



MALAYSIA FUND MANAGEMENT LICENCE

A Malaysia fund management company carrying on fund management activities regulated under the Capital Markets and Services Act 2007 (“CMSA”)

Application for Fund Management Licence

Any person intent to having a business on fund management activities may submit an application to Securities Commission (SC).

Two mandatory licence application:

- > Capital Markets Services License (CMSL)
- > Capital Markets Services Representative License (CMSRL)

Fund Management Regulated Activities

> Portfolio Management

A licence for fund management in relation to portfolio management will be granted by SC to manage a portfolio of securities or derivatives or a combination of both, if company carry on the business of fund management in relation to portfolio management

> Portfolio Management – Digital Investment Management

A licence for fund management in relation to portfolio management as a digital investment manager will be granted by SC, if company carry on the business of fund management incorporating innovative technologies into company automated discretionary portfolio management services offers to clients.

> Portfolio Management – Boutique Portfolio Management

A licence for fund management in relation to portfolio management as a boutique portfolio management will be granted by SC, if company carry on the business of fund management in relation to portfolio that:

- > manage assets of not more than RM750 million;
- > only deal with sophisticated investors; and
- > has total number of clients which does not exceed 50, and where such clients are funds or collective investment scheme, the maximum number of such funds or collective investment schemes is 15.

Note: Portfolio Management and Portfolio Management – Digital Investment have the same requirements. While, Boutique Portfolio Management have its specific requirement required by SC

SC Guidance on Portfolio Management

A holder of CMSL for fund management in relation to portfolio management, including digital investment management company and boutique portfolio management company, may provide investment advisory services to its clients, pursuant to an advisory mandates

Licensing Criteria

SC will not grant authorisation unless the application is in the best interest of Malaysia, the SC will give regard to any one or more of the following:

- > The area of specialisation and level of expertise that can be offered to the capital market, including the effect on productivity, transference of skills and efficiency and quality of capital markets;
- > The risk posed on the systemic stability of the capital market, including activities and conduct that will likely impact the orderly functioning of the capital market;
- > Contribution towards attracting investments, enhancing market linkages and promoting vibrancy in the capital market;
- > Ability in developing strategic or nascent sectors in the capital market; or
- > The degree and significance of participation of Malaysians in the capital market.

Fit and Proper

- > CMSL applicant must be fit and proper, as set out in sections 64 and 65 of the CMSA. Criteria will be referred in accessing the application:
 - > Organisational requirements;
 - > Shareholding composition;
 - > The adequacy of you financial resources; and
 - > Requirements relating to representatives’ competencies.
- > CMSL applicant will be required to submit its business model and scope of activities that it plans to carry on.



General Requirement for CMSL on Fund Management Regulated Activities

- > **Business Model**
Applicant required to submit its business model and scope of activities that it plans to carry on
- > **Organizational Competence**
Applicant must ensure that your business is properly established, which includes the following:
 - > An organisational structure with clear lines of responsibility and authority;
 - > Necessary IT systems and infrastructure, including policies and procedures for IT audit as well as plans for continuous investment in systems development and security system;
 - > Adequate internal control systems;
 - > Risk management policies and procedures, including having in place a business continuity plan and processes;
 - > Policies and procedures on conflict management, anti-corruption, whistleblowing, and the monitoring of unethical conduct and market abuse that are appropriate to the nature, scale and complexity of its business; and
 - > Policies and procedures to ensure compliance with applicable laws and regulations.

As part of the business model and scope of activities to support the application for a CMSL, the following may also be required:

- > Value proposition of the business model;
- > Investments in creating investor awareness, product understanding and development of the industry; and
- > An independent report on operational and system readiness.
- > **Fit and Proper Requirements for Directors, Chief Executive, Managers and Controllers (BO) of a CMSL Applicant**
Your directors, chief executive, managers and controllers must be fit and proper. As a CMSL applicant, you must ensure that none of the grounds specified in subparagraphs 64(1)(h), 64(1)(i), 64(1)(l) and 64(1)(m) of the CMSA applies to any of them.

CMSL Requirement – Portfolio Management & Digital Investment Management

- > **Company Basic Requirement**
 - > Company Incorporated in Malaysia under Company Act 2016
 - > Company Paid-up Capital – RM2,000,0000
 - > Shareholders' Funds – RM2,000,000
- > **CMSRL Holders**
Minimum at least Two (2) holders at all times
- > **License Director**
Mandatory at least One (1) License Director:
 - > has a minimum of 10 years of relevant experience in the licensed regulated activity;
 - > holds a CMSRL for the regulated activity; and
 - > must be approved by the SC prior to undertaking the function as a licensed director
- > **Size of Client**
No Limitation
- > **Asset Under Management**
No Limitation

CMSL Requirement – Boutique Portfolio Management

- > **Company Basic Requirement**
 - > Company Incorporated in Malaysia under Company Act 2016
 - > Company Paid-up Capital – RM500,000
 - > Shareholders' Funds – RM500,000
- > **CMSRL Holders**
AUM RM300 million or less, at least One (1) CMSRL holder at all times and holder must be a substantial shareholder and/or director of company.
- > **License Director**
Not mandatory for License Director
- > **Size of Client**
Has total number of clients which does not exceed 50, and where such clients are funds or collective investment schemes, the maximum number of such funds or collective investment schemes is 15
- > **Asset Under Management**
Maximum RM750 million



General Requirement for CMSL Holder for Fund Management Regulated Activities

- > **Member of an Alternative Dispute Resolution body**
 - > CMSL holder are required to be a member of an Alternative Dispute Resolution body (ADR body) that is approved by SC
 - > CMSL holder must comply with the rules of the ADR body
- > **Audit Oversight Board**

CMSL holder are required to engage auditors that are registered with the Audit Oversight Board.
- > **Capital Market Compensation Fund**

CMSL holder are required to contribute to the Capital Market Compensation Fund in accordance with the Capital Markets and Services (Capital Market Compensation Fund) (Contribution) Order 2012
- > **Capital Market Director Programme (CMDP)**

Company Director of CMSL holder are mandatory to complete the CMDP within Six (6) months from the date of appointment.
- > **Notification of establishment of new business or acquisition of shares / interests in or outside Malaysia**

A CMSL holder must notify the SC within 14 days of establishing a new business or acquiring shares / interests in or outside Malaysia in relation to non-capital market-based activities.
- > **Notification of disposal of business or shares / interests in or outside Malaysia**

A CMSL holder must notify the SC within 14 days of disposing of a business or shares / interests in or outside Malaysia.
- > **Prior approval for change in controller**
 - > A CMSL holder is required to obtain the SC's prior approval in circumstances where any proposed change in the direct or indirect shareholding of the CMSL holder will result in the change in its controller.
 - > Controller has the same meaning as defined under subsection 60(7) of the CMSA, which means a person who—
 - > is entitled to exercise, or control the exercise of, not less than 15% of the votes attached to the voting shares in the CMSL holder;
 - > has the power to appoint or cause to be appointed a majority of the directors of the CMSL holder; or
 - > has the power to make or cause to be made, decisions in respect of the business or administration of such CMSL holder, and
- > **Prior approval for the appointment of chief executive**
 - > All CMSL holders, including investment banks should seek the SC's prior approval for the appointment of its chief executive
 - > The chief executive is expected to demonstrate the capability and competence to lead the company. The chief executive must act honestly and exercise due skill and diligence and be suitably qualified to assume the position.
 - > If the position of chief executive becomes vacant, the CMSL holder is expected to take the necessary steps to fill the position within the three month for the date of vacancy.
- > **Process flow for the appointment of directors**
 - > Can appoint directors without prior approval of the SC. However, before appointing a director, you must undertake the necessary due diligence to ensure that the candidate is fit and proper, and suitably qualified to assume the position.
 - > Required to notify the SC in writing on the appointment or reappointment of a director within two business days of the appointment or reappointment, or prior to any public announcement, whichever is earlier.
 - > SC will carry out a post-appointment assessment of directors of a CMSL holder. If our assessment reveals that a director is not fit and proper, we may direct you to remove the person from the post.
- > **Process flow for the appointment of directors**

For changes in shareholding composition or paid-up capital that does not result in a change of controller, the Authorisation and Licensing Department of the SC must be notified within 14 days of the occurrence of the event.



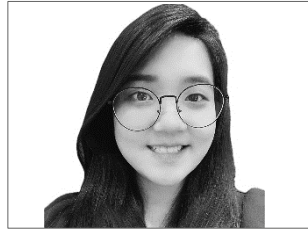
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