



**Suruhanjaya Sekuriti**  
Securities Commission

**Confidential**

**Intermediary and Fund Supervision Business Group**

IFS/SD/GEN/(HCB)Corr( 1 )-15

26 January 2015

To All Chief Executive Officers of

Holders of Capital Markets Service License who carries on the business of Dealing in Securities

Holders of Capital Markets Service License who carries on the business of Dealing in Derivatives (hereinafter collectively referred to as "Intermediaries")

**Attention:**

Mr. Tah Heong Bang  
Executive Director Operations  
TA Securities Holding Berhad

Dear Sir/Madam,

**Re: Safeguarding of Clients' Monies**

1. The Securities Commission (SC) is issuing this letter to highlight some incidences of misappropriation of clients' monies as a result of weaknesses in procedures and controls over third party receipts.
2. Based on SC's assessment, Intermediaries are required to strengthen its processes and controls over third party receipts:
  - a) Prohibit deposits made from a client ("Client A") into an intermediary's designated bank account(s) to be allocated to another client's account ("Client B"); on the request of the Capital Markets Services Representative License ("CMSRL") holder when there do not appear to be any discernible relationship between Client A and Client B;

- b) Prohibit deposits into an intermediary's designated bank account(s) from several clients to be allocated to one client based solely on request of the CMSRL holder;
- c) Prohibit splitting of clients' payments and crediting the monies into more than one client's trading account solely on the requests of the CMSRL holder unless clients' proof of payment such as bank deposit slips or information on the relationship of these clients are furnished.
- d) Prohibit CMSRL holders from making payments on behalf of clients using CMSRL's personal cheques or funds

### **Action Required**

3. Intermediaries are strongly advised to ensure that its procedures for managing third party receipts are comprehensive and robust to prevent losses arising from theft, fraud and other acts of misappropriation.
4. Moving forward, Intermediaries should work towards having an arrangement with its bank(s) to allow clients to key-in their name or Identity Card number for any payments into the Intermediaries' designated bank account(s).
5. Intermediaries must take immediate steps to ensure that clients' monies are promptly and properly accounted for and safeguarded, including the following:
  - Require a photocopy or an image of the client's cheque(s) to be submitted together with the direct bank-in form to facilitate the verification of the identity of the cheque issuer;
  - For interbank fund transfer, Intermediaries must verify that the transferor's name matches with that of the trading account. Where the transferor's name cannot be verified or does not match, Intermediaries must ensure that the monies transferred are applied to the intended and rightful transactions;
  - Tagging the clients' bank account(s) to the company's settlement systems for all receipts and payment transactions. Intermediaries should start by designating specific client's bank account(s) for new trading accounts opened. For existing trading accounts, Intermediaries should migrate towards this arrangement as soon as practicable;
  - Prohibit the practice of splitting clients' payments and crediting into more than one client's account unless with written consent from the cheque issuer;
  - Prohibit CMSRL holders from accepting direct payments from clients into their personal bank account(s) or making payments on behalf of clients from their personal bank account(s).

6. In addition to the above, Intermediaries should continuously remind its clients –
- not to pay cash to or bank in monies directly into the bank account of CMSRL holders or anyone holding out as representing the Intermediaries;
  - to ensure that they receive proper documentation including contract notes, receipts and monthly statements for all transactions undertaken;
  - to verify with the Intermediary directly if they have any doubt on the authenticity of documents received from CMSRL holders or anyone holding out as representing the Intermediaries.

The SC will review the progress of implementation of the above measures by Intermediaries within the next six (6) months. Further clarification or queries on the above should be directed to the respective SC officer in the Intermediary and Fund Supervision Division

Yours sincerely,

**SECURITIES COMMISSION**



**WONG YOKE WENG**

Senior General Manager

Supervision Department

Intermediary and Fund Supervision Business Group