

CIRCULAR

Date:	31 March 2017	Ref No.:	BR/AL/FH-tlk/015-17
To:	UTMC, IUTA, CUTA, PRS PROVIDER, IPRA AND CPRA ("DISTRIBUTOR")		
Attn:	Authorised Representatives / Chief Executive Officers		

Amendments to Appendices 2-A and 2-B of FIMM's Consolidated Rules

- **Liberalisation for Institutional UTS Adviser ("IUTA") and Institutional PRS Adviser ("IPRA") to Appoint Independent Individuals as Consultants**
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1.0 Introduction

- 1.1 FIMM has amended Appendices 2-A and 2-B of FIMM Consolidated Rules to allow IUTA and IPRA which are Capital Markets and Services Licence ("CMSL") holders to appoint independent individuals as Unit Trust Schemes ("UTS") Consultants and Private Retirement Schemes ("PRS") Consultants.
- 1.2 The amendments are intended to liberalise and widen marketing and distribution channel of UTS and PRS. It would allow more option to IUTA and IPRA which are CMSL holder on their distribution structure (whether agency or employee structure) depending on their business model.

2.0 Amendments

- 2.1 The amendments are set out in **Attachment 1**.

3.0 Effective Date

- 3.1 The amendments will take effect on **1 April 2017**.

4.0 Contact Person

- 4.1 For any queries in relation to the above matter, please contact Ms Tan Lee Kiaw (ext: 320), Ms Valli (ext: 325) or Ms Tan Han Tsing (Ext: 326) of Business Registration Department at 03-2093 2600.

This circular together with Frequently Asked Questions (“FAQ”) [Attachment 2] are available at FIMM’s Website:

- (a) www.fimm.com.my → Resources → Circulars → Members, IUTA & CUTA; and
- (b) www.fimm.com.my → Resources → Circulars → PRS Providers / Institutional PRS Adviser / Corporate PRS Adviser

Thank you.

Federation of Investment Managers Malaysia



FARIQ BIN HASSAN

Interim Chief Executive Officer

Appendix 2-A of Consolidated Rules

Category of Registration	Current Requirement	Amendment (to be effective 1 April 2017)
UTMC	<u>Distribution point</u> (1) A UTMC must have at least 2 UTS Consultants at each of its distribution point including mobile distribution point.	NO AMENDMENT
	(2) A UTMC must maintain an updated register of relevant particulars of its UTS Consultants attached to each distribution point.	NO AMENDMENT
	<u>UTS Consultants</u> (3) A UTMC may appoint independent individuals or its employees as UTS Consultants.	NO AMENDMENT
	<u>Agency units</u> (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	NO AMENDMENT

Category of Registration	Current Requirement	Amendment (to be effective 1 April 2017)
	SC.	
IUTA	<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;</p> <p>(b) An online provider; or</p> <p>(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>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p>

Category of Registration	Current Requirement	Amendment (to be effective 1 April 2017)
	<p><u>UTS Consultants</u></p> <p>(5) Except in the case of a UTMC or a PRS Provider, an IUTA may only appoint its employees as UTS Consultants.</p> <p>(6) Notwithstanding paragraph (5) above, an IUTA which is an investment bank or a stockbroking company may appoint its remisiers (commissioned CMSRL for dealing in securities) as UTS Consultants.</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>(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>(7) Except in the case of a UTMC or a PRS Provider, an IUTA must not form agency units among its UTS</p>	<p><u>Agency units</u></p> <p>(8) An IUTA shall not form agency units among its UTS Consultants except for:-</p>

Category of Registration	Current Requirement	Amendment (to be effective 1 April 2017)
	Consultants.	<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>

Category of Registration	Current Requirement	Amendment (to be effective 1 April 2017)
CUTA	(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	NO AMENDMENT
	(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.	NO AMENDMENT
	<u>Distribution point</u> (3) A CUTA must have at least 2 UTS Consultants at each of its distribution point including mobile distribution point.	NO AMENDMENT
	(4) A CUTA must maintain an updated register of relevant particulars of its UTS Consultants attached to each distribution point	NO AMENDMENT

	<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>NO AMENDMENT</p> <p>NO AMENDMENT</p>
	<p><u>Agency units</u></p> <p>(7) A CUTA must not form agency units 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 financial institution who intends to operate a nominee system must seek FIMM's prior approval</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>NO AMENDMENT</p> <p>NO AMENDMENT</p>

Appendix 2-B of Consolidated Rules

Category of Requirements	Current Requirement	Amendment (to be effective 1 April 2017)
PRs Provider	<u>Distribution point</u> (1) A PRS Provider must have at least 2 PRS Consultants at each of its distribution point including mobile distribution point.	NO AMENDMENT
	(2) A PRS Provider must maintain an updated register of relevant particulars of its PRS Consultants attached to each distribution point.	NO AMENDMENT
	<u>PRs Consultants</u> (3) A PRS Provider may appoint independent individuals or its employees as PRS Consultants.	NO AMENDMENT
	<u>Agency units</u> (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	NO AMENDMENT

Category of Requirements	Current Requirement	Amendment (to be effective 1 April 2017)
	SC.	
IPRA	<p><u>Distribution arrangements</u></p> <p>(1) An IPRA must have a distribution arrangement or a sub-distribution agreement with one or more of the following persons:</p> <p>(a) A PRS Provider; or</p> <p>(b) An online provider.</p> <p>(2) IPRA 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>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p> <p>NO AMENDMENT</p>

Category of Requirements	Current Requirement	Amendment (to be effective 1 April 2017)
	<p><u>PRS Consultants</u></p> <p>(5) Except in the case of a PRS Provider, a UTMC, a licensed insurance company or a registered takaful operator, an IPRA may only appoint its employees as PRS Consultants.</p> <p>(6) Notwithstanding paragraph (5) above, an IPRA which is an investment bank or a stockbroking company may appoint its remisiers (commissioned CMSRL for dealing in securities) as PRS Consultants.</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>(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>(6) Except in the case of PRS Provider, an IPRA must not form agency units among its 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>

Category of Requirements	Current Requirement	Amendment (to be effective 1 April 2017)
		<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 Guidelines 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>
CPRA	<p><u>Distribution arrangements</u></p> <p>(1) A CPRA must have a distribution arrangement or a sub-distribution arrangement to market and distribute Schemes of at least 2 issuers at all times.</p>	NO AMENDMENT

Category of Requirements	Current Requirement	Amendment (to be effective 1 April 2017)
	(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.	NO AMENDMENT
	<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>	NO AMENDMENT
	<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</p>	NO AMENMDENT NO AMENDMENT

Category of Requirements	Current Requirement	Amendment (to be effective 1 April 2017)
	planning, subject to any exemption given by FIMM.	
	<u>Agency units</u> (7) A CPRA must not form agency units among its Consultants.	<u>Agency units</u> (7) A CPRA may only form a single-tier agency unit among its PRS Consultants.

**Frequently Asked Questions (“FAQ”) on the Amendments to
Appendices 2-A & 2-B of FIMM’s Consolidated Rules**

(Date of Issuance: 24 March 2017)

(Effective Date: 1 April 2017)

1. Who do the amendments apply to?

The amendments are applicable to IUTA and IPRA which are Capital Markets Services Licence (“CMSL”) holders.

2. Do the amendments apply to banks, investment banks and stockbroking companies who are also IUTA and IPRA?

No, the amendments do not extend to banks, investment banks and stockbroking companies who are also IUTA and IPRA.

3. What is the rationale of the amendments?

The rationale of the amendments is to liberalise and widen marketing and distribution channel of UTS and PRS by allowing more option to IUTA and IPRA which are CMSL holder on their distribution structure (whether agency or employee structure), depending on their business model.

4. What are the amendments about?

The amendments allow IUTA and IPRA which are CMSL holders to appoint independent individuals as consultants. Prior to the amendments, an IUTA or an IPRA is only allowed to appoint its employees as consultants.

However, there have already been liberalisation made to IUTA and IPRA which are investment banks and stockbroking companies in FIMM’s Consolidated Rules since 1 June 2016, where they are allowed to appoint their remisiers as consultants.

5. **Must the independent individuals appointed under these amendments be licenced by the SC as Capital Markets Services Representative's Licence ("CMSRL") for dealing in securities?**

No, they are not required to be licensed by the SC. However, the independent individuals must fulfil eligibility requirements and fit and proper criteria set out in Chapter 4 of FIMM's Consolidated Rules before FIMM will consider to register them as consultants.

6. **Can the independent individuals appointed as consultant under these amendments form agency unit?**

Under these amendments, such IUTA and IPRA may only form a **single-tier agency** unit among its consultants.

7. **When is the effective date of the amendments?**

The amendments take effect on **1 April 2017**.