

CHAPTER 3

PARTICIPATING ORGANISATIONS AND  
REGISTERED PERSONS

PART A PARTICIPATING ORGANISATIONS

**3.01 Qualification criteria**

To be eligible for admission as a Participating Organisation, an applicant must:

- (a) be a company incorporated in Malaysia and if the company has a constitution which states the objects of the company, having as one of the applicant's objects, the carrying on of the business of dealing in securities;
- (b) hold a valid Capital Markets Services Licence for dealing in securities;
- (c) upon admission as a Participating Organisation, satisfy all the financial requirements set out in Chapter 13 of these Rules;
- (d) have facilities and personnel adequate for the expeditious and orderly carrying on of the business of trading in securities on the Exchange's stock market;
- (e) upon admission as a Participating Organisation, register all the Participating Organisation's Registered Person under these Rules; and
- (f) comply with such other requirements as may be prescribed by the Exchange from time to time.

**3.02 Application procedure**

(1) To become a Participating Organisation, an applicant must:

- (a) apply to the Exchange in accordance with the requirements the Exchange stipulates; and

*[Refer to Directive No. 3-001]*

- (b) satisfy the qualification criteria prescribed in Rule 3.01.
- (2) The Exchange may accept or reject an application to be a Participating Organisation.
- (3) Notwithstanding the applicant meeting the qualification criteria under Rule 3.01, the Exchange may reject the applicant's application to be a Participating Organisation if:
- (a) the applicant does not provide information relating to the application as the Exchange requires;
  - (b) any information or document that is furnished by the applicant to the Exchange is false or misleading;
  - (c) the applicant has failed to comply with any other requirement of the Securities Laws, these Rules and the Directives;
  - (d) the applicant is the subject of an investigation or proceeding involving an allegation of fraud or dishonesty, whether in or out of Malaysia;

- (e) the admission of the applicant is not in the interest of an orderly and fair stock market; or
  - (f) the Exchange is of the opinion that the admission of the applicant may affect the optimum utilisation of the Exchange's facilities, taking into account risk management and any other considerations.
- (4) If the Exchange accepts an applicant's application to be a Participating Organisation, the applicant will be admitted as a Participating Organisation and the applicant's name will be entered into the Register.
- (5) The Exchange will categorise a Participating Organisation as follows:
- (a) Investment Bank;
  - (b) Universal Broker;
  - (c) Special Scheme Broker;
  - (d) 1 + 1 Broker; or
  - (e) Standalone Broker.

### **3.03 Appeals on Refusal to Register**

If the Exchange rejects an application to be a Participating Organisation, the applicant may appeal in writing to the Exchange within 14 days after the applicant is notified of the Exchange's decision.

### **3.04 Change of status**

If a Participating Organisation changes the Participating Organisation's status from one category to another based on the categorisation prescribed under Rule 3.02(5), the Participating Organisation must notify the Exchange in the manner the Exchange prescribes.

*[Refer to Directive No. 3-001]*

### **3.05 Participantship**

- (1) Once admitted as a Participating Organisation, a Participating Organisation may:
- (a) have access to the markets or facilities established, maintained or operated by the Exchange, subject to these Rules and the Directives; and
  - (b) describe itself as a Participating Organisation of the Exchange.
- (2) A Participating Organisation is not permitted to transfer its Participantship in the Exchange to any other person.
- (3) A Participating Organisation will immediately cease to enjoy access to the markets or facilities maintained by the Exchange as described in Rule 3.05(1)(a) if the Participating Organisation:
- (a) is suspended;
  - (b) no longer holds a Capital Markets Services Licence for dealing in securities or has had its Capital Markets Services Licence for dealing in securities suspended;

- (c) defaults in the Participating Organisation's payment or delivery obligation to the Clearing House arising from the purchase or sale of securities on the Exchange's stock market; or
  - (d) ceases to be a Participating Organisation.
- (4) A Participating Organisation must immediately notify the Exchange upon becoming aware of the circumstance prescribed in Rule 3.05(3)(b).

### **3.06 Continuing Obligations**

Throughout the term of a Participating Organisation's Participanship, it must:

- (a) continuously satisfy the qualification criteria stated in Rule 3.01;
- (b) comply with and give effect to the Securities Laws and the Commission's requirements;
- (c) comply with and give effect to these Rules and the Directives whether or not the provisions are directed at the Participating Organisation specifically and to any undertaking given to the Exchange whether before or after admission as a Participating Organisation;
- (d) ensure that its constitution, if any, complies with or is consistent with these Rules or the Directives;
- (e) register with the Exchange the business address of its Principal Office and not change such business address without the prior written approval of the Exchange;
- (f) notify the Exchange of any change to the Participating Organisation's registered address within 7 days after the change;
- (g) notify the Exchange of any change to its name as registered by the Exchange within 7 days after the change;
- (h) not go into voluntary liquidation or apply for any order under Section 366 of the Companies Act without the Exchange's prior written approval; and
- (i) comply with the provisions of the rules of the Clearing House and Central Depository.

### **3.07 Resignation**

- (1) If a Participating Organisation intends to resign, it must:
- (a) give the Exchange at least 30 days' written notice stating the proposed date of resignation;
  - (b) satisfy the Exchange that it has taken, or will take, proper and adequate steps before the proposed date of resignation for the orderly winding down of its business of trading in securities on the Exchange's stock market including being able to fulfil all its obligations to the Exchange and its Clients; and
  - (c) stop entering into transactions within the time frame the Exchange prescribes.
- (2) The Exchange may accept or reject the Participating Organisation's resignation.
- (3) If the resignation is accepted, the Exchange will notify all other Participating Organisations of the effective date of resignation.

- (4) The resigning Participating Organisation's name will be removed from the Register on the effective date of resignation.

**3.08 Fees**

- (1) A Participating Organisation must pay the Exchange all fees and charges the Exchange stipulates in the manner and within the period the Exchange prescribes.
- (2) A Participating Organisation that omits to pay the Exchange any fee or charge within the time frame the Exchange specifies will be sent a written demand for payment. If the amount due is not paid within the period prescribed in the written demand, the Exchange may summarily suspend, terminate or take any other action the Exchange thinks fit against the Participating Organisation and will notify the Participating Organisation concerned.

**3.09 Continuing liability**

- (1) A former Participating Organisation remains liable to disciplinary action for any breach of these Rules and all other Directives issued by the Exchange committed during the period while it was a Participating Organisation.
- (2) A former Participating Organisation must retain all its records for at least 7 years from the date of cessation and produce such records in a legible form to the Exchange upon demand.
- (3) All provisions in these Rules continue to apply in respect of the former Participating Organisation to the extent required to give effect to Rules 3.09(1) and 3.09(2).

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**PART B REGISTERED PERSON**

**3.10 Obligation to register**

A Participating Organisation must register the following persons with the Exchange:

- (a) Chief Executive Officer;
- (b) Director;
- (c) Head of Dealing;
- (d) Head of Operations;
- (e) Head of Compliance; and
- (f) Dealer's Representative.

**3.11 Registration procedures**

- (1) To register a person under Rule 3.10, a Participating Organisation must:
  - (a) submit the relevant documents to the Exchange in accordance with the requirements the Exchange prescribes; and
  - (b) make the submission only in respect of a person that satisfies the relevant qualification criteria applicable for the relevant category of Registered Person as prescribed in these Rules.
- (2) The Exchange may accept or reject a submission for registration as a Registered Person.
- (3) Notwithstanding the Registered Person meeting the relevant qualification criteria under these Rules, the Exchange may reject a submission for registration as a Registered Person if:
  - (a) the information relating to the submission as the Exchange requires is not provided;
  - (b) any information or document that is furnished to the Exchange is false or misleading;
  - (c) the proposed Registered Person has failed to comply with any other requirement of the Securities Laws, these Rules and the Directives;
  - (d) the proposed Registered Person is the subject of an investigation or proceeding involving an allegation of fraud or dishonesty, whether in or out of Malaysia; or
  - (e) the conduct of a Registered Person is not in the interest of a fair and orderly market.

*[Refer to Directive No. 3-001]*

**3.12 Appeals on Refusal to Register**

If the Exchange rejects a submission for registration under this Rule, the Participating Organisation may appeal in writing to the Exchange within 14 days after the Participating Organisation is notified of the Exchange's decision.

### 3.13 Prohibition on performing functions until registered

- (1) This Rule does not apply to Directors and Chief Executive Officers.
- (2) No person may perform the functions of a Registered Person of a Participating Organisation unless registered with the Exchange as such.

### 3.14 Obligations

Throughout the term of a Registered Person's registration, a Registered Person must:

- (a) continuously satisfy the qualification criteria applicable to that Registered Person;
- (b) comply with and give effect to the Securities Laws and the Commission's requirements;
- (c) comply with and give effect to these Rules and the Directives and to any undertaking given to the Exchange whether before or after registration as a Registered Person;
- (d) observe professional conduct, standards of integrity and fair dealing;
- (e) exercise proper skill, care and diligence;
- (f) act honestly and in the best interest of the Client and the Participating Organisation;
- (g) carry out the Registered Person's duties in a manner that contributes to the maintenance of an orderly and fair stock market;
- (h) effectively discharge the Registered Person's duties while in office;
- (i) not act in a manner that may compromise the Registered Person's function and position;
- (j) comply with the Rules of the Clearing House and Central Depository; and
- (k) comply with and give effect to the structures, policies, procedures and internal controls implemented by the Participating Organisation pursuant to Rule 5.03.

### 3.15 Continuing Obligations

- (1) A Registered Person must not:
  - (a) cause, aid or abet a breach of these Rules or the Directives by a Participating Organisation; or
  - (b) permit, either knowingly or where the Registered Person had reasonable means of obtaining such knowledge, a Participating Organisation to commit a breach of these Rules or the Directives.
- (2) A Registered Person must exercise all such diligence to prevent the commission of the breach of these Rules or the Directives by the Participating Organisation as the Registered Person ought to have exercised, having regard to the nature of the Registered Person's functions in the Participating Organisation and to all relevant circumstances.

**3.16 Duty to manage conflicts of interest**

A Registered Person must identify and manage any potential or actual conflict of interests in relation to the discharge of obligations and functions under the Securities Laws, these Rules and the Directives.

**3.17 Notice of cessation**

A Participating Organisation must notify the Exchange within 14 days of the effective date of the Registered Person ceasing to hold the relevant office.

**3.18 Vacancy of Registered Person**

- (1) This Rule 3.18 only applies to a Head of Dealing, Head of Operations and Head of Compliance
- (2) If a vacancy occurs in the office of a person described in Rule 3.18(1), the Participating Organisation must fill the vacancy within 6 months from the date the vacancy occurs.
- (3) In the interim, the Participating Organisation must identify a person and require that person to temporarily assume the responsibility for the functions of the vacated office. The Participating Organisation must ensure that the person:
  - (a) has the relevant experience and seniority to undertake the relevant functions;
  - (b) complies with these Rules and the Directives except for the requirement for the Commission's approval to be appointed to the relevant vacated office; and
  - (c) undertakes only such functions for a period not exceeding 6 months.
- (4) The Participating Organisation must notify the Exchange of the person assuming responsibility for the functions of the vacated office.

**3.19 Striking Off the Register**

- (1) A Registered Person will summarily cease to be registered under these Rules if the Registered Person:
  - (a) becomes of unsound mind;
  - (b) is made bankrupt, whether in or out of Malaysia;
  - (c) no longer holds a Capital Markets Services Representative's Licence where the Registered Person is required to hold such licence under these Rules;
  - (d) is convicted, whether within or outside Malaysia, of an offence involving fraud or other dishonesty or violence or the conviction of which involved a finding that he acted fraudulently or dishonestly; or
  - (e) is convicted of an offence under the Securities Laws.
- (2) A Participating Organisation and a Registered Person must immediately notify the Exchange upon becoming aware of any of the above circumstances.

**3.20 Fees on registration**

A Participating Organisation must pay the Exchange all fees and charges the Exchange stipulates for the registration of a Registered Person in the manner and within the period the Exchange specifies.

*[Refer to Directive No. 3-001]*

**3.21 Continuing liability**

A former Registered Person remains subject to disciplinary action for any breach of these Rules and the Directives committed during the period while the person was a Registered Person and all provisions in these Rules continue to apply in respect of the former Registered Person to the extent required to give effect to this Rule 3.21.

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**PART C CHIEF EXECUTIVE OFFICER**

**3.22 Obligations**

- (1) Throughout the term of the Chief Executive Officer's registration, subject to Rule 3.22(2), the Chief Executive Officer must be responsible for:
  - (a) all the activities of the Participating Organisation in relation to the business of trading in securities on the stock market of the Exchange; and
  - (b) the compliance by the Participating Organisation with these Rules and the Directives.
- (2) Subject to these Rules, a Chief Executive Officer who is also registered as a Head of Dealing may only be responsible for activities of trading in securities while a CEO who is also registered as a Head of Operations must not be responsible for activities of trading in securities.

**3.23 Engagement in other business**

- (1) A Chief Executive Officer must not engage in or hold any interest in any other business unless:
  - (a) the directorship or appointment is non-executive in nature;
  - (b) there is no conflict of interests or duty with being a Chief Executive Officer of a Participating Organisation;
  - (c) the engagement or interest is not in breach of the conditions of Capital Markets Services Representative's Licence (if applicable); and
  - (d) the Chief Executive Officer has obtained the Participating Organisation's prior approval.
- (2) For the purpose of this Rule, 'engaging in any business' includes being a director or a debenture holder in any entity.

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**PART D HEADS**

**3.24 Minimum number of Heads**

A Participating Organisation must have at least 3 Heads, namely Head of Dealing, Head of Operations and Head of Compliance. No other person other than these Heads is permitted to discharge the respective functions of the Heads as prescribed in these Rules.

**3.25 Engagement in other business**

- (1) A Head of a Participating Organisation must not engage in or hold any interest in any other business unless:
  - (a) the directorship or appointment is non-executive in nature;
  - (b) there is no conflict of interests or duty with being a Head of a Participating Organisation;
  - (c) the engagement or interest is not in breach of conditions of the Capital Markets Services Representative's Licence (if applicable); and
  - (d) the Head has obtained the Participating Organisation's prior approval
- (2) For the purpose of this Rule, 'engaging in any business' includes being a director or a debenture holder in any entity.

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**PART E HEAD OF DEALING**

**3.26 Requirement**

- (1) A Participating Organisation must appoint at least 1 Head of Dealing.
- (2) A Participating Organisation that appoints more than 1 Head of Dealing must:
  - (a) clearly delineate and document the area and scope of responsibility of each Head of Dealing at the time of appointment of a Head of Dealing and if there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
  - (b) have every area of the Participating Organisation's business relating to trading in securities fall under the responsibility of at least 1 Head of Dealing.
- (3) All Heads of Dealing of a Participating Organisation are jointly responsible for any area relating to trading in securities that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Dealing.

**3.27 Qualification criteria**

A Head of Dealing appointed by a Participating Organisation must fulfil the following requirements:

- (a) is approved by the Commission as a Head of Dealing;
- (b) holds a Capital Markets Services Representative's Licence for dealing in securities; and
- (c) is registered with the Exchange as a Head of Dealing.

**3.28 Obligations**

Throughout the term of a Head of Dealing's registration, the Head of Dealing must:

- (a) continuously satisfy the qualification criteria stated in Rule 3.27;
- (b) be responsible for the activities of the Participating Organisation related to trading in securities; and
- (c) supervise and direct compliance with these Rules and the Directives by the Participating Organisation, Registered Persons, employees and agents on matters relating to trading in securities.

**3.29 Reporting**

- (1) A Head of Dealing must report directly to the Board of Directors of the Participating Organisation.
- (2) Rule 3.29(1) is not applicable to a Head of Dealing of an Investment Bank.

**PART F HEAD OF OPERATIONS**

**3.30 Requirement**

- (1) A Participating Organisation must appoint at least 1 Head of Operations.
- (2) A Participating Organisation that appoints more than 1 Head of Operations must:
  - (a) clearly delineate and document the area and scope of responsibility of each Head of Operations at the time of appointment of a Head of Operations and if there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
  - (b) have all the operational activities of the Participating Organisation relating to trading in securities (“operational activities”) fall under the responsibility of at least 1 Head of Operations.
- (3) All Heads of Operations of a Participating Organisation are jointly responsible for any operational activities of the Participating Organisation that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Operations.

**3.31 Qualification criteria**

A Head of Operations appointed by a Participating Organisation must fulfil the following requirements:

- (a) is approved by the Commission as a Head of Operations;
- (b) does not hold a Capital Markets Services Representative's Licence; and
- (c) is registered with the Exchange as a Head of Operations.

**3.32 Obligations**

Throughout the term of a Head of Operation's registration, the Head of Operations must:

- (a) continuously satisfy the qualification criteria stated on Rule 3.31;
- (b) be responsible for the Participating Organisation's operational activities relating to trading in securities; and
- (c) supervise and direct compliance with these Rules and the Directives by the Participating Organisation, Registered Persons, employees and agents on matters relating to the Participating Organisation's operational activities.

**3.33 Reporting**

- (1) A Head of Operations must report directly to the Board of Directors of the Participating Organisation.
- (2) Rule 3.33(1) is not applicable to a Head of Operations of an Investment Bank.

**PART G HEAD OF COMPLIANCE**

**3.34 Requirement**

- (1) A Participating Organisation must appoint at least 1 Head of Compliance.
- (2) A Participating Organisation that appoints more than 1 Head of Compliance must:
  - (a) clearly delineate and document the area and scope of responsibility of each Head of Compliance at the time of appointment of a Head of Compliance and if there is any change in the area and scope of responsibility, the Participating Organisation must update the relevant documentation accordingly; and
  - (b) have every area relating to the compliance functions referred to in Rule 3.36(b) fall under the responsibility of at least 1 Head of Compliance.
- (3)
  - (a) Where a Participating Organisation outsources its compliance functions to the Group under Rule 5.17, the Participating Organisation must ensure that:
    - (i) the Group designates at least 1 dedicated compliance officer who must be responsible to ensure that the compliance functions of the Participating Organisation as stated in Rule 3.36 are carried out; and
    - (ii) the dedicated compliance officer is registered with the Exchange in accordance with this Part G of Chapter 3.
  - (b) Where a Participating Organisation has outsourced its compliance functions to the Group and has complied with Rule 3.34(3)(a), it may choose not to appoint a Head of Compliance.
  - (c) The provisions in this Part G of Chapter 3 are applicable to the dedicated compliance officer as though the dedicated compliance officer is the Head of Compliance unless stated otherwise.
- (4) All Heads of Compliance of a Participating Organisation are jointly responsible for any compliance function referred to in Rule 3.36(b) that has not been assigned by the Participating Organisation to be within the responsibility of any Head of Compliance.

**3.35 Qualification criteria**

A Head of Compliance appointed by a Participating Organisation must fulfil the following requirements:

- (a) is approved by the Commission as a Head of Compliance;
- (b) does not hold a Capital Markets Services Representative's Licence; and
- (c) is registered with the Exchange as a Head of Compliance.

**3.36 Obligations**

Throughout the term of a Head of Compliance's registration, the Head of Compliance must:

- (a) continuously satisfy the qualification criteria stated in Rule 3.35;

- (b) supervise and carry out proper checks and reviews to monitor and ensure the overall compliance by the Participating Organisation, the Participating Organisation's Registered Persons, employees and agents with the Securities Laws, these Rules and the Directives; and

*[Refer to Directive No. 3.36-001]*

- (c) ensure matters pertaining to compliance by the Participating Organisation, the Participating Organisation's Registered Persons, employees and agents with the Securities Laws, these Rules and the Directives are highlighted to the Participating Organisation's Board of Directors or in the case of an Investment Bank, to the Board of Directors or committee to whom the Head of Compliance is required to report under the Guidelines on Investment Banks.

*[Refer to Directive No. 3.36-002 and Best Practice No. 3.36-001]*

### **3.37 Reporting**

*[Deleted]*

### **3.38 Reporting of breaches or irregularities**

*[Deleted]*

### **3.39 Reporting on compliance matters**

*[Deleted]*

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**PART H DIRECTORS**

**3.40 Requirement**

A Participating Organisation must register the Participating Organisation's Directors with the Exchange.

**3.41 Obligations**

Throughout the term of a Director's registration, the Director must be responsible for:

- (a) all the activities of the Participating Organisation;
- (b) compliance with these Rules, the Directives and Securities Laws by the Participating Organisation and the Participating Organisation's Registered Persons, employees and agents; and
- (c) satisfying the qualifications the Commission or the Central Bank (for a Director of an Investment Bank) prescribes.

**3.42 Engagement in Other business**

- (1) A Director of a Participating Organisation must not engage in or hold any interest in any other business unless:
  - (a) there is no conflict of interests and duty with being a Director of a Participating Organisation;
  - (b) the engagement or interest is not in breach of conditions of the Capital Markets Services Representative's Licence (if applicable); and
  - (c) the Director has obtained the Participating Organisation's prior approval.
- (2) In this Rule, "engaging in any business" includes being a director of or a debenture holder in any entity.

**3.43 Deeming provision**

- (1) A Director of a Participating Organisation who was, immediately prior to the Conversion Date, a member of the Exchange Holding Company is deemed a Registered Person after the Conversion Date(s) until the Director ceases to be a Registered Person(s) in accordance with these Rules and must continue to be bound by these Rules and the Directives.
- (2) A reference to a Director in the Director's former capacity as a member of the Exchange Holding Company in any undertaking, declaration, indemnity or other document will be construed as reference to the Director in the Director's capacity as a Registered Person.

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## PART I DEALER'S REPRESENTATIVES

### 3.44 Categories

The categories of Dealer's Representatives are:

- (a) Commissioned Dealer's Representatives;
- (b) Salaried Dealer's Representatives; and
- (c) Proprietary Day Traders.

### 3.45 Requirement

- (1) A Participating Organisation must register the Participating Organisation's Dealer's Representatives with the Exchange.
- (2) The registration of a Proprietary Day Trader is a privilege granted by the Exchange to the Participating Organisation and the Proprietary Day Trader. As such the Exchange may reject an application for registration of a Proprietary Day Trader without assigning any reason for the rejection.

### 3.46 Qualification criteria

- (1) A Dealer's Representative appointed by a Participating Organisation must fulfil the following requirements:
  - (a) holds a Capital Markets Services Representative's Licence for dealing in securities; and
  - (b) is registered with the Exchange as a Dealer's Representative based on the categories in Rule 3.44.
- (2) *[Deleted]*

### 3.47 Obligations of a Dealer's Representative

- (1) Throughout the term of a Dealer's Representative's registration with the Exchange, the Dealer's Representative must:
  - (a) continuously satisfy the qualification criteria stated in Rule 3.46;
  - (b) act for only 1 Participating Organisation;
  - (c) be employed or engaged on a full-time basis by a Participating Organisation;
  - (d) *[Deleted]*
  - (e) be of good character and act faithfully for and on behalf of the Participating Organisation in all the Dealer's Representative's dealings;
  - (f) not accept payment from Clients or hold any Client's assets in the Dealer's Representative's name and must ensure that Clients make payments and lodgement of assets directly to the Participating Organisation;

*[Refer to Directive No. 3.47(1)-001]*



- (g) not engage in or hold any interest in any other business unless:
  - (i) the directorship or appointment is non-executive in nature;
  - (ii) there is no conflict of interests or duty with being a Dealer's Representative of a Participating Organisation;
  - (iii) the engagement or interest is not in breach of conditions of the Capital Market Services Representative's licence; and
  - (iv) the Dealer's Representative has obtained the Participating Organisation's prior approval;
- (h) not carry on the business of dealing in securities outside the Principal Office or a Branch Office of the Participating Organisation unless the Dealer's Representative has obtained the Participating Organisation's prior approval;

*[Refer to Directive No. 3.47(1)-002]*

- (i) if the Dealer's Representative trades on Client's behalf, properly verify the Client's identity and the authenticity of the application;
  - (j) if the Dealer's Representative is a Proprietary Day Trader, only operate the Day Trading Activities Account and no other account, on such conditions as the Exchange may prescribe;
  - (k) not undertake trading for the Participating Organisation's Client or a client of a holder of a Capital Markets Services Licence for dealing in derivatives, if the Dealer's Representative undertakes proprietary trading for the Participating Organisation and vice versa;
  - (l) not, without proper authority, make use of another person's account particulars; and
  - (m) not apply any amount paid or securities deposited by a Client:
    - (i) to any person not entitled; or
    - (ii) for payment into an account other than the said Client's trading account.
- (2) In Rule 3.47(1):
- (a) "engaging in any business" includes being a director of or a debenture holder in any entity; and
  - (b) "Day Trading Activities Account" refers to trading account opened in the name of a Participating Organisation and used by the Participating Organisation for Day Trading.
- (3) A Dealer's Representative is liable for any loss arising from the Dealer's Representative failing to properly verify the Client's identity and the authenticity of the application under Rule 3.47(1)(i).

### **3.48 Scope of activities**

A Dealer's Representative must comply with the restrictions set out in Schedule 1 in respect of the scope of a Dealer's Representative's activities.

**3.49 Remuneration**

A Dealer's Representative must not share the remuneration or commission paid with any person except as provided in Rule 11.02(3A).

**3.50 Segregation of assets**

- (1) A Participating Organisation must segregate and safeguard the DR Security Deposit from:
  - (a) the Participating Organisation's assets and securities; and
  - (b) other securities the Participating Organisation holds on behalf of the Participating Organisation's Clients.
- (2) A Participating Organisation must place all cash DR Security Deposits the Participating Organisation receives in a trust account maintained with a licensed bank or licensed investment bank under the FSA.

**3.51 Movement of Dealer's Representative**

*[Deleted]*

**3.52 Re-designation**

- (1) A Participating Organisation must notify the Exchange of a Commissioned Dealer's Representative's re-designation to a Salaried Dealer's Representative or vice versa within 14 days from the effective date of the re-designation.
- (2) A Participating Organisation must apply to the Exchange in the manner the Exchange specifies for a Commissioned Dealer's Representative or a Salaried Dealer's Representative re-designation to a Proprietary Day Trader. The Exchange may disallow the re-designation as the Exchange deems fit.
- (3) A Participating Organisation must notify the Exchange of a Proprietary Day Trader's re-designation to either a Commissioned Dealer's Representative or Salaried Dealer's Representative at least 3 days prior to the effective date of the re-designation and make payment of any fees prescribed by the Exchange.

*[Refer to Directive No. 3-001]*

**3.53 Transfer**

- (1) A Participating Organisation must obtain the Exchange's approval to transfer the registration of a person it wishes to employ or engage as its Dealer's Representative who:
  - (a) is employed or engaged by another Participating Organisation as a Dealer's Representative; or
  - (b) was not more than 6 months prior to the intended date of employment or engagement, employed or engaged by another Participating Organisation as a Dealer's Representative.
- (2) To obtain approval to transfer the registration of a Dealer's Representative, a Participating Organisation must:

- (a) apply to the Exchange in the manner the Exchange prescribes;
  - (b) pay the transfer fee the Exchange prescribes; and
  - (c) in the circumstances stated in Rule 3.53(1)(a), submit a letter of release from the Participating Organisation that the Dealer's Representative is employed or engaged with.
- (3) A Participating Organisation must give a letter of release to a Dealer's Representative who requests for such letter within a reasonable timeframe unless the Dealer's Representative:
- (a) is in material breach of any of these Rules or the Directives; or
  - (b) has debt(s) owing of RM50,000 or more to the Participating Organisation.

If there is a dispute on whether a particular breach constitutes a material breach of these Rules or the Directives, the Exchange will decide on such dispute. The Exchange's decision on the matter is final and binding.

*[Refer to Directive No. 3-001]*

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**PART J PROTECTION OF PUBLIC, CLIENT AND EXCHANGE'S INTEREST**

**3.54 Powers of the Exchange**

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[End of Chapter]