

PARTICIPATING ORGANISATIONS' CIRCULAR

Date : 17 September 2019

No : R/R No. 5 of 2019

AMENDMENTS TO UPDATE DIRECTIVE NO. 5-001 (DIRECTIVE ON CONDUCT OF BUSINESS) IN RELATION TO THE REQUIREMENTS ON ACCOUNT OPENING AND CLIENT ONBOARDING

1.0 INTRODUCTION

- 1.1 Bursa Malaysia Securities Berhad (“**the Exchange**”) has amended Directive No. 5-001 to update the provisions relating to non face-to-face verification when opening a trading account with a Participating Organisation (“**PO**”), which were first introduced via Participating Organisations’ Circular No. R/R 9 of 2014.
- 1.2 The Exchange has undertaken this initiative in view of the global trends and technological advances where new methods of reliable client authentication have emerged and widely practised. This initiative will accord greater flexibility to both the PO and clients in the opening of a trading account.
- 1.3 In addition, the Exchange believes that this initiative may also reduce the regulatory burden of the POs and further facilitate the ease of doing business for them.
- 1.4 The amendments to Directive No. 5-001 have been approved by the Securities Commission Malaysia and are further detailed in paragraph 2 below.

2.0 AMENDMENTS TO DIRECTIVE NO. 5-001

- 2.1 The amendments made to Directive No. 5-001 are as follows:
 - (1) clarifying that the authentication of account opening application under paragraph 9.1 of Directive No. 5-001 refers to an individual client;
 - (2) expanding the non face-to-face verification methods to allow a PO to verify the client’s identity and the authenticity of the application for an account opening in the following manner:
 - (a) through a video recording of the client;
 - (b) by requesting for the client to make a nominal payment to the PO from his own account with a licensed bank under the Financial Services Act 2013 or licensed Islamic bank under the Islamic Financial Services Act 2013, or the PO may transfer a nominal sum into the client’s account; or
 - (c) by using any other technology solution to verify the identity of a client, including but not limited to, biometric technologies, which is able to verify the client’s identity effectively;
 - (3) clarifying that in relation to the existing paragraph 9.1(4)(d) of Directive No. 5-001, the entity within the PO’s group which has previously verified a client’s identity must be a reporting institution under the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001.
- 2.2 The detailed amendments to the Directive No. 5-001 are as set out in **Annexure 1**.

3.0 FREQUENTLY ASKED QUESTIONS (“FAQS”)

The revised FAQs on the Rules of Bursa Malaysia Securities Berhad, which include new FAQs in relation to account opening through electronic means and the use of technology to on-board a client, may be accessed at the following link:

<http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/faqs/>

4.0 EFFECTIVE DATE

The amendments to Directive No. 5-001 will take effect from **17 September 2019**.

5.0 CONTACT PERSON

In the event of any queries in relation to the above matter, kindly contact us at the following email: isd2@bursamalaysia.com

This Circular is available at:

<http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/securities/rules-of-bursa-malaysia-securities>

Regulation