

PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 18 December 2014

No : R/R 9 of 2014

- 1) **AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES BERHAD (“RULES OF BURSA SECURITIES”) TO CLARIFY THE REQUIREMENTS ON VERIFICATION IN RELATION TO TRADING ACCOUNT OPENING**
- 2) **AMENDMENTS TO DIRECTIVE 5-001 (DIRECTIVES ON CONDUCT OF BUSINESS) ON THE REQUIREMENTS ON VERIFICATION IN RELATION TO TRADING ACCOUNT OPENING**
- 3) **AMENDMENTS TO DIRECTIVE 5.15-001 (DIRECTIVES ON OPENING CLIENT ACCOUNT) IN RELATION TO PRESCRIBED CORPORATE CLIENTS**
- 4) **AMENDMENTS TO CLARIFY THE PROVISIONS ON DISCOUNT TO EMPLOYEES OF A PARTICIPATING ORGANISATION**

1. INTRODUCTION

- 1.1 Bursa Malaysia Securities Berhad (“**the Exchange**”) is introducing new provisions to facilitate non face-to-face verification in relation to the opening of a trading account with a Participating Organisation (“**Non Face-to-face Verification**”). Pursuant to the introduction of Non Face-to-face Verification, the Exchange has amended the Rules of Bursa Securities and Directive 5-001 (Directives on Conduct of Business) (“**Directive 5-001**”). The amendments to the Rules of Bursa Securities and Directive 5-001 are explained below at paragraphs 2 and 3.
- 1.2 Amendments have also been made to Directive 5.15-001 (Directives on Opening Client Account) (“**Directive 5.15-001**”) to simplify the account opening process for the corporate Clients described in paragraph 4 (“**Prescribed Corporate Clients**”). The amendments to Directive 5.15-001 are explained below at paragraph 4.
- 1.3 Lastly, the Exchange has clarified the provisions on discount to employees of a Participating Organisation. The amendments to the Rules of Bursa Securities are set out below in paragraph 5.

NON FACE-TO-FACE VERIFICATION

2. RULE AMENDMENTS

- 2.1 The Exchange has amended the Rules of Bursa Securities to clarify the verification to be done in respect of the Client’s identity and the authenticity of the application to open a trading account.
- 2.2 The amendments were made to Rules 3.47(1)(i), 3.47(3) and 5.15(1)(b), and are attached as **Annexure 1**.

3. AMENDMENTS TO DIRECTIVE 5-001

3.1 The key amendments to Directive 5-001 are as follows:

- (a) paragraph 9.1(2)(b)(ii) introduces Non Face-to-face Verification in relation to the opening of a trading account with a Participating Organisation;
- (b) paragraph 9.1(4) states that a Participating Organisation must verify the Client's identity and the authenticity of the application by one of the following methods when conducting Non Face-to-face Verification:
 - (i) obtain confirmation of the Client's identity from an independent source;
 - (ii) receive and encash a personal cheque of the Client for an amount of not less than RM100, where the name appearing on the cheque and the signature of the Client on the cheque must match the name and signature of the Client in the account opening application form;
 - (iii) initiate face-to-face contact with the Client through an electronic mode including a video conference facility; or
 - (iv) obtain confirmation of the Client's identity and relevant details of the Client from another entity within the Participating Organisation's Group which has previously verified the Client's identity in accordance with such entity's standard operating procedures and ensure that the details of the Client obtained from such other entity match the information in the Client's account opening application form.
- (c) paragraph 9.1(5) states that a Participating Organisation must be satisfied that it is reasonable to rely on the methods for Non Face-to-face Verification;
- (d) paragraph 9.1(6) states that a Participating Organisation must require a Client to be present in person if:
 - (i) the Participating Organisation is not satisfied that it is reasonable to rely on the methods for Non Face-to-face Verification or is not able to conduct Non Face-to-face Verification through any of the prescribed methods;
 - (ii) the Participating Organisation is of the view that the Client's identity and the authenticity of the application cannot be reasonably established through Non Face-to-face Verification; or
 - (iii) the Client is an individual from a high risk country or a country with anti-money laundering or counter financing of terrorism deficiencies as referred to in the Commission's Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries.

3.2 The amendments to Directive 5-001 are set out in **Annexure 2**.

PRESCRIBED CORPORATE CLIENTS

4. AMENDMENTS TO DIRECTIVE 5.15-001

4.1 The key amendments to Directive 5.15-001 are as follows:

- (a) paragraph 1.1(4) provides that a corporate Client is not required to fill in an application form for the opening of a trading account if the corporate Client falls under the following categories:
 - (i) a public-listed company or corporation listed on the Exchange or a majority-owned subsidiary of such public listed companies;
 - (ii) a foreign public-listed company that is:
 - (a) listed on a Recognised Stock Exchange; and
 - (b) not listed in a high risk country or a country with anti-money laundering or counter financing of terrorism deficiencies;
 - (iii) a government linked company in Malaysia;
 - (iv) a state owned corporation or company in Malaysia;
 - (v) a person authorized as an operator of a designated payment system, a registered person or a licensed institution under the Financial Services Act 2013 or the Islamic Financial Services Act 2013;
 - (vi) an entity licensed under the Labuan Financial Services and Securities Act 2010 or the Labuan Islamic Financial Services and Securities Act 2010;
 - (vii) a person licensed or registered under the Capital Markets and Services Act 2007;
 - (viii) a prescribed institution under the Development Financial Institutions Act 2002; and
 - (ix) an entity that is licensed and regulated in the same jurisdiction as a Recognised Stock Exchange and not domiciled in a high risk country or a country with anti-money laundering or counter financing of terrorism deficiencies.
- (b) paragraph 1.1(5) defines “a high risk country or a country with anti-money laundering or counter financing of terrorism deficiencies” as referred to in the Commission’s Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries.
- (c) paragraph 1.1(6) states that a Participating Organisation must require a corporate Client listed under paragraph 4.1(a) above to provide the following:
 - (i) the directors’ resolution as stated in paragraph 1.1(3)(c) of the Directive; and

(ii) the names of authorised persons for trading.

4.2 The amendments to Directive 5.15-001 are set out in **Annexure 3**.

5. AMENDMENTS TO CLARIFY THE PROVISIONS ON DISCOUNT TO EMPLOYEES

5.1 The Exchange has clarified the provisions on discount to employees of a Participating Organisation.

5.2 References to “Dealer’s Representatives and Trading Representatives” have been inserted to Rule 11.02(5) and paragraph 4(c)(iii) of Schedule 6 of the Rules of Bursa Securities.

5.3 These amendments are set out in **Annexure 4**.

6. EFFECTIVE DATE

The amendments in paragraphs 2, 3, 4 and 5 take effect on **15 January 2015**.

7. CONTACT PERSONS

In the event of any queries in relation to the above matter, please contact the following persons:

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Regulation