



**KEY MARKET FEEDBACK AND RESPONSES  
FROM BURSA MALAYSIA BERHAD**

**CONSULTATION PAPER NO. 2/2019 ON  
PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA DEPOSITORY SDN  
BHD IN RELATION TO CDS eSERVICES (RELEASE 2) & OTHER AMENDMENTS**

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**A. BACKGROUND**

1. On 30 May 2019, Bursa Malaysia Berhad ("**Bursa Malaysia**") published a consultation paper seeking feedback on the proposed rule amendments to the Rules of Bursa Malaysia Depository Sdn Bhd ("**Bursa Depository**") in relation to selected electronic depository services which will be offered via an internet based facility by Bursa Depository to depositors ("**CDS eServices**") as well as other amendments.
2. The proposals will facilitate electronic depository services, such as opening and reactivation of securities accounts (CDS accounts), accessing the CDS account information or conducting specified transactions electronically. Certain CDS eServices are presently made available via a smartphone application known as Bursa Anywhere which was officially launched on 11 June 2019.
3. CDS eServices is aimed at transforming the depositors' experience in managing their securities accounts (CDS accounts), enhancing Bursa Malaysia's customer experience, as part of our pledge to continuously improve our services to our valued investors.
4. The key amendments to the Rules of Bursa Depository that Bursa Malaysia consulted on are summarized as follows:
  - (a) Simplify and generalise the requirements relating to opening of CDS accounts including via CDS eServices;
  - (b) Generalise the provisions relating to Initial Public Offer share applications and to remove references to Electronic Share Application (ESA);
  - (c) Enable the reactivation of an inactive or dormant CDS account via CDS eServices;
  - (d) Remove the existing requirements to submit supporting documents in relation to applications to reactivate inactive or dormant CDS accounts;
  - (e) Refine and specify the processing periods for applications to reactivate inactive or dormant CDS accounts as well as to open CDS accounts;

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- (f) In relation to issuance of and access to statement of accounts and balances in the CDS account, the amendments are to:
- (i) simplify the provisions governing the frequency of issuance of statement of accounts;
  - (ii) facilitate issuance of statement of accounts to depositors via CDS eServices; and
  - (iii) enable depositors to view CDS account balances via CDS eServices; and
- (g) Facilitate the registration of the depositor's bank account information via CDS eServices to receive cash distributions directly into the bank account.

5. At the end of the consultation period which ended on 5 July 2019, we received a total of 15 written responses. The responses can be broadly grouped as follows:

CATEGORY	NUMBER	%
Industry associations	8	54
Bursa Depository Participants	5	33
Others	2	13
<b>TOTAL</b>	<b>15</b>	<b>100</b>

6. Bursa Malaysia would like to take this opportunity to thank all the industry participants and stakeholders for their valuable feedback and comments on the Consultation Paper.
7. A summary of the respondents' key feedback and comments with regard to the proposals made in the Consultation Paper, as well as our responses and conclusions are set out in Section B below.
8. Bursa Malaysia has amended the Rules of Bursa Depository accordingly after taking into account the market feedback. The amended Rules of Bursa Depository will come into effect in phases on 10 April 2020 and 12 June 2020 and are available on Bursa Malaysia's website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

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**B. KEY MARKET FEEDBACK AND BURSA MALAYSIA'S RESPONSE**

1. Generally, the responses received by Bursa Malaysia were supportive of the proposed amendments, except in respect of the proposal pertaining to updating of particulars via CDS eServices.
2. Bursa Malaysia took cognizance of all the comments received from the respondents, and upon consideration of the comments vis a vis the objectives of the CDS eServices, we have proceeded with our amendments to the Rules of Bursa Depository. However, we have addressed certain industry's comments via changes made to the procedures manual.
3. The key issues raised by the respondents to the Consultation Paper and Bursa Malaysia's response to the same are set out below.

**ISSUE 1: OPENING OF CDS ACCOUNTS**

4. In the Consultation Paper, Bursa Malaysia proposed to enable opening of CDS accounts via CDS eServices in addition to the existing physical paper mode, and to clarify that processing of account opening would start upon receipt of the complete application and relevant supporting documents.

Summary of Key Feedback by Respondents

5. Bursa Malaysia received feedback that 'straight-through-processing' ("**STP**") should be adopted for opening of both CDS account (with Bursa Depository) and trading account with Participating Organisation ("**PO**") i.e. to be able to open both accounts via a single application submitted by the investor.
6. Some respondents also sought clarification regarding notification to an applicant with incomplete documents for processing within 2 market days upon receiving the application for CDS account opening.

Bursa Malaysia's Response and Conclusion

7. With regard to STP of opening both the CDS account and trading account, a key consideration is the fact that there are 2 accounts being opened with 2 different entities. Whilst the information and documents required to open a securities account is uniform across all authorised depository agents ("**ADA**") based on Bursa Depository's requirements, the requirements for opening a trading account differs amongst the various POs in line with their business operations and risk appetites. In this regard, Bursa Malaysia will continue to engage with our stakeholders, including both the ADAs and POs to explore the feasibility of STP in the near future.

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8. Subsequent to the issuance of the Consultation Paper, Bursa Malaysia had made further revisions to the proposed amendments to the Rules of Bursa Depository in relation to opening of CDS accounts made via the ADA.
9. The amendments made were to generalize the provisions relating to applications made through the ADA and other related provisions in order to facilitate the ADA to perform opening of CDS accounts via their own internet platform, as an alternative to the current process which requires completion of physical forms. The detailed procedures for submission of applications via the ADA will be set out in the CDS Procedures Manual for ADA.
10. The amendments to the Rules of Bursa Depository would also facilitate STP of opening of both CDS account and trading account, if the ADA and participating organisation choose to do so.
11. With regard to the clarification sought as per paragraph 6 above, Bursa Malaysia wishes to clarify that Bursa Anywhere will automatically notify the applicant of any application which is rejected by the ADA together with the reason for the same as provided by the ADA, which includes incomplete documents. This will be done within 2 market days from receipt of the application.
12. This proposal is in furtherance of Bursa Malaysia's aim to simplify the operational processes and improve customer experience.

**ISSUE 2: ACCESS TO BALANCES & STATEMENT OF ACCOUNTS**

13. One of the proposals included in the Consultation Paper was to facilitate the depositor viewing of balances directly via CDS eServices facility instead of making a request via the ADA. As CDS eServices would be an alternative channel to issue the statement of accounts, it was proposed that the Rules of Bursa Depository would facilitate the issuance of statement of accounts to depositors by making them available on CDS eServices, so that those who have registered for CDS eServices may view and download the same anytime at their convenience. In such instance, Bursa Depository is deemed to have issued the statement of accounts to depositors without the need of sending the hard copy anymore.

Summary of Key Feedback by Respondents

14. About 27% of respondents expressed concern regarding the proposed discontinuance of the statement of accounts via email or hard copy to depositors who have registered for CDS eServices as, among others, the depositors may not be aware that the statement of accounts is ready for viewing.

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Bursa Malaysia's Response and Conclusion

15. A key benefit to discontinuing the issuance of the statement of accounts in hard copy or email to depositors who have registered for CDS eServices is to reduce wastage and decrease costs.
16. Further, depositors who have registered on CDS eServices will receive a monthly statement of account regardless of whether any transactions (credit or debit of securities) take place. In view of the fixed and regular frequency of the statement of account being issued under CDS eServices, we expect that over time depositors registered for CDS eServices will not require other forms of notification of the issuance of the statement of account. This is because depositors are able to access their statement of accounts via CDS eServices at anytime at their own convenience
17. Nevertheless, Bursa Depository will continue to engage with depositors who have registered for CDS eServices by sending statement of accounts via e-mail to such depositors. For clarity, no additional rule amendment will be required as the ability to obtain the statement of accounts via CDS eServices fulfills the requirements on issuance of statement of account under Section 26 of Securities Industry (Central Depositories) Act 1991.

**ISSUE 3:      **UPDATING OF DEPOSITOR'S PARTICULARS****

18. In the Consultation Paper, Bursa Malaysia had proposed that changes to the name, NRIC/passport number, e-mail address and mobile phone number of a depositor were critical and would only be permitted to be done in person at the ADA's office.

Summary of Key Feedback by Respondents

19. The key comments received from respondents were that in order to provide ease and convenience to depositors, Bursa Depository should permit update of the specified particulars to be made electronically in view of the existing controls in place, e.g. access to CDS eServices is password protected.
20. Alternatively, Bursa Depository should allow the changes to be made without the depositor being present in person at the ADA's office, provided such update was witnessed by the persons specified in the List of Acceptable Witnesses in Chapter 9 of the CDS Procedures Manual for ADA.

Bursa Malaysia's Response and Conclusion

21. Upon consideration of the feedback from the respondents, Bursa Malaysia has determined that:

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- (a) the option of updating any particulars through the existing method of the form/documents being certified by an acceptable witness is permitted for CDS eServices; and
  - (b) the update of changes to the 'name' via CDS eServices is permitted (provided supporting documents are submitted) as the 'name' is not a means to access the CDS account information via CDS eServices.
22. Amendments have been made to the relevant CDS Procedures Manuals to reflect the above changes.
23. Bursa Malaysia further would like to clarify as follows:
- (a) A request to change the NRIC/passport number must be done either in person at the ADA's office or in writing where the supporting documents are certified by a person specified as an acceptable witness by BMDepo. The NRIC/passport number is a government issued identification information which is unique to an individual and would also reflect the ownership of the securities in the CDS account, hence stronger controls are required to make any change;
  - (b) For security reasons and to prevent fraud, a request to change email address or mobile phone number will not be permitted to be done via CDS eServices. This is because email address and mobile phone numbers are used to perform important functions in CDS eServices, such as accessing CDS account information, resetting the password, and sending the one-time pin that is required for confirmation of all transactions done on Bursa Anywhere.

**ISSUE 4: APPLICATION FOR eDIVIDEND**

24. Bursa Malaysia proposed for depositors who are registered on CDS eServices to be able to register their bank account details directly with Bursa Depository without having to make physical/hard copy submission of the CDS Account Form to their ADA.

Summary of Key Feedback by Respondents

25. The following comments were received from respondents:
- (a) The registration of bank account details for e-Dividend should be subject to controls such as verification of the bank account owner against the name and NRIC number of the depositor as well as having transaction-authorisation-code (TAC) requirement in place;
  - (b) The depositor should continue to receive notification from the share registrar/bank on the details of crediting such e-Dividend into their bank account and their bank account should not be allowed to operate as a joint-holder.

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Bursa Malaysia's Response and Conclusion

26. Bursa Malaysia would like to clarify the following:
- (a) as precaution, there would be controls in place namely that the ADA would verify the identity of the depositor with supporting documents. It is also a requirement to confirm the submission by TAC;
  - (b) CDS eServices will make available details of the announcements relating to dividend payment as provided by the issuer and with this information, the depositor is able to calculate the dividend that he/she would be entitled to receive;
  - (c) In relation to notification of e-Dividend payment, similar to the present practice, the notification of payment of dividend to the depositors is subject to the practice of the relevant service provider as appointed by the issuer; and
  - (d) The existing practice of allowing joint-holder bank accounts being used to register for e-Dividend will continue to be permitted to provide convenience and flexibility to depositors, provided that one of the joint-holders is the depositor of the account.

**ISSUE 5: OTHER COMMENTS**

27. In response to a comment, Bursa Malaysia would like to clarify that Bursa Depository has set up the Bursa Anywhere Service Desk to assist depositors with their queries. Depositors may channel any queries to a dedicated email address or call the Bursa Anywhere Services Desk hotline as follows:

Telephone : 03-20347090  
E-mail : [bursaanywhere@bursamalaysia.com](mailto:bursaanywhere@bursamalaysia.com)

**[End]**