

CIRCULAR

Date:	4 March 2019	Ref No.:	LRA/ALL/JG/KLR/004-19 (Total no. of pages: 2)
To:	UTMC, IUTA, CUTA, PRS PROVIDER, IPRA AND CPRA		
Attn:	Authorised Representatives / Chief Executive Officers		

AMENDMENTS TO FIMM's CONSOLIDATED RULES TO ALLOW CORPORATE UNIT TRUST ADVISERS (CUTA) AND CORPORATE PRS ADVISERS (CPRA) TO FORM MULTIPLE-TIERED AGENCY STRUCTURE

1. We refer to the above matter.
2. The Federation of Investment Managers Malaysia (FIMM) is pleased to announce that Appendix 2-A and Appendix 2-B of FIMM's Consolidated Rules (FCR) have been amended to allow CUTAs and CPRAs to form multiple-tiered agency structure of up to three tiers.
3. The above mentioned amendments to the FCR as set out in **Attachment 1** shall take effect on 4 March 2019.
4. CUTA and CPRA who wish to commence multiple-tiered agency structure must have in place, adequate documented internal systems, policies and procedures to support the implementation of the multiple-tiered agency structure.
5. CUTA and CPRA must notify FIMM seven (7) business days prior to commencement of multiple-tiered agency structure.
6. With effect from 2019, CUTAs and CPRAs with multiple-tiered agency structure will be required to attest additional questions in the Annual Compliance Review as per **Attachment 2**
7. With the issuance of this circular, the following are no longer applicable:
 - (a) Circular on "*Registration of Unit Trust Scheme and Private Retirement Scheme Consultants of Corporate Unit Trust Scheme Advisers and Private Retirement Scheme Advisers*" issued by FIMM on 11 July 2013; and
 - (b) Amendments to Appendices 2-A and 2-B of FIMM's Consolidated Rules in relation to "Agency Units" applicable to CUTA and CPRA made through a circular with the title "*Liberalisation for Institutional UTS Adviser (IUTA) and Institutional PRS Adviser (IPRA) to appoint*

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Independent Individuals as Consultants" issued by FIMM on 31 March 2017.

8. A CUTA or CPRA under the multiple-tiered agency structure must ensure that only a holder of the Capital Markets and Services Representative License for Financial Planning within the multiple-tiered agency structure may recruit and mentor an apprentice under the FIMM's Apprentice Program for CUTAs and CPRAs, which came into effect on 1 January 2017.

If you require further information on this circular, please contact Jegatheesan Govintharaj at jegatheesan@fimm.com.my or 03-2093 2600 (ext. 320)

Thank you.

Yours faithfully,

FEDERATION OF INVESTMENT MANAGERS MALAYSIA



KALEON LEONG
Chief Executive Officer

Amendments to Appendix 2-A of FIMM's Consolidated Rules

Category of Registration	Current Requirement	Amendment (to be effective 4 March 2019)
UTMC	<p><u>Distribution point</u></p> <p>(1) A UTMC must have at least 2 UTS Consultants at each of its distribution point including mobile distribution point.</p> <p>(2) A UTMC must maintain an updated register of relevant particulars of its UTS Consultants attached to each distribution point.</p> <p><u>UTS Consultants</u></p> <p>(3) A UTMC may appoint independent individuals or its employees as UTS Consultants.</p> <p><u>Agency units</u></p> <p>(4) A UTMC may form agency units among its UTS Consultants provided it complies with the requirements on establishment of agency units as stated in Appendix 2 of the Guidelines on Marketing and Distribution of Unit Trust Funds issued by SC.</p>	<p style="text-align: center;">NO AMENDMENT</p> <p style="text-align: center;">NO AMENDMENT</p> <p style="text-align: center;">NO AMENDMENT</p> <p><u>Agency units</u></p> <p>(4) A UTMC which appoints independent individuals (i.e. non-salaried employees of the UTMC) to deal in units in UTS and agency units are formed, the number of tiers in an agency unit must be standardised and not exceed four tiers, comprising— (a) group agency manager; (b) agency manager; (c) agency supervisor; and (d) agent.</p> <p>(5) A UTMC, however, is strongly encouraged to reduce the number of tiers in an agency structure to a minimum in the interest of investors.</p>

		<p><u>Size of Agency Unit</u></p> <p>(6) An agency unit should not exceed 50 persons at all times.</p> <p>(7) A unit comprises a “supervisor” (defined as the upper three tiers only i.e. either group agency or agency manager or agency supervisor) and his direct downlines.</p> <p>(8) An agent is not allowed to conduct recruitment.</p>
<p>IUTA</p>	<p><u>Distribution arrangements</u></p> <p>(1) An IUTA must have a distribution arrangement or sub-distribution arrangement with one or more of the following persons:</p> <p>(a) A UTMC; (b) An online provider; or (c) An operator</p> <p>(2) IUTAs who are financial institutions specified as “registered persons” under Item (1)(g) Part 1 of Schedule 4 of the CMSA are not allowed to enter into sub-distribution arrangement with each other.</p> <p><u>Distribution point</u></p> <p>(3) An IUTA must have at least 2 UTS Consultants at each of its distribution point including mobile distribution point.</p> <p>(4) An IUTA must maintain an updated register of relevant particulars of its UTS Consultants attached to each distribution point.</p> <p><u>UTS Consultants</u></p> <p>(5) An IUTA which is a financial institution specified as “registered persons” under Item (1)(g) Part 1 of Schedule 4 of the CMSA may only appoint its employees as UTS Consultants.</p>	<p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p>

	<p>(6) An IUTA which is a CMSL holder excluding an investment bank or a stockbroking company may appoint independent individuals or its employees as UTS Consultants.</p> <p>(7) An IUTA which is an investment bank or a stockbroking company may appoint its employees or remisiers (commissioned CMSRL for dealing in securities) as UTS Consultants.</p> <p><u>Agency units</u></p> <p>(8) An IUTA shall not form agency units among its UTS Consultants except for:</p> <p>(a) A UTMC or a PRS Provider that is also registered as an IUTA may form agency units among its UTS Consultants provided it complies with the requirements on establishment of agency units as stated in Appendix 2 of the Guideline on Marketing and Distribution of Unit Trust Funds issued by SC; or</p> <p>(b) An IUTA which is a CMSL holder other than those referred to in paragraph (a) above may only form a single-tier agency unit among its UTS Consultants.</p>	<p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>(a) A UTMC or a PRS Provider that is also registered as an IUTA may form agency units among its UTS Consultants provided it complies with the requirements on establishment of agency units as stated in these Rules; or</p> <p>NO AMENDMENT</p>
<p>CUTA</p>	<p>(1) A CUTA must have a distribution arrangement or a sub-distribution arrangement which enables it to market and distribute Schemes of at least 2 issuers including an operator at all times.</p> <p>(2) CUTAs are not allowed to enter into sub-distribution arrangement with IUTAs who are financial institutions specified as “registered persons” under Item (1)(g) Part 1 of Schedule 4 of the CMSA.</p>	<p>NO AMENDMENT</p> <p>NO AMENDMENT</p>

	<p><u>Distribution point</u></p> <p>(3) A CUTA must have at least 2 UTS Consultants at each of its distribution point including mobile distribution point.</p> <p>(4) A CUTA must maintain an updated register of relevant particulars of its UTS Consultants attached to each distribution point.</p> <p><u>UTS Consultants</u></p> <p>(5) A CUTA may appoint independent individuals or its employees as UTS Consultants.</p> <p>(6) Before appointing a UTS Consultant, a CUTA must ensure the individual holds a CMSRL to carry out the regulated activity of financial planning, subject to any exemption given by FIMM.</p> <p><u>Agency units</u></p> <p>(7) A CUTA may only form a single-tier agency unit among its UTS Consultants.</p> <p><u>Nominee system</u></p> <p>(8) A CUTA must not operate a nominee system.</p> <p>(9) A CUTA which is within the group of a financial institution who intends to operate a nominee system must seek FIMM's prior approval.</p>	<p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p><u>Agency units</u></p> <p>(7) A CUTA may form agency units among its UTS Consultants provided it complies with the requirements on establishment of agency units as stated in Annexure 1.</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p>
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Annexure 1

REQUIREMENTS ON AGENCY STRUCTURE AND SIZE

Categories of Registration	Requirements
CUTA	<p>Tiers in Agency Structure</p> <ol style="list-style-type: none"> 1. Where independent individuals (i.e. non-salaried employees of the CUTA) are appointed to deal in units of unit trust funds and agency units are formed, the number of tiers in an agency unit must be standardised and not exceed three tiers, comprising– <ul style="list-style-type: none"> (a) agency manager; (b) agency supervisor; and (c) agent. 2. A CUTA, however, is strongly encouraged to reduce the number of tiers in an agency structure to a minimum in the interest of investors. <p>Size of Agency Unit</p> <ol style="list-style-type: none"> 3. An agency unit should not exceed 36 persons at all times. 4. A unit comprises a “supervisor” (defined as the upper two tiers only, i.e. either agency manager or agency supervisor) and his direct downlines. 5. An agent is not allowed to conduct recruitment.

Amendments to Appendix 2-B of FIMM's Consolidated Rules

Category of Registration	Current Requirement	Amendment (to be effective 4 March 2019)
PRS Provider	<p><u>Distribution point</u></p> <p>(1) A PRS Provider must have at least 2 PRS Consultants at each of its distribution point including mobile distribution point.</p> <p>(2) A PRS Provider must maintain an updated register of relevant particulars of its PRS Consultants attached to each distribution point.</p> <p><u>PRS Consultants</u></p> <p>(3) A PRS Provider may appoint independent individuals or its employees as PRS Consultants.</p> <p><u>Agency units</u></p> <p>(4) A PRS Provider may form agency units among its PRS Consultants provided it complies with the requirements on establishment of agency units as stated in Appendix 2 of the Guidelines on Marketing and Distribution of Unit Trust Funds issued by SC.</p>	<p style="text-align: center;">NO AMENDMENT</p> <p style="text-align: center;">NO AMENDMENT</p> <p style="text-align: center;">NO AMENDMENT</p> <p><u>Agency units</u></p> <p>(4) A PRS Provider which appoints independent individuals (i.e. non-salaried employees of the PRS Provider) to deal in units in PRS and agency units are formed, the number of tiers in an agency unit must be standardised and not exceed four tiers, comprising— (a) group agency manager; (b) agency manager; (c) agency supervisor; and (d) agent.</p> <p>(5) A PRS Provider, however, is strongly encouraged to reduce the number of tiers in an agency structure to a minimum in the interest of investors.</p>

		<p><u>Size of Agency Unit</u></p> <p>(6) An agency unit should not exceed 50 persons at all times.</p> <p>(7) A unit comprises a “supervisor” (defined as the upper three tiers only i.e. either group agency or agency manager or agency supervisor) and his direct downlines.</p> <p>(8) An agent is not allowed to conduct recruitment.</p>
<p>IPRA</p>	<p><u>Distribution arrangements</u></p> <p>(1) An IPRA must have a distribution arrangement or sub-distribution arrangement with one or more of the following persons:</p> <p>(a) A PRS Provider; or (b) An online provider;</p> <p>(2) IPRA’s who are financial institutions specified as “registered persons” under Item (1)(g) Part 1 of Schedule 4 of the CMSA are not allowed to enter into sub-distribution arrangement with each other.</p> <p><u>Distribution point</u></p> <p>(3) An IPRA must have at least 2 PRS Consultants at each of its distribution point including mobile distribution point.</p> <p>(4) An IPRA must maintain an updated register of relevant particulars of its PRS Consultants attached to each distribution point.</p> <p><u>PRS Consultants</u></p> <p>(5) An IPRA which is a financial institution specified as “registered persons” under Item (1)(g) Part 1 of Schedule 4 of the CMSA may only appoint its employees as PRS Consultants.</p>	<p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p>

	<p>(6) An IPRA which is a CMSL holder excluding an investment bank or a stockbroking company may appoint independent individuals or its employees as PRS Consultants.</p> <p>(7) An IPRA which is an investment bank or a stockbroking company may appoint its employees or remisiers (commissioned CMSRL for dealing in securities) as PRS Consultants.</p> <p><u>Agency units</u></p> <p>(8) An IPRA shall not form agency units among its PRS Consultants except for:</p> <p>(a) A UTMC or a PRS Provider that is also registered as an IPRA may form agency units among its PRS Consultants provided it complies with the requirements on establishment of agency units as stated in Appendix 2 of the Guideline on Marketing and Distribution of Unit Trust Funds issued by SC; or</p> <p>(b) An IPRA which is a CMSL holder other than those referred to in paragraph (a) above may only form a single-tier agency unit among its PRS Consultants.</p>	<p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>(a) A UTMC or a PRS Provider that is also registered as an IPRA may form agency units among its PRS Consultants provided it complies with the requirements on establishment of agency units as stated in these Rules; or</p> <p>NO AMENDMENT</p>
<p>CPRA</p>	<p><u>Distribution Arrangement</u></p> <p>(1) A CPRA must have a distribution arrangement or a sub-distribution arrangement which enables it to market and distribute Schemes of at least 2 issuers all times.</p> <p>(2) CPRAs are not allowed to enter into sub-distribution arrangement with IPRA's who are financial institutions specified as "registered persons" under Item (1)(g) Part 1 of Schedule 4 of the CMSA.</p>	<p>NO AMENDMENT</p> <p>NO AMENDMENT</p>

	<p><u>Distribution point</u></p> <p>(3) A CPRA must have at least 2 PRS Consultants at each of its distribution point including mobile distribution point.</p> <p>(4) A CPRA must maintain an updated register of relevant particulars of its PRS Consultants attached to each distribution point.</p> <p><u>PRS Consultants</u></p> <p>(5) A CPRA may appoint independent individuals or its employees as PRS Consultants.</p> <p>(6) Before appointing a PRS Consultant, a CPRA must ensure the individual holds a CMSRL to carry out the regulated activity of financial planning, subject to any exemption given by FIMM.</p> <p><u>Agency units</u></p> <p>(7) A CPRA may only form a single-tier agency unit among its PRS Consultants.</p>	<p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>(7) A CPRA may form agency units among its PRS Consultants provided it complies with the requirements on establishment of agency units as stated in Annexure 1.</p>
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Annexure 1

REQUIREMENTS ON AGENCY STRUCTURE AND SIZE

Categories of Registration	Requirements
CPRA	<p>Tiers in Agency Structure</p> <ol style="list-style-type: none"> 1. Where independent individuals (i.e. non-salaried employees of the CPRA) are appointed to deal in units of unit trust funds and agency units are formed, the number of tiers in an agency unit must be standardised and not exceed three tiers, comprising– <ul style="list-style-type: none"> (a) agency manager; (b) agency supervisor; and (c) agent. 2. A CPRA, however, is strongly encouraged to reduce the number of tiers in an agency structure to a minimum in the interest of investors. <p>Size of Agency Unit</p> <ol style="list-style-type: none"> 3. An agency unit should not exceed 36 persons at all times. 4. A unit comprises a “supervisor” (defined as the upper two tiers only, i.e. either agency manager or agency supervisor) and his direct downlines. 5. An agent is not allowed to conduct recruitment.

(*To be completed by CUTA/CPRA with multiple-tiered agency structure)

No	Description	Yes / No / Not Applicable	Remarks
Agency Structure and Size			
1	Does the multi-tier agency structure meet FIMM's requirements set out in Appendix 2-A and Appendix 2-B of FIMM's Consolidated Rules?		
2	Are the following, documented and in place to support the implementation of the agency structure? <ul style="list-style-type: none"> ○ Internal systems ○ Policies ○ Procedures 		
3	Are records of agency units (including details of agents at each tier) maintained?		
4	Are the following, clearly documented for every agent at each tier? <ul style="list-style-type: none"> ○ Roles ○ Responsibilities ○ Commission/remuneration 		
5	Were there any instances of allegations/ misconduct of agents detected during the period under review? (If answer is "Yes", please provide details of action(s) taken in the "Remarks" column.)		
6	Are records of these allegations/ misconduct of agents maintained, investigated and reported?		