

**FREQUENTLY ASKED QUESTIONS ON
TRADING REPRESENTATIVE AND MARKETING REPRESENTATIVE
(Date of Issuance: 23 June 2017)**

Background

The Securities Commission Malaysia (SC) has conducted a holistic review of the referral/introducers framework with a view to promote consistency and clarity to the industry and investors on the role and parameters of an introducer in performing the introducing, referral and marketing activities within the capital market.

Following the review, a revised **Marketing Representative (MR) framework** has been introduced to govern referral, introducing and marketing representatives **across all regulated activities**.

Hence, the *Guidelines for Registered Person (Registered Representative)* is superseded by the *Guidelines for Market Representative* effective from 23 June 2017. The revised framework on referral agents, Introducing Representative and Marketing Representative is subsumed in the *Guidelines for Marketing Representative* while the requirements in relation to Trading Representative (TR) is subsumed in the new Chapter 11 of the *Licensing Handbook*.

This Frequently-Asked Questions (FAQs) are divided into three parts:

- (a) Part 1 sets out the FAQs relating to MR;
- (b) Part 2 sets out the FAQs relating to TR; and
- (c) Part 3 sets out a general FAQs, relevant to both TR and MR.

Part 1: Marketing Representative

1. What are the permitted activities of an MR?

An MR can introduce or refer prospective clients or market the services of the Principal that he represents or acts for as well as provide client support services. He is not allowed to take clients' orders, execute trades, make specific recommendations or give transactional advice. An MR is required to inform the client of any remuneration scheme and its amount, if requested.

The permitted activities of MR consists of–

- arranging for the customer to meet with or speak to the principal;
- forwarding customer's particulars to the principal;
- providing the customer with factual information relating to products and services offered by the principal including conducting presentations; or
- provide client support services such as forwarding information on performance of fund to clients.

2. If a person wishes to undertake only introducing activities, is he required to be registered as an MR?

If a person undertakes introducing activities only, he is required to be registered with the Principal as an MR.

3. Can an MR distribute research reports issued by a CMSL holder to prospective clients?

Yes, an MR may distribute research reports issued by the CMSL holder as long as the MR does not provide recommendation or advice on securities and derivatives. An MR will have to refer the client to a licensed person if the client requires specific recommendation or advice on securities and derivatives.

4. What is the route for an MR of a derivatives broker, fund management company and advisory company to become a full-fledged CMSRL holder?

An MR of the respective activities as mentioned above must meet with the requirement as well as sit and pass the relevant licensing examinations as provided in Chapter 4 of the *Licensing Handbook*.

5. Can an MR assist in opening clients' accounts on behalf of the Principal?

An MR may assist the Principal in opening clients' accounts but the accountability and due diligence resides with the Principal. The scope of his assistance may include collecting, authenticating and witnessing the relevant forms from the clients for purposes of account opening, be involved in part of the "Know-Your-Client" process in gathering the essential information from the clients and filling in the necessary information in the account opening form.

Part 2: Trading Representative

6. What are the permitted activities of a TR?

A TR can accept clients' orders for securities and execute securities trades. He is not allowed to give advice, persuade, induce or make specific recommendations on capital market product.

7. Can a TR of a CMSL that is a dual licence holder (dealing in securities and dealing in derivatives), execute derivatives trades?

No. The current scope of activities for a TR is only limited to securities trades.

Part 3: -General

8. Can an individual be registered for more than one activity at the same time?

No. An individual can only undertake one activity at a time, either as a TR or an MR.

9. How is the remuneration structure for the TR or MR determined?

The remuneration structure is determined by the Principal.

10. Are the TR or MR considered as full-time employees or agents of the Principal?

The status of the TR or MR will be determined by the Principal.

11. When a person is registered as a TR or an MR, can he be called by a different title or designation?

A TR or an MR may be called by any other appropriate name provided that the title does not imply that the TR or MR is a licensed person. Notwithstanding the title or designation, the TR or MR remains under the obligation to act within the permitted activities as a TR or an MR.

12. What is the responsibility of a Principal before registering a TR with the SC or notifying SC on the appointment of the MR?

The Principal is responsible to conduct the necessary due diligence on the applicant's qualification, experience requirement and ensure that the TR or MR is fit and proper before proceeding with the registration.

13. What is the role of a Principal over the TR or MR?

The Principal will be responsible to supervise the conduct, ongoing training and development of the TR or MR, as well as ensure payment of annual fee for the continued registration. The Principal is required to submit an annual report to the SC on the outcome of its supervision and findings, if any, as well as training and development activities carried out for the TR or MR.

14. Does the Principal need to submit the training and supervisory framework every time they submit an application for a TR to the SC?

The Principal is required to furnish the training and supervisory framework on their first submission of application for a TR to the SC. However, the Principal is required to notify the SC if there are subsequent changes to the framework.

15. A TR or an MR is required to undergo five training days in a year. How many hours should one training day consist of?

One day of training should consist of at least seven hours of training.

16. Can the Principal conduct the training for a TR or an MR?

Yes. A Principal is allowed to conduct training for a TR or an MR. The Principal is to ensure that training conducted is relevant in enhancing the TR or MRs' competency and understanding of the expected duties and responsibilities. The Principal must maintain a training register to log in training days completed by each TR/MR.

17. Can a TR or an MR be attached to more than one Principal?

A TR must, at any point of time, only act on behalf of one Principal while a MR is allowed to act on behalf of multiple Principals.

18. Can an applicant on his own accord apply to SC to be registered as a TR or an MR?

Registration as a TR can only be done by the participating organisation (principal) with SC on behalf of the TR, while MR will only be registered with the Principal and not with SC.

19. I am currently registered with SC as an Introducing Representative. What will happen to my status of registration?

You will be regarded as an MR and you must be registered with the principal.

20. Where a TR or an MR of a Principal which is a PO wishes to become a CMSRL holder, what are the requirements?

In the case of a TR or an MR who is attached to a Principal which is a PO, the TR or an MR can submit an application to SC to become a CMSRL holder for dealing in securities with the PO, subject to him satisfying the following conditions:

- (a) Served for a minimum period of two years on a continuous basis in one PO either as a TR or an MR;
- (b) Attended at least 10 days of training over two years on a continuous basis;
- (c) Obtained a satisfactory report on the conduct of business from the PO where the TR or an MR had served his two years;
- (d) Attended a familiarisation programme (Familiarisation Programme 2) and passed the assessment at the end of the two-year period; and
- (e) Remains fit and proper at all times.

21. I am currently a registered MR with multiple Principals and wish to be a CMSRL holder for dealing in securities with Principal A. What would happen to my existing registration with other Principals?

You have to cease the MR registration with the other Principals prior to being a CMSRL holder.

22. In the scenario above, can I accumulate the training days from other Principals to satisfy the 10-day training requirement in order to apply as a CMSRL holder for dealing in securities with Principal A?

You can accumulate your 10-day training for two years from various Principals. You are also required to pass the Familiarisation Programme 2 before applying for a CMSRL. You must submit the relevant supporting document to Principal A to demonstrate that you have met with the minimum competency requirement.

23. A TR or an MR will be required to attend a familiarisation programme and pass its assessment before being registered. What does the familiarisation programme cover?

The familiarisation programme covers areas that are directly relevant to the permitted scope of activities, including the relevant rules and regulations, business practices, market conduct, know-your-client (KYC) rules and anti-money laundering policies and procedures. Reference may be made to the Securities Industry Development Corporation's (SIDC) list of on the familiarisation programmes conducted by SIDC.

24. Who will be conducting the familiarisation programmes?

The familiarisation programme will be conducted by SIDC.

25. Does the applicant need to be attached to a Principal to attend the familiarisation programme?

The applicant can attend the Familiarisation Programme 1 and pass the assessment before joining any Principal. However, the assessment result is only valid for two years from the date of passing the assessment. The applicant must ensure that the assessment result is valid at the time of his application to the Principal.

26. Is the CPE requirement applicable to a TR or an MR?

CPE requirement is not applicable to a TR or an MR. However, a TR or an MR is required to undergo a minimum of five days of training in a year.

27. When should the Principal notify SC with its updated list of MR?

The Principal is required to submit to SC an updated list of its MR within five business days after the end of every month. The template for submission is available on SC's website.

28. I am currently a CMSRL holder and have decided to be a TR or an MR. What happens to my CMSRL? Do I need to sit for the familiarisation programme and pass the assessment?

You have to cease your existing CMSRL to be registered as a TR or an MR. However, you will not be required to sit for the familiarisation programme as you have passed the relevant licensing examinations.

29. Subsequently, can I re-apply to be a CMSRL holder?

Yes, provided that you cease the TR or MR registration prior to re-applying for a CMSRL. You may apply for a CMSRL without having to re-sit the licensing examination, provided that you did not leave the industry for more than three years.

30. I have passed the relevant SC Licensing Examination modules and decide to be a TR or an MR instead of a CMSRL holder. Do I need to sit for the familiarisation programme and pass the assessment?

You will not be required to sit for the familiarisation programme as you have passed the relevant licensing examinations. However, you must ensure that the registration as a TR or an MR be made within two years from the date of passing the relevant licensing examination modules.