

Frequently Asked Questions - Establishment of Branch Offices and Trading Kiosks by Trading Participants

1. What does this branching initiative entail?

Answer:

This initiative enables Trading Participants of Bursa Malaysia Derivatives Berhad to establish Branch Offices (“Branches”) and Trading Kiosks (“Kiosks”) within Malaysia.

2. What are the pre-requisites that a Trading Participant needs to satisfy before it can set up Branches or Kiosks?

Answer:

A Trading Participant who wishes to set up Branches or Kiosks must first fulfill the minimum paid up capital requirement of RM10million as specified in the Securities Commission’s Licensing Handbook (Chapter 4).

3. Is there any limit on the number of Branches and Kiosks which a Trading Participant can open?

Answer:

Yes, only for the first 2 years upon the implementation of this initiative, there is a limit imposed on the number of Branches and Kiosks which a Trading Participant can open. For the 1st year and 2nd year of implementation, a Trading Participant can open a combination of up to 10 Branches and Kiosks (subject to a maximum of 5 branches) each year. From the 3rd year onwards, there is no limit i.e. a Trading Participant can open any number of Branches and Kiosks.

Examples of the combination of the number of Branches and Kiosks that a Trading Participant may establish:-

Trading Participant	Year 1			Year 2			Year 3	
	Branch	Kiosk	Total	Branch	Kiosk	Total	Branch	Kiosk
TPa	0	10	10 (maximum)	0	10	10 (maximum)	There is no restriction on the number of Branches and Kiosks, hence, a Trading Participant can open unlimited number of Branches and Kiosks.	
TPb	1	9	10 (maximum)	1	9	10 (maximum)		
TPc	2	8	10 (maximum)	2	8	10 (maximum)		
TPd	3	7	10 (maximum)	3	7	10 (maximum)		
TPe	4	6	10 (maximum)	4	6	10 (maximum)		
TPf	5 (maximum)	5	10 (maximum)	5 (maximum)	5	10 (maximum)		

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Trading Participant	Year 1			Year 2			Year 3	
	Branch	Kiosk	Total	Branch	Kiosk	Total	Branch	Kiosk
TPg	N/A	N/A	N/A	2	8	10 (maximum)		
TPh	N/A	N/A	N/A	4	6	10 (maximum)		
TPi	N/A	N/A	N/A	5 (maximum)	5	10 (maximum)		

4. What are the types of activities that a Trading Participant can carry out at a Branch?

Answer:

At a Branch, a Trading Participant is allowed to carry out all type of activities which are currently allowed to be carried out at the head office of the Trading Participant, which include the following :-

- (a) Provision of trading facilities for clients and Locals to trade in derivatives products;
- (b) Conducting of educational seminars and events to promote product and market awareness;
- (c) Opening and closing of trading accounts for clients;
- (d) Acceptance of orders from clients and execution of trades for clients;
- (e) Acceptance of payment of monies from clients;
- (f) Processing, production and printing of contract notes; and
- (g) Marketing of derivatives products and provision of advisory services to clients.

5. What are the types of activities that a Trading Participant can carry out in a Kiosk?

Answer:

A Trading Participant is allowed to carry out the following activities at a Kiosk:-

- (a) Provision of trading facilities for clients to trade in derivatives products;

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- (b) Conducting of educational seminars and events to promote product and market awareness; and
- (c) Collection of duly completed trading account opening forms and submission of such forms to the Branch or Principal Office of a Trading Participant for processing.

6. Are there activities that a Trading Participant is prohibited from carrying out at a Kiosk?

Answer:

A Trading Participant is prohibited from carrying out the following activities at a Kiosk:-

- (i) The opening and closing of trading accounts;
- (ii) Dealings in derivatives contracts, but excluding such orders entered by the clients themselves into the electronic systems made available at a Kiosk;
- (iii) The processing, production and printing of contract notes; and
- (iv) Rendering of recommendations, investment advice or other related advisory services.

7. Can a Trading Participant station any employee at a Branch?

Answer:

Yes, all personnel are allowed to be stationed at a Branch.

8. Can a Trading Participant station any employee at a Kiosk?

Answer:

No, at a Kiosk, a Trading Participant is only allowed to position or station employee(s) or agent(s) for the purposes of rendering technical assistance to clients, providing maintenance and security at the site and education engagement.

It must not station any Registered Representatives, and other front office and back office personnel at the Kiosk. Nonetheless, they may from time to time utilise the Kiosk within the permitted activities set out in Item 5 above.

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9. What does the application process entails?

Answer:

Briefly:

- The Trading Participant submits its application to Bursa Derivatives.
- When evaluating such application, Bursa Derivatives will consider matters including the Trading Participant's business integrity, financial standing and experience of dealing in derivatives.
- Bursa Derivatives issues approval in principle for the successful application.
- The Trading Participants will then carry out all preparatory works to comply with Bursa Derivatives' requirements.
- The Branch/Kiosk will be subjected to readiness assessment by Bursa Derivatives.
- Approval will be issued by Bursa Derivatives for the commencement of operation of the branch/kiosk upon completion of the readiness assessment to the satisfaction of Bursa Derivatives.

10. Is there a requirement for a Head of Branch to be registered with Bursa Derivatives?

Answer:

There is no requirement to register a Head of Branch. However, the Trading Participant must engage a person on a full-time basis to supervise the Branch, ensure the segregation of duties and oversee the administrative activities at the Branch.

11. Is there a requirement for the appointment of a Compliance Officer at the Branch?

Answer:

There is no requirement for the appointment of a Compliance Officer at the Branch. However, the Trading Participant is required to ensure compliance supervision is performed over the Branch. Trading Participants will be required to demonstrate how the compliance supervision over the Branches will be performed before Bursa Derivatives' approval is granted.

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12. Can a Kiosk be converted to a Branch?

Answer:

Yes, a Trading Participant may convert a Kiosk to a Branch, or a Branch to a Kiosk. The Trading Participant should:

- (a) submit its application to Bursa Derivatives at least 3 months prior to the date of the proposed conversion; and
- (b) give prior notice of at least 2 months to its clients who may be affected by such conversion.

13. Currently, Registered Representatives of the Trading Participant Universal Brokers may be stationed at the principal office and branch offices of the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker and Investment Banks under Rule 601A of the Rules of Bursa Derivatives. Can the Trading Participants continue to make such arrangements?

Answer:

Yes, the provisions under Rule 601A of the Rules of Bursa Derivatives remain. The Trading Participants may continue to make arrangements to station its Registered Representatives at those principal office and branch offices under Rule 601A.

[End of FAQ]

Date: 6 November 2012