

<b>DIRECTIVES ON OPENING CLIENT ACCOUNT</b>	<b>No. 5.15-001</b>
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Relevant to : Rule 5.15(1), 5.15(2)  
Introduced with effect from : 2 May 2013  
Amended : N/A  
POs' Circular No(s). : G 1001 of 1990 and G552 of 1991  
Refer also to Directive No(s). : 5-001

## 1. Rule 5.15(1)

Rule 5.15(1) requires a Participating Organisation and Registered Person to obtain all essential information about the Client relevant to the services to be provided before a Participating Organisation opens a trading account for the Client. In discharging the obligations under the above Rule, a Participating Organisation and Registered Person must comply, amongst others, with the requirements set out below.

### 1.1 Requirements in opening a Client account

#### (1) Opening And Registration of an Individual Client Account

In relation to the opening of an individual client account, a Participating Organisation must:

- (a) use due diligence to learn the essential facts relative to every Client, ~~every order, every cash or Margin Account accepted or carried by the Participating Organisation~~ and every person holding power of attorney over any account ~~accepted or carried by the Participating Organisation~~;
- (b) diligently supervise all accounts handled by its Dealer's Representatives;
- (c) in respect of the application for opening of account:
  - (i) ~~specifically approve the opening of an account prior to or promptly after the completion of any transaction for the account of or with a Client. The designated Director or officer approving the opening of the account must, prior to giving his approval, be personally informed as to the essential facts relative to the Client and to the nature of the proposed accounts specifically designate a Director or officer to approve the opening of an account;~~
  - (ii) ~~the designated Director or officer approving the opening of the account must, prior to giving his approval, be personally informed as to the essential facts relative to the Client and to the nature of the proposed account and must indicate his approval in writing on the application form which must become part of the permanent records of the Participating Organisation;~~
  - (iii) ~~ensure a photocopy a set of the Client's identity card or passport to be is~~ attached together with the application form; and
  - (iv) ensure that the application form contains at least the following particulars:
    - full name of Client
    - full residence and correspondence address
    - contact details
    - spouse name (where applicable)
    - employment details for the applicant and spouse (where applicable)
    - income and its source

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- approved credit limit

(2) Opening and Registration of a Joint Holders Client Account

In relation to the opening of a joint holders Client account, a Participating Organisation must, ~~through a designated Director or officer reporting to the Director:~~

- (a) use due diligence to learn the essential facts relative to the joint holder Clients, ~~every order, every cash or Margin Account accepted or carried by the Participating Organisation~~ and every person holding power of attorney over any account ~~accepted or carried by the Participating Organisation;~~
- (b) diligently supervise all accounts handled by its Dealer's Representative;
- (c) in respect of the application for opening of account
  - (i) ~~specifically approve the opening of the joint holders account prior to or promptly after the completion of any transaction for the joint holders account of or with the joint holders account. The designated Director or officer approving the opening of the joint holders client account must, prior to giving his approval, be personally informed as to the essential facts relative to the joint holder clients and to the nature of the proposed joint holders accounts specifically designate a Director or officer to approve the opening of a joint holders Client account;~~
  - (ii) ~~the designated Director or officer approving the opening of the joint holders Client account must, prior to giving his approval, be personally informed as to the essential facts relative to the joint holder Clients and to the nature of the proposed joint holders Client account and must indicate his approval in writing on an appropriate form which must form part of the permanent records of the Participating Organisation;~~
  - (iii) ~~ensure a photocopy a set~~ of the joint holder Clients' identity cards ~~or passports to be is~~ attached together with the application form; ~~and~~
  - (iv) ensure that the application form contain at least the following particulars:
    - full name of joint holder Clients;
    - full residence and correspondence address
    - contact details
    - spouse name (where applicable)
    - employment details for the applicant and spouse (where applicable)
    - income and its source
    - approved credit limit

(3) Opening And Registration of a Corporate Client Account

In relation to the opening of a corporate Client account, a Participating Organisation must:

- (a) ~~use due diligence to learn the essential facts relative to every Client and every person holding power of attorney over any account;~~
- (ab) ~~subject to the exception stated in paragraph 1.1(4),~~ require from the corporation ~~and maintain as part of its permanent record,~~ an application form for opening account with

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Participating Organisation and such form shall contain at least the following information:

- Name of corporation and all its directors
- Full registered and correspondence address of the corporation
- ~~Names of authorised signatories to the cheques issued by the corporation~~
- Name of authorised person for trading
- Contact details
- Approved credit limit

(bc) prior to entering into transactions for a corporate Client account, have on file a resolution of the directors of the corporation authorising the said corporation to open an account with the Participating Organisation.

(4) A Participating Organisation need not require from the corporation, an application form for opening account with the Participating Organisation, in relation to the following categories of corporate Clients:

- (a) a public-listed company or corporation listed on the Exchange or a majority-owned subsidiary of such public listed companies;
- (b) a foreign public-listed company that is:
  - (i) listed on a Recognised Stock Exchange; and
  - (ii) not listed in a high risk country or a country with anti-money laundering or counter financing of terrorism deficiencies;
- (c) a government linked company in Malaysia;
- (d) a state owned corporation or company in Malaysia;
- (e) 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;
- (f) an entity licensed under the Labuan Financial Services and Securities Act 2010 or the Labuan Islamic Financial Services and Securities Act 2010;
- (g) a person licensed or registered under the Capital Markets and Services Act 2007;
- (h) a prescribed institution under the Development Financial Institutions Act 2002; and
- (i) 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.

(5) "A high risk country or a country with anti-money laundering or counter financing of terrorism deficiencies" in paragraph 1.1(4) is as referred to in the Commission's Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries.

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~~(6) However, a Participating Organisation must require a corporate Client listed in paragraph 1.1(4) to provide the following:~~

~~(a) the directors' resolution stated in paragraph 1.1(3)(c); and~~

~~(b) the names of authorised persons for trading.~~

## **1.2 Other general matters pertaining to the opening of a Client account**

(1) All Client accounts must be identified and designated by the full name of the Client and no Participating Organisation shall carry a Client account designated only by a number or symbol.

(2) Paragraph 1.1(1) also applies to trading accounts of Dealer's Representatives.

~~(3) A Participating Organisation must inform the Exchange of particulars of delinquent account.~~

(43) A Participating Organisation must record and maintain up-to-date at its office, all essential particulars relative to every Client.

## **2. Rule 5.15(2)**

Rule 5.15(2) provides that if the Client represents that the Client is trading on behalf of another person, the Participating Organisation may open a trading account for the Client only if the Client is an Authorised Nominee or Exempt Authorised Nominee and that the Participating Organisation brings to the notice of the Client, the Client's obligation under Rule 5.15(8). In discharging the obligations under the said Rule, a Participating Organisation must comply with the requirements set out below.

### **2.1 Opening of nominee accounts**

(1) Where an agency account is carried by a Participating Organisation its files must contain the name of the principal for whom the agent is acting and written evidence of the agent's authority to trade.

(2) Where estate and trustee accounts are involved or where a husband is acting as agent for his wife, or a wife is acting for her husband, a Participating Organisation should obtain advice from legal counsel as to the documents that should be obtained before opening the account.

[End of Directive]