRL holders for dealing in securities (licensed after the CMSA comes into effect)

- At least two mandatory equity courses each year over a period of two years.

8.06 Monitoring CPE compliance using the CPE portal

- (1) As a CMSRL holder, you are responsible for monitoring your CPE compliance. You may do so through the CPE portal which may be accessed at: http://www.sc.com.my/eng/cpe/fs_CPE.html.
- (2) The CPE portal will provide you with the following:
 - CPE-approved course calendar;
 - List of CPE-approved training providers;
 - View CPE points you have collected;
 - Guidelines for CPE Accreditation; and
 - FAQs.

8.07 CPE Secretariat and resources

- (1) You can also contact the CPE Secretariat at:

CPE Secretariat
Securities Industry Development Corporation
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Tel: 03 6204 8590/8267/8469
e-mail: cpe@sidc.com.my

Chapter 9

TREATMENT OF EXISTING LICENCE HOLDERS

9.01 How will the CMSA treat existing licensed persons?

- (1) An existing licensed person refers to a person holding a valid licence that was granted under SIA or FIA. On the date the CMSA comes into effect, such licensed persons are deemed to be licensed appropriately under the CMSA. Therefore, such persons are not required to make any new application for a licence under the CMSA.

Illustration 1

If before the date CMSA takes effect, you were holding a dealer's licence granted under the SIA, you will on the date the CMSA takes effect, be deemed to be holding a CMSL for carrying on the business of dealing in securities.

Illustration 2

If before the date CMSA takes effect, you were holding a dealer's representative licence granted under the SIA, you will on the date the CMSA takes effect, be deemed to be holding a CMSRL for carrying on the regulated activity of dealing in securities.

- (2) Column 2 of Table 14 explains to an existing licensed person the-
 - (a) licence deemed to be held by him on the date the CMSA takes effect; and
 - (b) regulated activity that can be carried on by him on the date the CMSA takes effect.
- (3) Where a company holds two separate licences under the SIA and FIA, the company will only hold one licence when the CMSA takes effect. This would enable the company to continue to carry on all the regulated activities for which it was authorised to carry on under the SIA and FIA.

Table 14: CMSA Licence and Regulated Activity That Can Be Carried on by an Existing Licensed Person When the CMSA Takes Effect

Column 1 Licence granted under the SIA or FIA	Column 2 Equivalent CMSA licence and regulated activity
A futures broker's licence granted under the FIA.	A CMSL to carry on the business of dealing in derivatives.
A futures fund manager's licence granted under the FIA.	A CMSL to carry on the business of fund management in respect of dealing in derivatives.
A futures trading adviser's licence granted under the FIA.	A CMSL to carry on the business of providing investment advice in respect of derivatives.
A dealer's licence granted under the SIA.	A CMSL to carry on the business of dealing in securities.
A fund manager's licence granted under the SIA.	A CMSL to carry on the business of fund management in respect of securities.
An investment adviser's licence granted under the SIA and who is authorised to carry on the business of advising others concerning securities.	A CMSL to carry on the business of providing investment advice in respect of securities.
An investment adviser's licence granted under the SIA and who is authorised to carry on the business of advising on corporate finance.	A CMSL to carry on the business of advising on corporate finance.
An investment adviser's licence granted under the SIA and who is authorised to carry on the business of financial planning.	A CMSL to carry on the business of financial planning.
A futures broker's representative's licence granted under the FIA.	A CMSRL to carry on dealing in derivatives.
A futures fund manager's representative's licence granted under the FIA.	A CMSRL to carry on fund management in respect of derivatives.
A futures trading adviser's representative's licence granted under the FIA	A CMSRL to provide investment advice in respect of derivatives.
A dealer's representative's licence granted under the SIA.	A CMSRL to carry on dealing in securities.
A fund manager's representative's licence granted under the SIA.	A CMSRL to carry on fund management in securities.
An investment adviser's representative's licence granted under the SIA and who is authorised to carry on the business of advising others concerning securities.	A CMSRL to provide investment advice in respect of securities.
An investment adviser's representative's licence granted under the SIA and who is authorised to carry on the business of advising on corporate finance	A CMSRL to carry on advising on corporate finance.
An investment adviser's representative's licence granted under the SIA and who is authorised to carry on the business of financial planning.	A CMSRL to carry on financial planning.

Illustration 1

If before the date the CMSA takes effect, you were holding a futures broker's licence granted under the FIA and a dealer's licence granted under the SIA, on the date the CMSA takes effect, you will only hold one licence, i.e. a CMSL to carry on the business of dealing in derivatives and dealing in securities.

Illustration 2

If before the date the CMSA takes effect, you were holding a dealer's licence granted under the SIA and also authorised to carry on the business of advising on corporate finance and investment advice, on the date the CMSA takes effect, you will only hold one licence, i.e. a CMSL to carry on the business of dealing in securities, advising on corporate finance and investment advice.

- (4) Under the CMSA, an existing licensed person is prohibited from carrying on any regulated activity for which he was not authorised to carry on under the SIA and FIA.

Illustration:

If before the date the CMSA takes effect, you were holding a fund manager's licence granted under the SIA, on the date the CMSA takes effect, you will hold a CMSL to carry on the business of fund management for securities only. You cannot therefore conduct a business in fund management for derivatives.

9.02 What must an existing licensed person do if he wishes to carry on an additional regulated activity?

- (1) If an existing licensed person wishes to carry on any additional regulated activity apart from that which he was authorised to do under the SIA or FIA, he must first apply to the SC for a variation of his licence.
- (2) An existing licensed person will only be given approval for variation provided he satisfies the necessary licensing criteria to carry on the proposed additional regulated activity, as discussed in Chapter 4 of this handbook. The application process for variation is discussed in Chapter 6 of this handbook.

9.03 What must an existing licensed person do if he does not wish to carry on a particular regulated activity?

- (1) If on the date the CMSA takes effect an existing licensed person does not wish to continue to carry on a regulated activity for which he was authorised to do so under the SIA and FIA, he must immediately inform the SC by making the necessary application for variation to the SC, as discussed in Chapter 6 of this handbook.

9.04 Is an existing licensed person required to comply with existing licensing conditions and restrictions on the date the CMSA takes effect?

- (1) Conditions and restrictions imposed on a licence granted under the SIA or FIA will continue to apply to a licence that an existing licensed person holds on the date the CMSA takes effect. It should also be noted that the SC can, by written notice require compliance with any additional condition or restriction.
- (2) Failure to comply with any condition or restriction as discussed above can result in the SC taking various actions against an existing licensed person including an action under section 356 of the CMSA.

9.05 What happens to licensing applications made before 28 September 2007?

- (1) Any application for a licence made under the SIA or FIA before the date the CMSA takes effect and still pending will be deemed to be an application for a CMSL or CMSRL. Therefore, such an application must be accompanied by the appropriate application fee as prescribed under the *Capital Markets and Services Regulations 2007*, unless notified otherwise by the SC in writing.

Illustration:

You have submitted an application for a futures broker's licence under the FIA on 26 September 2007. When the CMSA comes into effect on 28 September 2007, you are deemed to have made an application for a CMSL to carry on a business of dealing in derivatives.

9.06 Who are deemed licensed persons apart from an existing holder of a licence that is granted under the SIA or FIA?

Corporate finance executives and research analysts employed before the effective date of the CMSA

(1) The CMSA provides that if you are a corporate finance executive or a research analyst who is currently employed by-

- a licensed dealer and who is registered with the SC pursuant to the SC's *Guidelines for Dealers and Dealer's Representatives Under the SIA*; or
- an investment bank,

before the effective date of the CMSA, you shall be deemed to hold a CMSRL to carry on the regulated activity of advising on corporate finance or investment advice, as the case may be, on the date the CMSA takes effect.

(2) Your CMSRL shall be effective for a period of one year from the date the CMSA takes effect. You are however required to renew a CMSRL before the expiry of the one-year period. At the point of first renewal, you will be required to submit the relevant information to support your application.

Corporate finance executives and research analyst employed after the effective date of the CMSA

(3) If you are a corporate finance executive or a research analyst who is to be employed by a licensed dealer or by an investment bank after 28 September 2007, you are required to obtain a CMSRL to carry on the regulated activity of advising on corporate finance or investment advice, as applicable.

Appendix 1

POLICY ON PERMITTED ACTIVITIES FOR STOCKBROKING COMPANIES

Introduction

A stockbroking company is authorised to carry on the business of dealing in securities. Additional activities that may be carried out by a stockbroking company are listed in the schedule below, according to the different type of entity.

Prior to undertaking the additional activities, a stockbroking company shall comply with all applicable requirements stipulated in the CMSA, the licensing handbook, relevant guidelines or any other condition imposed by the SC and the rules of the relevant stock exchange.

Column 1 Entity	Column 2 Activity	Column 3 Conditions attached
1. Investment banks	Dealing in derivatives	Nil
	Dealing in debt securities	All types of activities in the primary and secondary market.
	Fund management	Provided that the dedicated fund management personnel shall not engage in proprietary trading.
	Unit trust	<ul style="list-style-type: none"> Permitted to undertake activities pertaining to unit trust funds without having to set up a separate management company subject to obtaining the SC's approval under section 289 of the CMSA, and compliance with the <i>Guidelines on Unit Trust Funds</i> Permitted to engage in the business of managing investment portfolios/funds and the business of marketing and distributing unit trust funds, either of its own or those of other management companies, subject to compliance with all relevant requirements of the <i>Guidelines on Unit Trust Funds</i>.
	Investment advice	Nil
	Advising on corporate finance	For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.
	Financial planning	Nil
	Dealing in private retirement schemes	Nil

Column 1 Entity	Column 2 Activity	Column 3 Conditions attached
	Branching and electronic access facility	<ul style="list-style-type: none"> Permitted to establish branches and electronic access facilities (EAFs) in the manner stipulated in the <i>Guidelines on the Establishment and Location of a Branch Office by Universal Brokers and Eligible Non-universal Brokers</i>; Practice Note 1 - Flexibilities Granted to Stockbroking Companies in Relation to Branch Offices and Branching Policy; and <i>Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-universal Brokers</i> Allowed unrestricted branching. Those intending to set up new branches shall be subject to a readiness assessment or audit to the satisfaction of the stock exchange and prior approval of the SC.
	Structured products and structured warrants	Permitted to issue and/or undertake all activities pertaining to structured products and structured warrants, subject to compliance with the <i>Guidelines on the Offering of Structured Products and Guidelines for the Issue of Structured Warrants</i> .
2. Universal brokers	Dealing in derivatives	Nil
	Dealing in debt securities	All types of activities in the primary and secondary market.
	Fund management	Provided that the dedicated fund management personnel shall not engage in proprietary trading.
	Unit trust	<ul style="list-style-type: none"> Permitted to undertake activities pertaining to unit trust funds without having to set up a separate management company subject to obtaining the SC's approval under section 289 of the CMSA, and compliance with the <i>Guidelines on Unit Trust Funds</i> Permitted to engage in the business of managing investment portfolios/funds and the business of marketing and distributing unit trust funds, either of its own or those of other management companies, subject to compliance with all relevant requirements of the <i>Guidelines on Unit Trust Funds</i>.
	Investment advice	Nil
	Advising on corporate finance	For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.

Column 1 Entity	Column 2 Activity	Column 3 Conditions attached
2. Universal brokers	Financial planning	Nil
	Dealing in private retirement schemes	Nil
	Access to money market for universal brokers	Permitted to access the interbank market to undertake borrowing or lending of funds, subject to compliance with the <i>Guidelines on Access to Interbank Market by Universal Brokers</i> as may be amended by BNM and/or prudential standards as may be prescribed from time to time.
	Branching and electronic access facility	<ul style="list-style-type: none"> Permitted to establish branches and electronic access facilities (EAFs) in the manner stipulated in the <i>Guidelines on the Establishment and Location of a Branch Office by Universal Brokers</i> and <i>Eligible Non-universal Brokers</i>; Practice Note 1 - Flexibilities Granted to Stockbroking Companies in Relation to Branch Offices and Branching Policy; and <i>Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-universal Brokers</i> Allowed unrestricted branching. Those intending to set up new branches shall be subject to a readiness assessment or audit to the satisfaction of the stock exchange and prior approval of the SC.
	Structured products and structured warrants	Permitted to issue and/or undertake all activities pertaining to structured products and structured warrants, subject to compliance with the <i>Guidelines on the Offering of Structured Products</i> and <i>Guidelines for the Issue of Structured Warrants</i> .
3. Special scheme brokers	Dealing in derivatives	Nil
	Dealing in debt securities	Permitted to deal in unlisted debt securities subject to the requirements as specified in the rules of the stock exchange.
	Investment advice	Nil
	Advising on corporate finance	For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.
	Financial planning	Nil
	Dealing in private retirement schemes	Nil
	Structured products and structured warrants	Permitted to issue and/or undertake all activities pertaining to structured products and structured warrants, subject to compliance with the <i>Guidelines on the Offering of Structured Products</i> and <i>Guidelines for the Issue of Structured Warrants</i> .

Column 1 Entity	Column 2 Activity	Column 3 Conditions attached
4. 1+1 brokers	Dealing in derivatives	Nil
	Dealing in debt securities	Permitted to deal in unlisted debt securities subject to the requirements as specified in the rules of the stock exchange.
	Investment advice	Nil
	Advising on corporate finance	For categories of persons permitted to submit applications for corporate proposals to the SC, refer to the relevant SC guidelines.
	Financial planning	Nil
	Dealing in private retirement schemes	Nil
	Branching and electronic access facility	<ul style="list-style-type: none"> Permitted to establish branches and electronic access facilities (EAFs) in the manner stipulated in the <i>Guidelines on the Establishment and Location of a Branch Office by Universal Brokers and Eligible Non-universal Brokers</i>; Practice Note 1 - Flexibilities Granted to Stockbroking Companies in Relation to Branch Offices and Branching Policy; and <i>Guidelines on the Establishment of Electronic Access Facilities by Universal Brokers and Eligible Non-universal Brokers</i> Allowed unrestricted branching. Those intending to set up new branches shall be subject to a readiness assessment or audit to the satisfaction of the stock exchange and prior approval of the SC.
	Structured products and structured warrants	Permitted to issue and/or undertake all activities pertaining to structured products and structured warrants, subject to compliance with the <i>Guidelines on the Offering of Structured Products</i> and <i>Guidelines for the Issue of Structured Warrants</i> .
5. Stock-broking company that has not complied with the <i>Policy Framework for Stock-broking Industry Consolidation</i>	Dealing in debt securities	Permitted to deal in unlisted debt securities subject to the requirements as specified in the rules of the stock exchange.
	Investment advice	Nil
	Advising on corporate finance	Advisory only
	Financial planning	Nil
	Dealing in private retirement schemes	Nil

APPENDIX 2

ELECTRONIC LICENSING APPLICATION (ELA)

Submissions under ELA

1. All CMSL holders, must, within three months of being licensed, apply to the SC for access to ELA. The CMSL holders will be required to sign the Acceptance of Terms and Conditions, evidencing the principal's agreement to be bound by the Terms and Conditions of Use of ELA. All CMSL holders and their authorised users¹ will thereupon comply with the Terms and Conditions of Use of ELA at all times, including any amendments, variations or modifications thereto. The Terms and Conditions of Use of ELA are available at <http://ers.seccom.com.my/ela>.
2. The list of applications/submissions which can be made through ELA is available on-
 - (a) the SC website at <http://www.sc.com.my>; and
 - (b) the ELA website at <http://ers.seccom.com.my/ela>.
3. The printed copy of all ELA submissions together with relevant supporting documents must be kept by the CMSL holder and/or the relevant person at the business address or the principal address or a designated place approved by the SC at all times for as long as the person is licensed or is in the employment of the CMSL holder, and for a period of seven years after the person leaves the principal.
4. For this purpose, the SC reserves the right to conduct an examination at the business address or principal address of the applicant or at the designated place to ascertain that this requirement is being complied with.

General requirement for a supporting document

5. A document to be uploaded and submitted to the SC through ELA shall not exceed 512KB and be in the following format:
 - (a) Joint Photographic Experts Group (JPEG);
 - (b) Adobe Portable Document (PDF);
 - (c) Microsoft Word;
 - (d) Microsoft Excel; or
 - (e) ASCII Text.

¹ Persons authorised by the CMSL holder to access or establish a connection to ELA.

Unavailability of ELA

6. If ELA is unavailable for more than five consecutive days, either due to an electrical power failure, a natural disaster, an emergency or any other event which is beyond the control of the SC, applicants may manually submit applications or notifications to the SC.
7. For manual submissions, all duly completed forms and relevant supporting documents must be submitted in printed and soft copies (diskette or CD-ROM). The SC may, through its website or via the mass media, inform the public of measures put in place for accepting such submissions until the ELA system resumes operation.
8. Under such circumstances, all applications or notifications are to be submitted with the required fees to the SC at:

Head
Authorisation & Licensing Department
Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
9. A CMSL holder and its directors are ultimately responsible for all information entered into the ELA system through the use of the principal's account. As such, the CMSL holder is expected to have in place the necessary policies and procedures to ensure that the information submitted via ELA whether on its behalf, or on behalf of its representatives and/or key personnel, are true and accurate.
10. For further enquiries on ELA or assistance on submissions, applicants may contact the Helpdesk at 603-6204 8977 or e-mail elahelp@seccom.com.my.
11. An applicant must ensure that all information submitted through ELA is true and correct.

General

12. Where necessary, the SC may require other relevant or additional information to be submitted.
13. All licensed persons must comply with the requirements of ELA at all times. In addition, all licensed persons must comply with all relevant provisions in the laws and the conditions for each type of regulated activities.
14. The SC may, where appropriate, allow any exemption and variation from the requirements of ELA, based on the merits of the case, whether on a permanent basis or for a specified period of time.

Appendix 3

SUPPORTING DOCUMENTS

FORM 1 - APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE

No.	Description
1.	Processing fees - RM50.00 <ul style="list-style-type: none"> Corporation's cheque/bank draft/postal or money order made payable to "Securities Commission" or "Suruhanjaya Sekuriti".
2.	Corporate profile describing in detail the- <ul style="list-style-type: none"> management and organisation structure; and business plan for the next three years, e.g. target clients, target market, etc.
3.	Profile of corporation's holding companies - immediate and ultimate.
4.	Profile of corporation's individual shareholders.
5.	Provide details of any of the applicant's related, subsidiary and associate companies which are or were involved in any regulated activity in Malaysia or elsewhere and their licence/ registration status.
6.	Description of corporation's structure in the form of a tree diagram depicting the following details: <ul style="list-style-type: none"> Corporation's shareholding structure; Corporation's group structure depicting related, subsidiary and associate companies; and Percentage of shareholdings of each shareholder.
7.	Memorandum and Articles of Association.*
8.	Form 9 - Companies Act 1965.*
9.	Form 24 - Companies Act 1965.**
10.	Form 44 - Companies Act 1965.**
11.	Form 49 - Companies Act 1965.**
12.	Form 13 - Companies Act 1965.*
13.	Form 32A - Companies Act 1965.*
14.	A copy of the corporation's latest audited financial statements.
15.	A copy of the corporation's latest management accounts (<i>if audited financial statements are more than three months old</i>).
16.	A copy of the director's report on the financial standing, affairs, current assets and contingent liabilities of the corporation (<i>for the period between the date of last account and a date not earlier than 14 days before the date of this application</i>).
17.	List of employees indicating the Bumiputera/non-Bumiputera/foreign status, the employment status and position.
18.	Corporation's operational and compliance manual (<i>two copies</i>) describing in detail- <ul style="list-style-type: none"> reporting principles and procedures; internal audit procedures; procedures for compliance with the securities laws; and risk management policies which the applicant has adopted or proposes to adopt for its proposed business
19.	Declaration on the Physical Layout of Business to Avoid Conflict of Interest.
<i>Additional supporting documents/details for the application of dealing in securities and/or dealing in derivatives as a regulated activity.</i>	
20.	Participation/membership certificate of approval in principle for admission from the exchange.
21.	A duly completed form for the application of compliance officer (<i>at least one</i>).

<i>Additional supporting documents/details for the application of fund management as a regulated activity.</i>	
22.	Corporation's portfolio management system manual (two copies).
23.	Information on the amount of funds the corporation is projected to manage in the next five years.
24.	Letter of acceptance from the proposed "custodian".
25.	A completed self-assessment readiness checklist specified by the SC.
26.	A duly completed form for the application of compliance officer (at least one).
<i>Additional supporting documents/details for the application of dealing in unit trust products dealing in private retirement scheme, investment advice, advising on corporate finance and/or financial planning as a regulated activity.</i>	
27.	A completed self-assessment readiness checklist as specified by the SC.

** To be certified as true copy by a Commissioner for Oaths/Company Secretary.*

*** To be certified as true copy by the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia).*

FORM 1A - APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE

(to be filled by directors/key management/company secretary)

No.	Description
1.	A copy of the applicant's NRIC* (for Malaysian citizens) or passport* (for non-Malaysian citizens).
2.	A copy of the applicant's recent colour passport-size photograph.
3.	A copy of the applicant's relevant academic certificates.*
4.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
5.	Work permit (for non-Malaysian citizens)*.

** To be certified as true copy by a Commissioner for Oaths/Company Secretary.*

FORM 1B - APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE

(to be filled by directors/key management/company secretary who are also the proposed representative)

No.	Description
1.	Processing Fees - RM50.00 <ul style="list-style-type: none"> Corporation's cheque/bank draft/postal or money order made payable to "Securities Commission" or "Suruhanjaya Sekuriti".
2.	A copy of the applicant's NRIC* (for Malaysian citizens) or passport* (for non-Malaysian citizens).
3.	A copy of the applicant's recent colour passport-size photograph.
4.	A copy of the applicant's relevant academic certificates.*
5.	A copy of the relevant industry examination results/membership.*
6.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
7.	Work permit (for non-Malaysian citizens)*.

** To be certified as true copy by a Commissioner for Oaths/Company Secretary.*

FORM 1C - APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE

(to be filled by the first two proposed representatives)

No.	Description
1.	Processing Fees - RM50.00 <ul style="list-style-type: none"> • Corporation's cheque/bank draft/postal or money order made payable to "Securities Commission" or "Suruhanjaya Sekuriti".
2.	A copy of the applicant's NRIC* (for Malaysian citizens) or passport* (for non-Malaysian citizens).*
3.	A copy of the applicant's recent colour passport-size photograph.
4.	A copy of the applicant's relevant academic certificates.*
5.	A copy of the relevant industry examination results/membership.*
6.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
7.	Work permit (for non-Malaysian citizens).*

** To be certified as true copy by a Commissioner for Oaths/Company Secretary.*

FORM 2 - APPLICATION FOR NEW CAPITAL MARKETS SERVICES LICENCE (INDIVIDUAL)

No.	Description
1.	Processing Fees - RM50.00 <ul style="list-style-type: none"> • Cheque/bank draft/postal or money order made payable to "Securities Commission" or "Suruhanjaya Sekuriti".
2.	A copy of the applicant's NRIC (for Malaysian citizens) or passport (for non-Malaysian citizens).*
3.	A copy of the applicant's recent colour passport-size photograph.
4.	A copy of the applicant's relevant academic certificates.*
5.	A copy of the relevant industry examination results/membership.*
6.	Business profile describing in detail the— <ul style="list-style-type: none"> • management and organisation structure; and • business plan for the next three years, e.g. target clients, target market, etc.
7.	Provide details of any applicant's related parties which are or were involved in any regulated activity in Malaysia or elsewhere and their licence and registration status.
8.	A copy of registration of business with Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia).*
9.	A detailed statement of the applicant's current assets and contingent liabilities signed by the applicant and verified by an approved auditor.
10.	Applicant's operational and compliance manual (<i>two copies</i>) describing in detail— <ul style="list-style-type: none"> • reporting principles and procedures; • internal audit procedures; • procedures for compliances with the securities laws; and • risk management policies which the applicant has adopted or proposes to adopt for its proposed business.
11.	Declaration on the Physical Layout of Business to Avoid Conflict of Interest.
12.	A completed self-assessment readiness checklist as specified by the SC.
13.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
14.	Work permit (for non-Malaysian citizens).*

** To be certified as true copy by a Commissioner for Oaths/Company Secretary.*

FORM 3 - APPLICATION FOR NEW CAPITAL MARKETS SERVICES REPRESENTATIVE'S LICENCE

No.	Description
1.	A copy of the applicant's NRIC (for Malaysian citizens) or passport (for non-Malaysian citizens).
2.	A copy of the applicant's recent colour passport-size photograph.
3.	A copy of the applicant's relevant academic certificates.
4.	A copy of the relevant industry examination results/membership.
5.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
6.	Work permit (for non-Malaysian citizens).

FORM 4 – ANNUAL REPORTING FOR AUTHORISATION ACTIVITY FOR CAPITAL MARKETS SERVICES LICENCE

No.	Description
1.	Form 24 - Companies Act 1965.
2.	Form 49 - Companies Act 1965.
3.	A copy of the director's report on the financial standing, affairs, current assets and contingent liabilities of the corporation (for <i>the period between the date of last account and a date not earlier than 14 days before the date of this application</i>).
4.	A copy of the corporation's latest unaudited management accounts. (<i>if audited financial statements are more than three months old</i>).
5.	List of employees indicating the Bumiputera/non-Bumiputera/foreign status, employment status and position.
6.	Organisation Chart (latest)
7.	Performance Review (AS in Section III of this submission)
8.	Other relevant documents
Additional supporting document for the regulated activity of dealing in securities	
9.	Annual report on the Registered Representatives consisting of the following: <ul style="list-style-type: none"> • a declaration to the SC that all its Registered Representatives are in compliance with the fit and proper requirements; • an update on training undertaken by each of the Registered Representatives, including training hours logged and any specific training and development activities carried out for the Registered Representatives; • details of complaints, if any, received against any of its Registered Representatives; and • the outcome of its supervision and the findings against its Registered Representatives, if any.
Additional supporting document for the regulated activity of Islamic fund management	
10.	For companies carrying out Islamic fund management activities, a written disclosure and declaration that the Islamic fund management business is carried out in accordance with Shariah principles (in line with paragraph 9 of the SC's Guidelines on Islamic Fund Management).

FORM 5 - ANNIVERSARY REPORTING FOR AUTHORISATION ACTIVITY FOR CAPITAL MARKETS SERVICES LICENCE (INDIVIDUAL)

No.	Description
1.	A detailed statement of the applicant's current assets and liabilities signed by the applicant and verified by an external auditor
2.	Details of securities sold/purchased by the applicant for his own account during the last 12/24 months immediately preceding the date of application in the specified form.
3.	Bankruptcy Search Result from Jabatan Insolvensi Malaysia (Malaysia Department of Insolvency – Mdl)
4.	Other relevant documents

FORM 6 - ANNIVERSARY REPORTING FOR AUTHORISATION ACTIVITY FOR CAPITAL MARKETS SERVICES REPRESENTATIVE'S LICENCE

No.	Description
1.	Details of securities sold/purchased by the applicant for his own account during the last 12/24 months immediately preceding the date of application in the specified form.
2.	Bankruptcy Search Result from Jabatan Insolvensi Malaysia (Malaysia Department of Insolvency – Mdl)
3.	Other relevant documents

FORM 7 - APPLICATION FOR VARIATION OF REGULATED ACTIVITY FOR CAPITAL MARKETS SERVICES LICENCE

No.	Description
1.	Corporate profile describing in detail the- <ul style="list-style-type: none"> • management and organisation structure; and • business plan for the next three years, e.g. target clients, target market, etc. and proposed business activities in respect of proposed regulated activities.
2.	A copy of the corporation's latest management accounts (if <i>audited financial statements are more than three months old</i>).
3.	List of employees indicating the Bumiputera/non-Bumiputera/ foreign status, the employment status and position.
4.	Corporation's operational and compliance manual describing in detail- <ul style="list-style-type: none"> • reporting principles and procedures; • internal audit procedures; • procedures for compliances with the securities laws; and • risk management policies which the applicant has adopted or proposes to adopt for its proposed business.
5.	Declaration on the Physical Layout of Business to Avoid Conflict of Interest.
<i>Additional supporting documents/details for the application of dealing in securities and/or dealing in derivatives as a regulated activity</i>	
6.	Participation/membership certificate of approval in principle for admission from the exchange.
7.	A duly completed form for the application of compliance officer (at least one).
<i>Additional supporting documents/details for the application of fund management as a regulated activity</i>	
8.	Corporation's portfolio management system manual.
9.	Information on the amount of funds the corporation is projected to manage in the next

	five years.
10.	Letter of acceptance from the proposed "custodian".
11.	Experience of related companies in relation to fund management/futures fund management.
12.	A completed self-assessment readiness checklist specified by the SC.
13.	A duly completed form for the application of compliance officer (<i>at least one</i>).
<i>Additional supporting documents/details for the application of dealing in unit trust products, dealing in private retirement scheme, investment advice, advising on corporate finance and/or financial planning as a regulated activity.</i>	
14.	A completed self-assessment readiness checklist specified by the SC.

FORM 8 - APPLICATION FOR VARIATION OF REGULATED ACTIVITY FOR CAPITAL MARKETS SERVICES REPRESENTATIVE'S LICENCE

No.	Description
1.	A copy of the applicant's relevant academic certificates.
2.	A copy of the relevant industry examination results/membership.

FORM 9 - APPLICATION FOR VARIATION OF PRINCIPAL BY REPRESENTATIVE

No.	Description
1.	Declaration from the corporation attesting to the fit and properness of the CMSRL holder, in accordance with S65 of the CMSA
2.	A copy of the exchange's approval for transfer
<i>For variation in regulated activity</i>	
3.	A copy of the applicant's relevant academic certificates
4.	A copy of the relevant industry examination results/membership
5.	Other relevant documents i.e. order of annulment from the High Court or a letter of discharged from the Insolvency Department

**FORM 10 - APPLICATION FOR CHANGE IN CORPORATION'S NAME; AND
FORM 11 - APPLICATION FOR CHANGE IN INDIVIDUAL'S BUSINESS NAME**

No.	Description
1.	A copy of approval letter from the Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia) confirming the reservation of the new name.

FORM 12 - APPLICATION FOR CHANGE OF SHAREHOLDERS/SHAREHOLDINGS

No.	Description
1.	Please describe your shareholding structure before and after the change in the form of a tree diagram depicting the following details: <ul style="list-style-type: none"> • Corporation's shareholding structure; and • Percentage of shareholdings of each shareholder.
2.	Other relevant documents, e.g. detailed write-up of the proposed change of the shareholders.

FORM 13 - NOTICE OF CHANGE OF SHAREHOLDERS/SHAREHOLDINGS

No.	Description
1.	Please describe your shareholding structure before and after the change in the form of a tree diagram depicting the following details: <ul style="list-style-type: none"> • Corporation's shareholding structure; and • Percentage of shareholdings of each shareholder.
2.	Other relevant documents, e.g. detailed write-up of the proposed change of the shareholders.
3.	Form 24 - Companies Act 1965.
4.	Form 32A - Companies Act 1965.

FORM 14 - NOTICE OF APPOINTMENT OF DIRECTORS/CHIEF EXECUTIVE OFFICER/KEY MANAGEMENT/COMPANY SECRETARY

No.	Description
1.	A copy of the appointee's NRIC (for Malaysian citizens) or passport (for non-Malaysian citizens).
2.	A copy of the appointee's recent colour passport-size photograph.
3.	A copy of the appointee's relevant academic certificates.
4.	Form 49 - Companies Act 1965.
5.	Details of securities sold/purchased by the appointee for his own account during the last 12 months immediately preceding the date of application.
6.	Work permit (for non-Malaysian citizens).

FORM 15 - NOTICE OF CHANGE IN CORPORATION'S PARTICULARS

No.	Description
<i>Supporting document for change in name</i>	
1.	Form 13 - Companies Act 1965.
<i>Supporting documents/detail for change in registered address</i>	
2.	Form 44 - Companies Act 1965.
<i>Supporting document for change in business address</i>	
3.	Declaration on the Physical Layout of Business to Avoid Conflict of Interest.
<i>Supporting document for a new branch and/or branch closure (For dealing in securities and/or dealing in derivatives)/establishment of new business or acquisition of shares/interests in or outside Malaysia (for capital market-based activities and non capital market-based activities) and disposal of business or shares/interests in or outside Malaysia including closure of business</i>	
4.	A copy of the letter of approval from other relevant authority/regulator
5.	Board of Directors and/or shareholders' approval (where applicable)

FORM 16 - NOTICE OF CHANGE IN INDIVIDUAL'S PARTICULARS

No.	Description
<i>Supporting documents for change in name</i>	
1.	A copy of the approval letter from Jabatan Pendaftaran Negara.
<i>Supporting documents for change in business name and/or business address.</i>	
2.	A copy of the approval letter from the Companies Commission of Malaysia.
<i>Supporting document for establishment of new business or acquisition of shares/interests in or outside Malaysia (for capital market-based activities and non capital market-based activities) and disposal of business or shares/interests in or outside Malaysia including closure of business</i>	

FORM 17 - NOTICE OF CHANGE IN REPRESENTATIVE'S PARTICULARS

No.	Description
<i>Supporting documents for change in name</i>	
1.	A copy of the approval letter from Jabatan Pendaftaran Negara.
<i>Supporting documents for change in passport</i>	
2.	A copy of the passport.
<i>Supporting documents for change in location</i>	
3.	A copy of the change in location letter from the corporation to the exchange.
<i>Supporting documents for change in remuneration type</i>	
4.	A copy of the approval letter from the corporation.

**FORM 18 - NOTICE OF CESSATION FOR CAPITAL MARKETS SERVICES LICENCE; AND
FORM 19 - NOTICE OF CESSATION FOR CAPITAL MARKETS SERVICES LICENCE (INDIVIDUAL)**

No.	Description
1.	Any relevant document.

FORM 20 - NOTICE OF CESSATION FOR CAPITAL MARKETS SERVICES REPRESENTATIVE'S LICENCE

No.	Description
1.	A copy of the representative's resignation/termination letter or any other relevant document.

FORM 21 - NOTICE OF CESSATION FOR DIRECTORS/EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER/KEY MANAGEMENT/COMPANY SECRETARY

No.	Description
1.	Form 49 - Companies Act 1965.
2.	A copy of the resignation/termination letter.
3.	A copy of acceptance letter from the exchange.

FORM 22 - NOTICE OF PLACE WHERE REGISTER OF SECURITIES IS TO BE KEPT

No.	Description
1.	Any relevant document.

FORM 23 - NOTICE OF CHANGE OF PLACE OR CESSATION OF KEEPING OF REGISTER OF SECURITIES

No.	Description
1.	Any relevant document.

FORM 24 - APPLICATION FOR COMPLIANCE OFFICER

No.	Description
1.	A copy of the applicant's NRIC (for Malaysian citizens) or passport (for non-Malaysian citizens).
2.	A copy of the applicant's recent colour passport-size photograph.
3.	A copy of the applicant's relevant academic certificates.
4.	A copy of the relevant industry examination results/membership.
5.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
6.	Work permit (for non-Malaysian citizens).

FORM 25 - NOTICE OF CESSATION FOR COMPLIANCE OFFICER

No.	Description
1.	A copy of the compliance officer's resignation/termination letter.
2.	A copy of the exchange's acceptance letter.

FORM 26 – APPLICATION FOR ESTABLISHMENT OF A NEW BUSINESS OR ACQUISITION OF SHARES/INTERESTS IN OR OUTSIDE MALAYSIA

No.	Description
1.	A copy of the letter of approval from other relevant authority/regulator
2.	Board of Directors and/or shareholders' approval

FORM 27 - APPLICATION FOR APPOINTMENT OF CHIEF EXECUTIVE OFFICER/KEY MANAGEMENT

No.	Description
1.	A copy of the applicant's NRIC (for Malaysian citizens) or passport (for non-Malaysian citizens).
2.	A copy of the applicant's recent colour passport-size photograph.
3.	A copy of the applicant's relevant academic certificates.
4.	Details of securities sold/purchased by the applicant for his own account during the last 12 months immediately preceding the date of application in the specified form.
5.	Work permit (for non-Malaysian citizens).

Appendix 4

FEES

- Application and licence fees in respect of the grant and variation of a Capital Markets Services Licence and Capital Markets Services Representative's Licence

Capital Market Services Licence

Activity	Fees Payable
1. Application for a– (a) licence; or (b) variation of a licence.	RM50
2. Submission of anniversary reporting	RM50
3. Licence fee payable by a licence holder which is a company, for a period of 12 months or any part thereof for– (a) any first regulated activity; (b) each subsequent regulated activity.	RM2,000 RM1,000
4. Licence fee payable by a licence holder which is an individual for a period of 12 months or any part thereof for a regulated activity.	RM1,000
5. Approval of an application for a variation of a licence.	RM100

Capital Markets Services Representative's Licence

Activity	Fees Payable
1. Application for a– (a) licence; (b) anniversary reporting; or (c) variation of a licence.	RM50
2. Submission of anniversary reporting	RM50
3. Licence fee payable by a licence holder for a period of 12 months or any part thereof, for any number of regulated activities.	RM200
4. Approval of an application for variation of a licence.	RM100

- Other Fees

Matter	Fees
1. Lodgement or deposit of documents.	RM20
2. A copy of the extract of the register maintained under section 77 of the CMSA or supplied by the SC under section 88 of the CMSA.	RM10
3. A certified copy of a licence.	RM50
4. Lodgement of any other applications to the SC where no fees are specifically provided.	RM50