

## Bursa Malaysia Derivatives Berhad

Date : 6 November 2012

Trading Participant Circular : 33/2012

1. **AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES BERHAD (“RULES OF BURSA DERIVATIVES”) IN RELATION TO TRADING PARTICIPANTS’ BRANCH OFFICES AND TRADING KIOSKS**
2. **GUIDELINES ON THE USE OF SELF ASSESSMENT APPROACH AND DECLARATORY APPROACH IN RESPECT OF READINESS AUDITS (“GUIDELINES ON READINESS AUDITS”)**

### 1. INTRODUCTION

- 1.1 Trading Participants of Bursa Malaysia Derivatives Berhad (“the Exchange”) can establish Branch Offices and Trading Kiosks with effect from 3 December 2012.
- 1.2 In line with the above, amendments have been made to the Rules of Bursa Derivatives. The rule amendments are further explained below in paragraph 2.
- 1.3 Changes have also been made to the documents in relation to readiness audit in line with the above and additionally, to consolidate the documents into a single document. The changes are further explained below in paragraph 3.
- 1.4 The Securities Commission (“the SC”) has amended the Licensing Handbook to set out the minimum financial requirements in relation to the Trading Participants that establishes Branch Offices and Trading Kiosks which is a minimum paid-up capital of RM10 million. The amended Table 2 – Minimum Financial Requirements for a CMSL (Dealing in Derivatives) under paragraph 4.04 of Chapter 4 of the Licensing Handbook is attached here as **Annexure A**. A copy of the amended Licensing Handbook is available at the SC’s website at <http://www.sc.com.my/eng/html/cmsa/Licensinghandbook.pdf>.

### 2. RULE AMENDMENTS

- 2.1 The salient changes to the Rules of Bursa Derivatives are set out below.
- 2.2 New Rule 601C and Schedule 22 have been inserted to set out the requirements. The salient amendments are as follows:
  - (a) Rules 601C.2(1) and 601C.2(4) read together with Schedule 22.1 – A Trading Participant that wishes to establish Branch Offices or Trading Kiosks must apply for the Exchange’s prior approval and must comply with the minimum paid up capital specified by the SC. The details of the application process, criteria and requirements are set out in Schedule 22.1. The minimum paid up capital is explained above in paragraph 1.4.

- (b) Rule 601C.2(5) – A Trading Participant must, in relation to every Branch Office, appoint 1 person who is engaged on a full-time basis to supervise the Branch Office, ensure the proper segregation of duties at the Branch Office and oversee the administrative activities at the Branch Office.
  - (c) Rule 601C.3 read together with Schedules 22.2.1 and 22.2.2 – A Trading Participant may carry out all types of activities that may be carried out at its Principal Office at a Branch Office. At a Trading Kiosk, however, the Trading Participant may only carry out the permitted activities specified in Schedule 22.2.1 and must ensure that the prohibited activities specified in Schedule 22.2.2 are not carried out.
  - (d) Rule 601C.4 read together with Schedule 22.3 – A Trading Participant may convert its Trading Kiosk to a Branch Office or vice versa with the prior approval of the Exchange.
  - (e) Rule 601C.5 – Where a Trading Participant operates and maintains its own back office system and operations at any of the Branch Office, the Trading Participant must ensure that the back office system and operations are capable of timely reporting and transmission of data from the Branch Office to the Principal Office, daily reconciliation of all records of the Principal Office and the Branch Office and reconciliation of all transactions undertaken by the Branch Office.
  - (f) Schedule 22.1.5 – A Trading Participant must obtain the prior approval of the Exchange in respect of any material change to the Branch Office or Trading Kiosk.
- 2.3 Other rule amendments include the insertion of Rules 601.2B(k) and 601.2B (l) that require a Trading Participant to have adequate and effective resources for the proper performance of the Trading Participants' business activities and to ensure the quality, reliability and integrity of all systems that it uses.
- 2.4 The detailed amendments to the Rules of Bursa Derivatives are set out in **Annexure B**.

### **3. GUIDELINES ON READINESS AUDITS**

- 3.1 Changes have been made to the following 2 sets of documents:
- (a) the documents in relation to the Self Assessment Approach for Readiness Audits previously issued vide a letter dated 10 January 2005 (ref. RISI/GEN/120); and
  - (b) the Guidelines pertaining to the Declaratory Approach in respect of Readiness Audits issued vide Trading Participant Circular No. 13/2009 dated 24 March 2009.

3.2 The key changes are as follows:

- (a) The 2 sets documents referred to above in paragraph 3.1 have been simplified, consolidated into a single document and reissued as the Guidelines on the Use of Self Assessment Approach and Declaratory Approach in respect of Readiness Audits.
- (b) As part of the Exchange's approval process for the establishment of Branch Offices and Trading Kiosks, under Schedule 22.1.3 of the Rules of Bursa Derivatives, the Trading Participants must ensure that the operations of its Branch Office or Trading Kiosk is not commenced until the completion of a readiness audit. In line with these requirements, the establishment of Trading Participants' Branch Offices and Trading Kiosks have been added in sections 4(B) and 5 (Step 1).

3.3 The Guidelines on Readiness Audits is attached here as **Annexure C**.

3.4 With the issuance of the Guidelines on Readiness Audits, the 2 sets documents referred to above in paragraph 3.1 are revoked.

#### **4. NUMBER OF BRANCH OFFICES AND TRADING KIOSKS**

For the first 2 years from the Effective Date, a Trading Participant may establish a combination of up to 10 Branch Offices and Trading Kiosks (but subject to a maximum of 5 Branch Offices) per year. Thereafter, there is no limit to the number of Branch Offices and Trading Kiosks that a Trading Participant may establish.

#### **5. EFFECTIVE DATE**

5.1 The amendments to the Rules of Bursa Derivatives, the Guidelines on Readiness Audits and the revocation of the 2 sets documents as set out in paragraphs 2 and 3 take effect on **3 December 2012 ("Effective Date")**.

5.2 All rules, directives or circulars in force which make references to or contain provisions relating to the above matters shall have effect from the Effective Date as if such reference or provisions relate to the amended provisions aforesaid.

#### **6. FREQUENTLY ASKED QUESTIONS (FAQs)**

For further clarification on the Trading Participants' Branch Offices and Trading Kiosks, kindly refer to **Annexure D** for a set of FAQs.

## 7. CONTACT PERSONS

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

Name	Contact Details
Tan Siew Siew (Rules)	<a href="mailto:tansiewsiew@bursamalaysia.com">tansiewsiew@bursamalaysia.com</a> 03-2034 7585
Vaithyanathan Madavan (Readiness Audit Guidelines)	<a href="mailto:VaithyanathanMadavan@bursamalaysia.com">VaithyanathanMadavan@bursamalaysia.com</a> 03-2034 7142
Hor Su Fern	<a href="mailto:SfHor@bursamalaysia.com">SfHor@bursamalaysia.com</a> 03- 2034 7296
Ahmad Sufian Mokhtar (Branch Office & Trading Kiosk applications)	<a href="mailto:Sufian@bursamalaysia.com">Sufian@bursamalaysia.com</a> 03-2034 7242

This Circular is available at <http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/derivatives/rules-of-bursa-malaysia-derivatives/>

---

### Regulation

*Table 2: Minimum Financial Requirements for a CMSL*

<b>Dealing in securities</b>	<p><b>Investment bank</b></p> <ul style="list-style-type: none"> <li>• Minimum capital funds unimpaired by losses of RM500 million or minimum capital funds unimpaired by losses of RM2 billion on a banking group basis</li> <li>• Minimum risk-weighted capital ratio of 8%.</li> </ul> <p><b>Universal broker</b></p> <ul style="list-style-type: none"> <li>• Minimum paid-up capital of RM100 million</li> <li>• Minimum shareholders' funds of RM100 million to be maintained at all times</li> <li>• Minimum capital adequacy ratio of 1.2 or any other financial requirement as determined by the SC from time to time.</li> </ul> <p><b>Stockbroking company (other than IB or UB)</b></p> <ul style="list-style-type: none"> <li>• Minimum paid-up capital of RM20 million</li> <li>• Minimum shareholders' funds of RM20 million to be maintained at all times</li> <li>• Minimum capital adequacy ratio of 1.2 or any other financial requirement as determined by the SC from time to time.</li> </ul> <p><b>Issuing house</b></p> <ul style="list-style-type: none"> <li>• Minimum shareholders' funds of RM2 million to be maintained at all times.</li> </ul> <p><b>Dealing in unit trust products</b></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"> <li>• Minimum paid-up capital of RM5 million</li> <li>• Minimum shareholders' funds of RM5 million to be maintained at all times.</li> </ul>
------------------------------	--

**ANNEXURE A**  
**(SC's Licensing Handbook – Table 2 of paragraph 4.04)**

*Licensing Handbook*

	<p>(b) Applicable to persons licensed to carry on 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"> <li>• Minimum paid-up capital of RM100,000</li> <li>• Minimum shareholders' funds of RM100,000 to be maintained at all times.</li> </ul>
<b>Dealing in derivatives</b>	<ul style="list-style-type: none"> <li>• Minimum paid-up capital of RM5 million</li> <li>• Minimum adjusted net capital: The higher of             <ul style="list-style-type: none"> <li>- RM500,000; or</li> <li>- 10% of aggregate margins required.</li> </ul> </li> </ul> <p><i>Holders of a CMSL that open trading kiosks or branch offices</i></p> <ul style="list-style-type: none"> <li>• <i>Paid-up capital requirement of RM10 million</i></li> </ul>
<b>Fund management</b>	<ul style="list-style-type: none"> <li>• Minimum paid-up capital of RM2 million</li> <li>• Minimum shareholders' funds of RM2 million to be maintained at all times.</li> </ul>
<b>Advising on corporate finance investment advice</b>	<ul style="list-style-type: none"> <li>• Minimum paid-up capital of RM500,000</li> <li>• Minimum net tangible asset of RM50,000 at all times.</li> </ul>
<b>Financial planning</b>	<ul style="list-style-type: none"> <li>• Minimum paid-up capital of RM50,000</li> <li>• Minimum net tangible asset of RM50,000 at all times</li> </ul>
<b>Dealing in private retirement schemes</b>	<ul style="list-style-type: none"> <li>• These companies may not use a nominee system</li> <li>• Minimum paid-up capital of RM5 million</li> <li>• Minimum shareholders' funds of RM5 million to be maintained at all times.</li> </ul> <p>Applicable to holders of a CMSL for Financial planning only.</p> <ul style="list-style-type: none"> <li>• Minimum paid-up capital of RM100,000</li> <li>• Minimum shareholders' funds of RM100,000 to be maintained at all times.</li> </ul>

**ANNEXURE B**  
**RULE AMENDMENTS**  
in relation to Trading Participants' Branch Offices and Trading Kiosks



**RULES OF BURSA MALAYSIA DERIVATIVES BHD**  
**RULE AMENDMENTS IN RELATION TO TRADING PARTICIPANTS' BRANCH OFFICES AND TRADING KIOSKS**

EXISTING PROVISIONS		AMENDED PROVISIONS
Rule 201	New Provision	<p><b>Definitions</b></p> <p><u><b>“Branch Office”</b> means an office approved by the Exchange under Rule 601C as a branch office of a Trading Participant;</u></p>
	New Provision	<p><b>Definitions</b></p> <p><u><b>“Principal Office”</b> means the principal place of business approved by the Exchange under the Trading Participant’s registration process in Rule 305;</u></p>
	New Provision	<p><b>Definitions</b></p> <p><u><b>“Trading Kiosk”</b> means any physical site, location or premises approved by the Exchange under Rule 601C at which is situated or installed physical hardware or equipment –</u></p> <p><u>(a) that does or is able to house or accommodate electronic systems, devices or platforms; and</u></p> <p><u>(b) which hardware or equipment when used in conjunction with the electronic systems does or is able to provide broker-client linkages or electronic client ordering systems;</u></p>



**ANNEXURE B**  
**RULE AMENDMENTS**  
**in relation to Trading Participants' Branch Offices and Trading Kiosks**



EXISTING PROVISIONS		AMENDED PROVISIONS
<b>Rule 601.2B</b>	<p>It shall be the responsibility of the Trading Participant to ensure that:</p> <p>(a) no account shall be opened by a Trading Participant (“First Trading Participant”) on behalf of an employee or director of another Trading Participant (“Second Trading Participant”) without the prior written approval issued by the Second Trading Participant. For the purposes of Rule 601.2B(a):</p> <p style="padding-left: 40px;">(i) A director’s account includes an account within the control of the director or which is held by a company in which the director has 15% or more direct equity shareholding.</p> <p style="padding-left: 40px;">(ii) An employee’s account includes an account which is held by a company in which the employee has 15% or more direct equity shareholding.</p> <p>(b) A Trading Participant must issue a prior written approval for each trade in Contracts proposed to be executed on account of its employee or director whether the trade in Contracts is proposed to be executed through the Trading Participant itself or through another Trading Participant. Such approval can only be issued if the Trading Participant is satisfied that trading in the Contracts does not conflict with the interests of any Client of the Trading Participant. For purposes of this Rule 601.2B(b):</p> <p style="padding-left: 40px;">(i) A director’s account includes an account within the control of the director or which is held by a company in</p>	<p>It shall be the responsibility of the Trading Participant to ensure that:</p> <p>(a) no account shall be opened by a Trading Participant (“First Trading Participant”) on behalf of an employee or director of another Trading Participant (“Second Trading Participant”) without the prior written approval issued by the Second Trading Participant. For the purposes of Rule 601.2B(a):</p> <p style="padding-left: 40px;">(i) A director’s account includes an account within the control of the director or which is held by a company in which the director has 15% or more direct equity shareholding.</p> <p style="padding-left: 40px;">(ii) An employee’s account includes an account which is held by a company in which the employee has 15% or more direct equity shareholding.</p> <p>(b) A Trading Participant must issue a prior written approval for each trade in Contracts proposed to be executed on account of its employee or director whether the trade in Contracts is proposed to be executed through the Trading Participant itself or through another Trading Participant. Such approval can only be issued if the Trading Participant is satisfied that trading in the Contracts does not conflict with the interests of any Client of the Trading Participant. For purposes of this Rule 601.2B(b):</p> <p style="padding-left: 40px;">(i) A director’s account includes an account within the control of the director or which is held by a company in which the director has 15% or more direct equity shareholding.</p> <p style="padding-left: 40px;">(ii) An employee’s account includes an account which is held by a</p>



**ANNEXURE B**  
**RULE AMENDMENTS**  
in relation to Trading Participants' Branch Offices and Trading Kiosks



EXISTING PROVISIONS	AMENDED PROVISIONS
<p>which the director has 15% or more direct equity shareholding.</p> <p>(ii) An employee's account includes an account which is held by a company in which the employee has 15% or more direct equity shareholding.</p> <p>(c) it does not knowingly employ any person who has been involved in any investigation by the Exchange as a result of which there has been a finding of misconduct involving that person, without first obtaining the written approval of the Exchange;</p> <p>(d) it does not carry on its business at any place other than its principal place of business as notified to the Exchange in its application for participantship (unless it has obtained the prior approval in writing from the Exchange);</p> <p>(e) it does not permit any one Client to represent such a percentage of the trading by the Trading Participant as may reasonably be likely to prejudice or diminish the ability of the Trading Participant to meet its obligations in the event of a default by such Client;</p> <p>(f) neither the Trading Participant nor any of its Registered Representatives shall share directly or indirectly in the profits or losses on any Client Account or indemnify or compensate a Client against losses suffered on any Client Account or in any transaction effected with or for such Client. It shall also not assume for its Proprietary Account</p>	<p>company in which the employee has 15% or more direct equity shareholding.</p> <p>(c) it does not knowingly employ any person who has been involved in any investigation by the Exchange as a result of which there has been a finding of misconduct involving that person, without first obtaining the written approval of the Exchange;</p> <p>(d) it does not carry on its business at any place other than its <del>principal place of business as notified to the Exchange in its application for participantship</del> <u>Principal Office, Branch Office(s) and Trading Kiosk(s)</u> (unless it has obtained the prior approval in writing from the Exchange);</p> <p>(e) it does not permit any one Client to represent such a percentage of the trading by the Trading Participant as may reasonably be likely to prejudice or diminish the ability of the Trading Participant to meet its obligations in the event of a default by such Client;</p> <p>(f) neither the Trading Participant nor any of its Registered Representatives shall share directly or indirectly in the profits or losses on any Client Account or indemnify or compensate a Client against losses suffered on any Client Account or in any transaction effected with or for such Client. It shall also not assume for its Proprietary Account any losses incurred by its Client unless the losses are directly attributable to any mistakes and/or negligence of the Trading Participant or its Registered Representatives;</p> <p>(g) no person shall effect the purchase or sale of any Contracts for the purpose of improperly influencing the price of the Contracts or prices</p>

**ANNEXURE B**  
**RULE AMENDMENTS**  
**in relation to Trading Participants' Branch Offices and Trading Kiosks**



EXISTING PROVISIONS	AMENDED PROVISIONS
<p>any losses incurred by its Client unless the losses are directly attributable to any mistakes and/or negligence of the Trading Participant or its Registered Representatives;</p> <p>(g) no person shall effect the purchase or sale of any Contracts for the purpose of improperly influencing the price of the Contracts or prices on the Underlying Market;</p> <p>(h) no person who, in relation to trading in Contracts, is in possession of material non-public information obtained as a result of a position of confidence held by that person and which might reasonably be expected to affect materially the price of such Contracts, shall make improper use of such information to gain, directly or indirectly, an advantage for himself or for any other person;</p> <p>(i) its trading functions and back-office settlement functions are properly segregated and any Registered Representatives authorised by the Trading Participant to trade on behalf of Clients does not trade for the Trading Participant's Proprietary Account; and</p> <p>(j) where the trading terminals of any Local Participant and other Trading Participant who is not a participant of the clearing house clearing through it are placed in the Trading Participant's office premises, the terminals are placed in a location that is physically segregated from the trading terminals of the rest of its Registered Representatives.</p>	<p>on the Underlying Market;</p> <p>(h) no person who, in relation to trading in Contracts, is in possession of material non-public information obtained as a result of a position of confidence held by that person and which might reasonably be expected to affect materially the price of such Contracts, shall make improper use of such information to gain, directly or indirectly, an advantage for himself or for any other person;</p> <p>(i) its trading functions and back-office settlement functions are properly segregated and any Registered Representatives authorised by the Trading Participant to trade on behalf of Clients does not trade for the Trading Participant's Proprietary Account;<del>and</del></p> <p>(j) where the trading terminals of any Local Participant and other Trading Participant who is not a participant of the clearing house clearing through it are placed in the Trading Participant's office premises, the terminals are placed in a location that is physically segregated from the trading terminals of the rest of its Registered Representatives<del>;</del>;</p> <p><u>(k) a Trading Participant must have adequate and effective resources for the proper performance of the Trading Participant's business activities; and</u></p> <p><u>(l) a Trading Participant is responsible for the quality, reliability and integrity of all systems the Trading Participant uses in the Trading Participant's business in trading in Contracts on the Exchange.</u></p>

**ANNEXURE B**  
**RULE AMENDMENTS**  
in relation to Trading Participants' Branch Offices and Trading Kiosks



EXISTING PROVISIONS		AMENDED PROVISIONS
RULE 601C	New Provision	<u><a href="#">BRANCH OFFICE AND TRADING KIOSK</a></u>
Rule 601C.1	New Provision	<p><u><a href="#">Application</a></u></p> <p><u><a href="#">For the avoidance of doubt, all the provisions in these Rules except for Rule 601A apply to the Branch Office and Trading Kiosk.</a></u></p>
Rule 601C.2	New Provision	<p><u><a href="#">Establishment of Branch Office and Trading Kiosk</a></u></p> <p><u><a href="#">(1) A Trading Participant that wishes to establish, maintain or operate branch offices or trading kiosks for the carrying out of the business of trading on the Exchange must obtain the Exchange's prior approval.</a></u></p> <p><u><a href="#">(2) Rule 601C does not apply to a Trading Participant if trading on the Exchange at the branch office is only carried out by Registered Representatives and Local Participants stationed at the branch office pursuant to Rule 601A.1(b).</a></u></p> <p><u><a href="#">(3) The Exchange may grant approval subject to the Trading Participant's compliance with the Commission's requirements on Branch Offices and Trading Kiosks.</a></u></p> <p><u><a href="#">(4) A Trading Participant that establishes, maintains and operates Branch Offices or Trading Kiosks must comply with the minimum issued and paid up capital specified by the Commission.</a></u></p> <p><u><a href="#">(5) A Trading Participant must in relation to every Branch Office appoint 1 responsible person who is engaged on a full time basis with the Trading Participant to:</a></u></p>

**ANNEXURE B**  
**RULE AMENDMENTS**  
in relation to Trading Participants' Branch Offices and Trading Kiosks



EXISTING PROVISIONS		AMENDED PROVISIONS
		<p><u>(a) supervise the Branch Office;</u></p> <p><u>(b) ensure the proper segregation of duties at the Branch Office;</u> <u>and</u></p> <p><u>(b) oversee the administrative activities at the Branch Office.</u></p>
Rule 601C.3	New Provision	<p><b><u>Permitted activities at the Branch Office and Trading Kiosk</u></b></p> <p><u>(1) A Trading Participant may carry out at a Branch Office all types of activities that may be carried out at the Principal Office.</u></p> <p><u>(2) A Trading Participant may only carry out such activities as the Exchange may permit at a Trading Kiosk.</u></p>
Rule 601C.4	New Provision	<p><b><u>Conversion</u></b></p> <p><u>(1) A Trading Participant may convert its Trading Kiosk to a Branch Office or vice versa with the prior approval of the Exchange.</u></p>
Rule 601C.5	New Provision	<p><b><u>Back office system and operations</u></b></p> <p><u>(1) Where a Trading Participant operates and maintains its own back office system and operations at any of the Branch Office, the Trading Participant must ensure that the back office system and operations are capable of:</u></p> <p><u>(a) timely reporting and transmission of data from the Branch Office to the Principal Office;</u></p>

**ANNEXURE B**  
**RULE AMENDMENTS**  
in relation to Trading Participants' Branch Offices and Trading Kiosks



EXISTING PROVISIONS		AMENDED PROVISIONS
		<p><u>(b) daily reconciliation of all records of the Principal Office and the Branch Office; and</u></p> <p><u>(c) reconciliation of all transactions undertaken by the Branch Office.</u></p>
<b>SCHEDULE 22</b>	<b>New Provision</b>	<b><u>ESTABLISHMENT OF BRANCH OFFICE AND TRADING KIOSK</u></b>
<b>Schedule 22.1</b>	<b>New Provision</b>	<p><b><u>RULE 601C.2(1)</u></b></p> <p><u>(1) Rule 601C.2(1) provides that a Trading Participant that wishes to establish, maintain and operate branch offices and trading kiosks for the carrying out of the business of trading on the Exchange must obtain the Exchange's prior approval.</u></p> <p><u>(2) Pursuant to the above Rule, a Trading Participant must comply with the following Schedules.</u></p>
<b>Schedule 22.1.1</b>	<b>New Provision</b>	<p><b><u>Written application</u></b></p> <p><u>(1) A Trading Participant who intends to establish a Branch Office or a Trading Kiosk pursuant to Rule 601C must submit a written application to the Exchange in accordance with this Schedule.</u></p> <p><u>(2) The written application must be submitted together with a written notification of the location and intended commencement date of the operations of the Branch Office or Trading Kiosk no later than 30 Business Days prior to the intended commencement date of the operations of the Branch Office or Trading Kiosk.</u></p>

**ANNEXURE B**  
**RULE AMENDMENTS**  
in relation to Trading Participants' Branch Offices and Trading Kiosks



EXISTING PROVISIONS		AMENDED PROVISIONS
Schedule 22.1.2	New Provision	<p><u>Approval in principle for establishment of Branch Office and Trading Kiosk</u></p> <p>(1) Upon receipt of the application to establish a Branch Office or an Trading Kiosk, the Exchange will evaluate the application and consider among others, the following -</p> <p>(a) the area in which the Trading Participant is applying to establish a Branch Office or a Trading Kiosk;</p> <p>(b) the Trading Participant's business integrity;</p> <p>(c) its financial standing; and</p> <p>(d) its experience of trading in Contracts.</p>
Schedule 22.1.3	New Provision	<p><u>Readiness audit</u></p> <p>(1) A Trading Participant cannot commence operations of a Branch Office or a Trading Kiosk until completion of a readiness audit by the Exchange.</p> <p>(2) If the Exchange is satisfied with the readiness of the Trading Participant, the Exchange will issue a letter of approval for commencement of the Branch Office or Trading Kiosk.</p>
Schedule 22.1.4	New Provision	<p><u>Name of Branch Office and Trading Kiosk</u></p> <p>(1) The Branch Office and Trading Kiosk must carry the name of the Trading Participant and not any other name.</p>

**ANNEXURE B**  
**RULE AMENDMENTS**  
in relation to Trading Participants' Branch Offices and Trading Kiosks



EXISTING PROVISIONS		AMENDED PROVISIONS
Schedule 22.1.5	New Provision	<p><b><u>Material changes to the Branch Office or Trading Kiosk</u></b></p> <p>(1) <u>A Trading Participant must obtain the prior approval of the Exchange in respect of any material change to the Branch Office or Trading Kiosk established, maintained or operated pursuant to this Schedule.</u></p>
Schedule 22.2	New Provision	<p><b><u>RULE 601C.3(2)</u></b></p> <p>(1) <u>Rule 601C.3(2) provides that a Trading Participant may only carry out activities as the Exchange may permit at a Trading Kiosk.</u></p> <p>(2) <u>The list of activities a Trading Participant may carry out at a Trading Kiosk is set out in Schedule 22.2.1 below. For the avoidance of doubt, the list of activities a Trading Participant must ensure is not carried out at a Trading Kiosk is set out in Schedule 22.2.2 below.</u></p>
Schedule 22.2.1	New Provision	<p><b><u>Permitted activities at the Trading Kiosk</u></b></p> <p>(1) <u>The conduct of educational seminars and events to promote product and market awareness.</u></p> <p>(2) <u>The collection of relevant forms duly executed by the Clients.</u></p> <p>(3) <u>The stationing of the Trading Participant's employee(s) or third party(ies) but not its Registered Representative(s) at the Trading Kiosk for the following purposes only –</u></p> <p style="padding-left: 20px;">(a) <u>to provide assistance to the Clients utilising the Trading Kiosk facilities;</u></p>



**ANNEXURE B**  
**RULE AMENDMENTS**  
in relation to Trading Participants' Branch Offices and Trading Kiosks



EXISTING PROVISIONS		AMENDED PROVISIONS
		<p><u>(b) to provide maintenance services in respect of the Trading Kiosk;</u></p> <p><u>(c) to provide security services in respect of the Trading Kiosk and its site(s);</u></p> <p><u>(d) for the conduct of educational seminars; and</u></p> <p><u>(e) such other activities as may be approved by the Commission and/or Exchange from time to time.</u></p>
<b>Schedule 22.2.2</b>	<b>New Provision</b>	<p><b><u>Prohibited activities at the Trading Kiosk</u></b></p> <p><u>(1) A Trading Participant must not carry out at the Trading Kiosk any type of front office and back office operations and activities including the following:</u></p> <p><u>(a) the opening and closing of Client Accounts;</u></p> <p><u>(b) trading in Contracts, but excluding such orders entered into the Trading Kiosk facilities by the Clients;</u></p> <p><u>(c) the processing, production or printing of contract notes;</u></p> <p><u>(d) any other business permitted by the Commission or Bank Negara Malaysia that are not specified in Schedule 22.2.1 above; and</u></p> <p><u>(e) the stationing of Registered Representatives at the Trading Kiosk.</u></p>

**ANNEXURE B**  
**RULE AMENDMENTS**  
in relation to Trading Participants' Branch Offices and Trading Kiosks



EXISTING PROVISIONS		AMENDED PROVISIONS
Schedule 22.3	New Provision	<p><b><u>RULE 601C.4</u></b></p> <p><u>(1) Rule 601C.4(1) provides that a Trading Participant may convert its Trading Kiosk to a Branch Office or vice versa upon the approval of the Exchange.</u></p> <p><u>(2) The requirements that a Trading Participant must comply with in relation to a conversion of a Trading Kiosk to a Branch Office or vice versa are set out in Schedule 22.3.1 below.</u></p>
Schedule 22.3.1	New Provision	<p><b><u>Conversion of Trading Kiosk to Branch Office or Branch Office to Trading Kiosk</u></b></p> <p><u>(1) A Trading Participant who intends to convert a Trading Kiosk to a Branch Office, or a Branch Office to a Trading Kiosk must:</u></p> <p style="margin-left: 20px;"><u>(a) submit a written application to the Exchange, at least 3 months prior to the date of the proposed conversion; and</u></p> <p style="margin-left: 20px;"><u>(b) give prior written notification of not less than 2 months before the proposed date of conversion to its Clients who may be affected by the proposed conversion.</u></p>

[End of Rule Amendments]

## **GUIDELINES ON THE USE OF SELF ASSESSMENT APPROACH AND DECLARATORY APPROACH IN RESPECT OF READINESS AUDITS (“GUIDELINES”)**

### **1. APPLICATIONS REQUIRING READINESS AUDIT**

Any new trading or business activities that require prior approval of Bursa and/or the Securities Commission before the Participants are allowed to commence the proposed activity as stipulated in these Guidelines shall be referred to as applications requiring readiness audit.

In carrying out the readiness audit for the purposes of obtaining the relevant approval of Bursa or SC as the case maybe, the Participant shall be required to adopt either the Self-Assessment-Approach or the Declaratory-Approach as provided under these Guidelines.

### **2. DEFINITIONS**

In these Guidelines, the following abbreviations shall carry the meaning ascribed thereto hereinafter:-

<b>Abbreviation</b>	<b>Meaning</b>
<b>Activities</b>	New Trading or Business Activities that require readiness audit to be carried out before approval is granted by Bursa/SC.
<b>AIP</b>	Approval-In-Principle
<b>Board</b>	Board of Directors of Participants
<b>Bursa</b>	Bursa Malaysia Berhad; or the subsidiary entities within the Bursa Group whether collectively or otherwise, as the context may require.
<b>Bursa Clearing (D)</b>	Bursa Malaysia Derivatives Clearing Berhad.
<b>Bursa Derivatives</b>	Bursa Malaysia Derivatives Berhad.
<b>CMSA</b>	Capital Markets and Services Act, 2007.
<b>DA</b>	Declaratory-Approach for Readiness Audits

Abbreviation	Meaning
<b>GCP(s)</b>	General Clearing Participants of Bursa Clearing (D)
<b>Participant(s)</b>	All participants of Bursa Derivatives and Bursa Clearing (D) which is a holder of Capital Market Services Licence issued by the SC.
<b>SAA</b>	Self-Assessment-Approach for Readiness Audits
<b>SC</b>	Securities Commission
<b>TP(s)</b>	Trading Participants of Bursa Derivatives

### 3. DISAPPLICATION OF PREVIOUS GUIDELINES

These Guidelines will supersede and replace the directives issued by Bursa vide its letter dated 10 January 2005 referenced RISI/GEN/120 and Bursa Derivatives TP Circular 13/2009.

The objective of these Guidelines is to provide clarifications on the application of SAA and DA and to outline the circumstances under which each of the specified approach takes precedence.

### 4. ACTIVITIES REQUIRING APPROVAL OF THE SC OR BURSA

#### A. Initial Commencement Of New Activities By TPs and GCPs that Require Approval Of The SC

- (i) *Commencement of operations as a new TP and/or GCP (Principal Office);*
- (ii) *Offering of Discretionary Account Trading facilities to clients; and*
- (iii) *Commencement of Proprietary Trading.*

#### B. Activities by existing TPs Involving New Premises And Activities That Requires The Approval Of Bursa Only

- (i) *Commencement of activities as a GCP (for existing non-clearing TPs);*
- (ii) *Opening of new Branch Offices;*

- (iii) *Opening of Trading Kiosk (“Kiosk”)by TPs*
- (iv) *Establishment of new/additional Trading Floor;*
- (v) *Commencement of trading in a dual licensed branch of a related stock broking company;*
- (vi) *Commencement of trading in a new category of contracts traded on the Bursa Derivatives; and*
- (vii) *Activities under Paragraph A(ii)-(iii) which recur after initial approval of SC was obtained under Paragraph A.*

## **5. READINESS AUDITS FOR COMMENCEMENT OF NEW ACTIVITIES**

- Step 1) Bursa will, upon receiving an application for approval from a Participant on its proposal to commence a new Activity pursuant to the processes outlined in these Guidelines, upon due consideration, give a conditional approval setting out the relevant conditions that need to be complied with by the Participant prior to commencement of the activity, including whether the Participant is required to apply the SAA or the DA in relation to readiness audits.

In making a determination on whether to apply the SAA or DA requirement for readiness audits, the following principles will be applied:

(i) *New TPs or GCPs*

The DA shall only be applicable to existing TPs and GCPs, thereby excluding any new applications from entities aspiring to become a new TP and GCP. Those falling under the category of new TP and GCP shall continue to be subjected to SAA readiness audits as this would be the first instance they are being assessed before commencing their operations.

(ii) *Opening of New Branch Offices By TPs*

For opening of new Branch Offices, the Participants will need to apply SAA readiness audits for the first three branch offices (inclusive), after which the DA readiness will apply. Where a given TP has cumulatively established 3 branch offices, it shall be allowed to apply DA for readiness audits in respect of the 4th branch office onwards.

(iii) *All other Activities (including Kiosk)*

Where the application is in respect of any of the Activities detailed in paragraph 4A, or where the application is in respect of any of the Activities detailed in paragraph 4B above that is being proposed for

**ANNEXURE C**  
**(Readiness Audit Guidelines)**

the first time, the said Participant shall be required to carry out a readiness audits using the SAA method.

For subsequent applications of same nature as detailed under paragraph 4A and 4B, the given Participant shall apply the DA for readiness audits.

Note that notwithstanding the provisions of item (i), (ii) and (iii) above, Bursa reserves the right to require any Participant to apply the SAA in place of DA for any circumstances, at its absolute discretion.

Step 2A) Where the Participant is required to adopt SAA for readiness audits in respect of the new Activity in Step 1, the following processes will apply:-

- (i) Upon receipt of the AIP from Bursa (for cases requiring such AIPs) or a notification from Bursa indicating that SAA is to be applied for readiness audits, the Participant shall commence to demonstrate its readiness to Bursa. This includes making the necessary arrangements and commissioning of the relevant infrastructure that are needed to commence live operations of the new activity.
- (ii) The Participant will then be required to carry out an independent readiness audit and complete the relevant checklists as prescribed by Bursa for the proposed Activity. The readiness audit shall be carried out by a party that is independent of trading and operations of the Participant i.e. Internal Audit and/or any appointed External Auditors.
- (iii) Upon completion of the readiness audit, a formal application will need to be made to Bursa to set out the level of readiness, the intended commencement date and all observations made during the readiness review. For this purpose, a Readiness Audit Report will need to be prepared by the independent auditors carrying out the readiness audit. The said report together with all other supporting documents required for SAA processing will need to be submitted together with the application. For guidance, the types of documents that are generally required for processing applications under SAA is outlined under paragraph 6 below.
- (iv) Where the Activity only requires the approval of Bursa, it will carry out an internal review of all documents submitted pursuant to SAA requirement and communicate the outcome directly to the Participant by way of approval or rejection of the proposal to commence the Activity. Bursa may also seek additional clarification or documents that are necessary, from the Participants during the internal review process to ensure completeness of the review.
- (v) For Activities requiring approval of the SC, Bursa after carrying out the internal review in (iv) above, will forward the application to the SC together with its recommendation for the SC's further consideration and approval.

(vi) The Participant must submit all the relevant documents as prescribed under paragraph 6 below at least 4 clear weeks (20 market days) before the intended commencement date. (Note that in the event the submission is incomplete and requires additional documents or where further clarifications are required before Bursa's review can be finalised, the 4 weeks will commence from the date the Participant submits the required additional documents or clarifications).

Step 2B) Where the Participant is required to adopt DA for readiness audits in respect of the new Activity in Step 1, the following processes will apply:-

(i) The Participant shall commence to evaluate its readiness prior to commencement of the proposed new Activity. To this end, the Participant will be required to carry out a similar independent readiness audit as in the SAA by a party that is independent of trading and operations i.e. Internal Audit and/or External Auditors.

(ii) Following the completion of the readiness audit, the Participant shall prepare and submit the relevant documentation as prescribed by Bursa in paragraph 7 below.

(iii) Under the DA approach, Bursa will process the application based on the Declaration provided by the Participant under paragraph 7 below.

(iv) The Participant must submit all the relevant documents as prescribed under paragraph 7 below at least 5 market days before the intended commencement date.

## **6. DOCUMENTATION REQUIREMENTS FOR SAA**

The following documents are required for Activities processed using SAA:-

- Formal Application Letter of proposed activity.
- SAA Declaration Form in the prescribed format appended herein as **Annexure 1**.
- Relevant checklist in the prescribed form for each type of proposed Activity. Participants are advised to obtain the latest copy of applicable checklists from Bursa for the relevant Activity being proposed;
- Final Readiness Audit Report of independent readiness review carried out by the Participant;
- Extract of relevant Board resolutions, minutes of Board meetings;
- Extract of relevant sections of Operations Manual / Standard Operating Procedures;
- Copies of relevant agreements entered in connection with the proposed Activity;
- Relevant diagrams of office layouts, IT system etc;
- Results of systems connectivity testing, user acceptance tests and simulation test results where necessary;



**ANNEXURE C**  
**(Readiness Audit Guidelines)**

- Any other documents in support of the application or where expressly requested by Bursa to be submitted to determine the readiness.

**7. DOCUMENTATION REQUIREMENTS FOR DA**

- Formal Application Letter of proposed activity; and
- DA Declaration Form in the prescribed format appended herein as **Annexure 2**.



**BURSA MALAYSIA BERHAD (30632 P)**  
**REGULATION**  
**INTERMEDIARY SUPERVISION, Inspection**

## READINESS DECLARATION

---

To: Head  
Intermediary Supervision  
Regulation  
**BURSA MALAYSIA BERHAD**  
12<sup>th</sup> Floor, Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

*[insert name of Trading Participant/General Clearing Participant]*

### DECLARATION ON COMPLIANCE FOR PURPOSES OF READINESS TO COMMENCE OPERATIONS

---

We refer to our application to commence the operation of our *[insert the particulars of the Readiness concerned]* referenced *[insert reference]* dated *[insert date]*, full details of which are contained in the proposal accompanying our aforesaid application.

We, *[insert name of Trading Participant/General Clearing Participant]*, hereby declare and confirm as follows:-

1. we shall comply at all times with the relevant rules, directives, circulars and guidelines issued from time to time by Bursa Malaysia Berhad and/or other subsidiaries of Bursa Malaysia Berhad (collectively referred to hereinafter as the Exchange) in relation to the establishment, maintenance or operation of the *[insert the particulars of the Readiness concerned]* by the *[Trading Participant/General Clearing Participant]\**;
2. that to the best of our knowledge, the *[insert the particulars of the Readiness concerned]* to be established, maintained or operated by us complies fully with all requirements prescribed by the Exchange in relation to the establishment, maintenance or operation of the *[insert the particulars of the Readiness concerned]* by the *[Trading Participant/General Clearing Participant]*;
3. that the *[insert the particulars of the Readiness concerned]* that is established, maintained or operated, or as the case may be, intended to be established, maintained or operated, outside our principal office, branch office(s) and/or any of trading kiosk(s) contains adequate and effective specifications and capabilities to ensure that the security of transactions and confidentiality of clients are at all times reasonably and adequately preserved.
4. that the *[insert the particulars of the Readiness concerned]* is, in terms of the applications or software, the physical site location and the hardware, reasonably secured from unauthorised tampering and intrusion and in this respect we have at the minimum strictly complied with all relevant directives, guidelines, circulars and codes relating to security issued by the Exchange for the time being in force, including but not limited to the IT Security Code or the use of information technology (as may be amended from time to time);

---

\* delete accordingly



**BURSA MALAYSIA BERHAD (30632 P)**  
**REGULATION**  
**INTERMEDIARY SUPERVISION, Inspection**

---

**READINESS DECLARATION**

---

5. the [*insert the particulars of the Readiness concerned*] conforms in all material respects with all relevant rules, directives, circulars and guidelines issued by the Exchange with respect to trading of derivatives on the Exchange by Trading Participants generally;
6. we are satisfied that the relevant controls and monitoring policies and procedures pertaining to the establishment, maintenance or operation of the [*insert the particulars of the Readiness concerned*] is/are adequate and effective; and
7. we shall indemnify the Exchange and not hold the Exchange liable to any claims made by any party as a result of the establishment, maintenance or operations of the [*insert the particulars of the Readiness concerned*] and its activities.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signed \_\_\_\_\_  
Executive Director / Head of Operations

Date \_\_\_\_\_

Signed \_\_\_\_\_  
Executive Director Compliance / Head of Compliance / Compliance Officer \*

Date \_\_\_\_\_

---

\* delete accordingly



**BURSA MALAYSIA BERHAD (30632 P)**  
**REGULATION**  
**INTERMEDIARY SUPERVISION, Inspection**

## READINESS DECLARATION

---

To: Head  
Participants Supervision  
Regulation  
**BURSA MALAYSIA BERHAD**  
12<sup>th</sup> Floor, Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

*[insert name of Trading Participant/General Clearing Participant]*

### DECLARATION ON COMPLIANCE FOR PURPOSES OF READINESS TO COMMENCE OPERATIONS

---

#### PART I

We refer to our application to commence the operation of our *[insert the particulars of the Readiness concerned]* referenced *[insert reference]* dated *[insert date]*, full details of which are contained in the proposal accompanying our aforesaid application.

We, *[Trading Participant/General Clearing Participant]*, hereby declare and confirm as follows:-

1. that *[Trading Participant/General Clearing Participant]* has carried out an independent readiness assessment through the appointed (Internal Auditors\* / External Auditors\* ) in regard of *[insert the particulars of the Readiness concerned]*, and we have reasonable assurance that all the relevant systems, policies and procedures and relevant front office and back office systems IT systems that are required for the effective establishment, maintenance or operation of *[insert the particulars of the Readiness concerned]* are readily available, operative, and functional and are adequate and effective in achieving the intended purpose;
2. we are satisfied that the relevant controls and monitoring policies and procedures pertaining to the establishment, maintenance or operation of the *[insert the particulars of the Readiness concerned]* is/are adequate and effective;
3. we shall comply at all times with the relevant rules, directives, circulars and guidelines issued from time to time by Bursa Malaysia Berhad and/or other subsidiaries of Bursa Malaysia Berhad (collectively referred to hereinafter as the Exchange) in relation to the establishment, maintenance or operation of the *[insert the particulars of the Readiness concerned]* by the *Trading Participant/General Clearing Participant*;
4. that to the best of our knowledge, the *[insert the particulars of the Readiness concerned]* to be established, maintained or operated by us complies fully with all requirements prescribed by the Exchange in relation to the establishment, maintenance or operation of the *[insert the particulars of the Readiness concerned]* by *[Trading Participant/General Clearing Participant]*;

---

\* delete accordingly



**BURSA MALAYSIA BERHAD (30632 P)**  
**REGULATION**  
**INTERMEDIARY SUPERVISION, Inspection**

**READINESS DECLARATION**

5. that the [*insert the particulars of the Readiness concerned*] that is established, maintained or operated, or as the case may be, intended to be established, maintained or operated, outside our principal office, branch office(s) and/or any of trading kiosk(s) contains adequate and effective specifications and capabilities to ensure that the security of transactions and confidentiality of clients are at all times reasonably and adequately preserved.
6. that the [*insert the particulars of the Readiness concerned*] is, in terms of the applications or software, the physical site location and the hardware, reasonably secured from unauthorised tampering and intrusion and in this respect we have at the minimum strictly complied with all relevant directives, guidelines, circulars and codes relating to security issued by the Exchange for the time being in force, including but not limited to the IT Security Code or the use of information technology (as may be amended from time to time);
7. the [*insert the particulars of the Readiness concerned*] conforms in all material respects with all relevant rules, directives, circulars and guidelines issued by the Exchange with respect to trading of derivatives on the Exchange by [*Trading Participant/General Clearing Participant*] generally; and
8. we shall indemnify the Exchange and not hold the Exchange liable to any claims made by any party as a result of the establishment, maintenance or operations of the [*insert the particulars of the Readiness concerned*] and its activities.

**PART II: NOTIFICATION [*this notification is only relevant to Trading Participants proposing to establish a New Branch Office*]**

9. The following appointments have been made and/or arrangements to the effect the same are in place:-

Name of Personnel	Designation/Function

10. The following are the activities that will be undertaken at the proposed Branch Office:-

Activities To Be Undertaken At Branch Office	Tick (√) If Applicable
Futures Trading	
Back Office Operations	
Proprietary Trading	
Other Activities – (To Describe)	
•	
•	



**BURSA MALAYSIA BERHAD (30632 P)  
REGULATION  
INTERMEDIARY SUPERVISION, Inspection**

**READINESS DECLARATION**

11. The following applies in relation to back office systems and operations to be undertaken at the proposed Branch Office:-

<b>Front Office Trading Systems</b>	<b>Tick (√) If Applicable</b>
OMS Sever connected directly to Exchange	
Remote terminals connected to server at another designated branch office (to name the branch office)	
Online Internet Trading	
Others – To Elaborate	

12. The following applies in relation to back office systems and operations to be undertaken at the proposed Branch Office:-

<b>Back Office Systems and Operations</b>	<b>Tick (√) If Applicable</b>
Centralised At The Principal Office; no backoffice system at Branch Office	
Centralised At The Principal Office; with remote backoffice terminals at Branch Office	
Localised At The Branch Office With Links Established With The Principal Office to Enable Transmission Of Data To Principal Offices	
Others – To Elaborate	

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Signed \_\_\_\_\_  
Executive Director / Head of Operations\*

Date \_\_\_\_\_



**BURSA MALAYSIA BERHAD (30632 P)  
REGULATION  
INTERMEDIARY SUPERVISION, Inspection**

---

**READINESS DECLARATION**

---

Signed \_\_\_\_\_  
Executive Director Compliance / Head of Compliance / Compliance Officer\*

Date \_\_\_\_\_

---

\* delete accordingly



## 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 1<sup>st</sup> year and 2<sup>nd</sup> 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 3<sup>rd</sup> 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)		

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

---

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;

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

---

- (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.

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

---

### 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.

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

---

**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