



**CONSULTATION PAPER**

**NON FACE-TO-FACE VERIFICATION IN RELATION TO ACCOUNT OPENING**

**No. 3/2014**

Date of Issue: 18 August 2014

Bursa Malaysia Securities Berhad (“Bursa Securities”) and Bursa Malaysia Depository Sdn Bhd (“Bursa Depository”) invite your written comments on the issues set out in this Consultation Paper by 29 August 2014 via:

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Respondents to this Consultation Paper are requested to use the reply format as stipulated in Annexure A.

Kindly contact the following persons if you have any queries in relation to this Consultation Paper:

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**Confidentiality:** Your responses may be made public. If you do not want all or part of your response or name made public, please state this clearly in the response. Any confidentiality disclaimer that may be generated by your organisation’s IT system or included as a general statement in your fax cover sheet will be taken to apply only if you request that the information remain confidential.

Please see Bursa Malaysia Berhad’s Personal Data Notice as set out in the Appendix 1 to this Consultation Paper.

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## I. INTRODUCTION

### A. Purpose of the Consultation Paper

This Consultation Paper is to seek public feedback on the proposal to simplify the opening of trading and securities account for individual investors and provide a degree of flexibility to Participating Organisations (“**POs**”) of Bursa Securities and authorised depository agents of Bursa Depository (“**ADAs**”) in opening such accounts (“**the Proposal**”). The Paper is also to seek feedback on the proposed amendments to the Rules of Bursa Depository to facilitate the Proposal (“**Proposed Amendments**”).

### B. Summary of the Proposal

Currently, an individual seeking to open both a trading and securities account is required to be present in person before the PO/ADA to submit the account opening documents or to sign the account opening documents before an acceptable witness such as a notary public or a commissioner for oaths.

Bursa Securities and Bursa Depository are now proposing to simplify this process for the individual investors and provide the flexibility to POs and ADAs in regard to the manner in which the trading and securities accounts may be opened. Pursuant to the Proposal, an individual just has to complete and sign the account opening form and submit the same to the PO/ADA together with the relevant supporting documents, in hard or soft copy (via electronic means). He does not have to submit the form in person or sign it before any witness before submitting it. The onus then shifts to the PO/ADA receiving the form and supporting documents to undertake the necessary verification.

Details of the Proposal and the Proposed Amendments are set out below.

***Note: As the Proposal and the Proposed Amendments are open to comments and feedback from the public, the final amendments may differ from those stated in this Consultation Paper. Further, the Proposed Amendments HAVE NOT been approved by the Securities Commission (“SC”) and as such are not the final amendments. Bursa Depository will submit the Proposed Amendments to the SC for approval after receipt of comments pursuant to this Consultation Paper and making the relevant changes, where appropriate, to the Proposed Amendments.***

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## II. DETAILS OF THE PROPOSAL

### A. Background

1. Currently, an individual seeking to open a securities account (“applicant”) is required to be present in person before an ADA to submit his account opening documents to the ADA or to sign the account opening form in the presence of any one of the persons authorised under Rule 5.02A(2) of the Rules of Bursa Depository, for example a notary public or a commissioner for oaths (“acceptable witness”).
2. The same requirement applies in relation to witnessing of trading account opening documentation before a PO pursuant to Rule 5.15(1)(b) of the Rules of Bursa Securities.
3. The requirements above are primarily intended to verify the applicant’s identity and authenticity of the application.
4. The Proposal seeks to simplify the account opening process for the individual investor and provide the flexibility in opening trading and securities accounts for individuals to the extent that moving forward, an individual applicant would not need to be present in person before the PO/ADA or to sign the account opening documentation before an acceptable witness.

### B. The Proposal, Objectives and Benefits

5. Under the Proposal, in addition to the current methods of submitting an account opening form, an individual applicant will have the option of just completing the account opening form, signing it and submitting the same together with the relevant supporting documents in hard or soft copy. This means that the applicant may even submit his form via electronic means. The account opening form need not be signed before an acceptable witness. Once the form and supporting documents are received by the PO/ADA, the onus is then on the PO/ADA to verify the applicant’s identity and the information in the applicant’s application form through the non face-to-face methods of verification as set out in section C below (“Non Face-to-face Verification”).
6. Thus, the PO/ADA is vested with the responsibility to verify the identity of the person applying to open the securities account and the genuineness of the application and should be reasonably satisfied of the same before proceeding to process the application.
7. The rationale for the Proposal is as follows:
  - (a) to accommodate and facilitate the advancement of technology in particular internet based e-commerce applications which enable the registration and account opening through alternative mediums without requiring the clients to be present in person or to sign the account opening form before an acceptable witness; and

- (b) to enable and provide flexibility to the POs to open accounts for clients without requiring the clients to be present in person or to sign the account opening form before an acceptable witness in line with the jurisdictions of Hong Kong, Australia, Singapore, Thailand and Indonesia.
8. Once the Proposal is implemented, the account opening process should be simpler and smoother whilst proper checks will continue to be made to ensure the applicant's identity and information in the applicant's application form.

**C. Manner of Verification of Identity and Relevant Information**

9. The methods of Non Face-to-face Verification referred to in paragraph 5 above will be set out in the relevant directives of Bursa Securities and will be restricted to any one of the following optional methods:
- (a) obtain confirmation of the applicant's identity from an independent source for example by contacting the human resources department of the applicant's employer on a listed business number to confirm his/her employment;
  - (b) encash a personal cheque of the applicant for an amount of not less than RM100, where the name appearing on the cheque and the signature of the applicant on the cheque must match the name and signature of the applicant in the account opening form;
  - (c) initiate face-to-face contact with the applicant through an electronic mode including a video conference facility; or
  - (d) obtain confirmation of the applicant's identity and relevant details of the applicant from another entity within the Participating Organisation's Group which has previously verified the applicant's identity in accordance with such entity's standard operating procedures and ensure that the details of the applicant obtained from such other entity must match the information in the applicant's account opening form.
10. It should also be noted that the relevant directives of Bursa Securities will provide that the PO must be satisfied that it is reasonable for the PO to rely on the methods for Non Face-to-face Verification and that the PO must require an applicant to be present in person before the PO in relation to the opening of an account or for the applicant's account opening form to be signed in the presence of an acceptable witness if:
- (a) the PO is unable to conduct Non Face-to-face Verification through any of the methods stated in paragraph 9 to its satisfaction;
  - (b) the PO is of the view that the applicant's identity and the genuineness of the application cannot be reasonably established through the Non Face-to-face Verification; or
  - (c) the applicant is from a high risk country or a country with anti-money laundering or counter financing of terrorism deficiencies as referred to in the Securities Commission's Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries.

11. Hence, the Proposed Amendments to facilitate the Proposal include:
- (a) a general provision that the ADA must comply with the procedures prescribed by Bursa Depository to verify the applicant's identity and the information in the applicant's application form in order to ensure the genuineness or authenticity of the application to open a securities account or formalise a securities account that has been opened by Bursa Depository under a public offer;
  - (b) extending the ADA's liability and indemnity to Bursa Depository to cover losses, damages, costs, expenses, liabilities or claims suffered or incurred by Bursa Depository in failing to satisfy the requirement specified in paragraph 11(a) above as well as for any wilful act, omission, neglect, fraud or error on the part of third parties relied on in the Non Face-to-face Verification process;
  - (c) moving the operational provisions relating to verifying the applicant's identity via acceptable witnesses to the CDS Procedures Manual for ADAs; and
  - (d) facilitating the submission, by electronic means, of certain forms and supporting documents required by Bursa Depository from the applicant.
12. With regard to the procedures referred to in the paragraph 11(a) above, the same will be set out in the CDS Procedures Manual for ADAs together with the procedures mentioned in paragraph 11(c) above. These procedures will include the following: -
- (a) where the applicant appears in person before the ADA to submit the duly completed application form together with the relevant supporting documents, the ADA must ensure that the applicant signs the form in the presence of an officer authorised by the ADA and the officer verifies the identity of the applicant and the information in the applicant's application form;
  - (b) where the applicant does not appear in person before the ADA to submit the application, the ADA must, as the case may be:
    - (i) ensure that the duly completed application form is signed in the presence of an acceptable witness and the acceptable witness has verified the identity of the applicant and the information in the applicant's application form; or
    - (ii) where such form is not signed in the presence of an acceptable witness, the ADA may rely on the Non Face-to-face Verification employed by the ADA in its capacity as a PO.
13. Paragraph 12(a) and (b)(i) above refer to procedures that are already being complied with currently by the ADA. Paragraph 12(b)(ii), on the other hand, refers to the new procedures for Non Face-to-face Verification which are to be adopted by an ADA if an individual applicant chooses to submit an account opening application form without being present in person or signing it before an acceptable witness.

**D. Text of Proposed Amendments**

14. The full text of the Proposed Amendments is attached as **Annexure B**.
15. The Proposed Amendments are reflected in the following manner:
  - (a) portions underlined are text newly inserted/added/replaced onto the existing rules; and
  - (b) portions struck through are text deleted.
16. This Consultation Paper which includes the Proposed Amendments can be downloaded from the Exchange's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

**E. Issues for Consultation**

17. With regards to the above, we invite your comments on the Proposed Amendments. For your ease of reference, we enclose here **Annexure A** setting out the issues for consultation, for your comments.

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**Annexure A**            **Comments to the proposal relating to non face-to-face verification for account opening**  
*[Please see the table of comments enclosed with this Consultation Paper]*

**Annexure B**            **Proposed amendments to the Rules of Bursa Depository**  
*[Please see the proposed rule amendments enclosed with this Consultation Paper]*

## APPENDIX 1      **BURSA MALAYSIA DEPOSITORY SDN BHD'S PERSONAL DATA NOTICE**

In relation to the Personal Data Protection Act 2010 and in connection with your personal data provided to us in the course of this consultation, please be informed that Bursa Depository's personal data notice ("**Notice**") is available at [www.bursamalaysia.com](http://www.bursamalaysia.com). Kindly ensure that you read and are aware of the Notice.

If you are submitting personal data of an individual other than yourself ("**data subject**"), please ensure that prior to such submission, you have provided the data subject with written notice of the Notice unless section 41 of the Personal Data Protection Act 2010 ("**PDPA**") applies or Bursa Depository otherwise specifies in connection with the PDPA.

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Berhubung Akta Perlindungan Data Peribadi 2010 dan berkenaan semua data peribadi anda yang diberikan di dalam proses konsultasi ini, sila ambil maklum bahawa notis Bursa Depository mengenai data peribadi ("**Notis tersebut**") boleh didapati di [www.bursamalaysia.com](http://www.bursamalaysia.com). Sila pastikan yang anda membaca dan memahami Notis tersebut.

Jika anda mengemukakan data peribadi individu pihak ketiga ("**Subjek Data**"), anda mesti memastikan bahawa Subjek Data telah diberi notis bertulis mengenai Notis tersebut terlebih dahulu kecuali seksyen 41 Akta Perlindungan Data Peribadi 2010 ("**APDP**") terpakai atau Bursa Depository sebaliknya menyatakan berkenaan dengan APDP

**[End of the Appendix]**