

MODULE SPECIFICATIONS

Pasaran Kewangan Malaysia Certificate (PKMC)

Module I – The Regulatory Framework and Structure of the Malaysian Financial Markets

Level of Study: Level 2

Effective date: August 2022

Version: 1.0

A. Module Aim

This module aims to equip candidates with the crucial knowledge on how the orderly functioning of the wholesale financial markets is essential to the integrity of financial markets and maintaining financial stability. Candidates will appreciate how various laws, regulations and code of conduct are implemented to promote a robust, fair, liquid, and transparent market. These in turn, enable market participants to effectively transact at competitive prices that reflect available market information and in a manner that conforms to acceptable standards of behaviour.

B. Learning Outcomes (LO)

Upon completion of this module, candidates will be able to:

- LO1 – Explain the Code of Conduct for Malaysia Wholesale Financial Markets pertaining to globally accepted minimum standard of conduct for all wholesale market participants
- LO2 – Explain the best practices for the financial markets pertaining to globally accepted minimum standard of conduct in the Over-the-Counter (OTC) professional financial markets
- LO3 – Explain the best practices for the financial markets in the areas pertaining to relationships governing dealers, sales personnel and the dealing room security
- LO4 – Explain the best practices for the financial markets with respect to trade surveillance which is essential to provide transparency, efficiency and oversight in the trading environment
- LO5 – Explain the best practices for the financial markets with respect to the set-up of the back office
- LO6 – Explain the best practices for the financial markets with respect to the misuse of technology on and off premises
- LO7 – Explain the FSA / IFSA2013 with respect to the regulatory and supervisory roles of BNM and the CMSA with respect to investor protection
- LO8 – Explain the Guidelines on Investor Protection with respect to 'fit and proper' requirements as well as in relation to investor protection
- LO9 – Explain the Anti-money Laundering, Anti-terrorism Financing and Proceeds of Unlawful Activities Act 2001 concerning areas pertaining to the responsibility of reporting institutions
- LO10 – Explain the Malaysia Deposit Insurance Corporation Act (Amendment) 2016 and the disclosure of Deposit Insurance Information pertaining to investor protection
- LO11 – Explain the Guidelines on Introduction of New Products pertaining to fair treatment of customers
- LO12 – Explain the Guidelines on Sales Practices of Unlisted Capital Market Products pertaining to investor protection
- LO13 – Explain the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework pertaining to investor protection

- L014 – Explain the Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors and requirements pertaining to investor protection
- L015 – Explain the regulatory structure of the Malaysian financial system and the roles and responsibilities of the institutions within it
- L016 – Explain the structure of the wholesale market and the services provided by the various market participants
- L017 – Explain Bank Negara Malaysia’s principal functions in relation to monetary policy operations and the foreign exchange operations in the Malaysian financial markets

C. Learning Method

Self-study – online materials available.

D. Assessment

Examination (Pearson-VUE Online)	MCQ	Written	Assignment (Moodle)
Duration	2.5 hours		
Format	100 MCQs		
Passing mark	75%		

E. Syllabus Outline

#	Learning topics	Learning outcomes (LO)	Assessment criteria
1	Code of Conduct for Malaysia Wholesale Financial Markets 1.1 Overview 1.2 Dealers and Brokers 1.3 Prohibited Conduct 1.4 Responsibility to Preserve a Reputable, Ethical and Honest Marketplace 1.5 Sharing of Information and Transparent Communications 1.6 Traceability, Auditing and Record-keeping 1.7 Robust and Clear Policies, Procedures and Organisational Structure 1.8 Internal Governance and Controls 1.9 Use of Technology 1.10 FX Global Code	LO1 – Explain the Code of Conduct for Malaysia Wholesale Financial Markets pertaining to globally accepted minimum standard of conduct for all wholesale market participants.	1. To discuss the Code of Conduct for the Malaysia Wholesale Financial Markets and its objectives for ensuring orderly functioning of the Malaysian financial markets 2. To discuss the prohibited conduct and offshore dealings of ringgit products 3. To describe the internal governance and controls framework and reporting of non-compliance with this policy document
2	Business Hours and Personal Conduct 2.1 Transition from The Model Code 2.2 Business Hours 2.3 Personal Conduct	LO2 – Explain the best practices for the financial markets pertaining to globally accepted minimum standard of conduct in the Over-the-Counter (OTC) professional financial markets.	1. To discuss market operating hours and accepted market practices in dealing with unexpected holidays and market disruptions 2. To describe policy controls and the reputational, regulatory and personal consequences arising from personal conduct of employees 3. To discuss the need to have a clear policy on employee behaviour involving entertainment, betting/gambling and substance abuse and the penalties related thereto 4. To discuss the importance of a clearly documented policy and procedures to manage confidential information to avoid incidents such

			<p>as 'insider trading' and 'front running'</p> <ol style="list-style-type: none"> 5. To describe the segregation of duties and reporting lines for different operations such as front, middle and back office 6. To discuss the roles of independent risk control units such as audit, compliance and risk management
3	<p>The Front Office – Dealers and Dealing Practices</p> <ol style="list-style-type: none"> 3.1 Introduction 3.2 Relationship Between Broker / Dealer 3.3 Roles of Dealers and Sales 3.4 Differences and Disputes Between Principals 3.5 After-hours and Off-premises Dealing 3.6 Dealing Room Security 3.7 Retaining Phone Conversations and Electronic Messages 3.8 Dealing with Unidentified/Unnamed Principals 3.9 Authorisation and Responsibility for Dealing Activity 3.10 Dealing at Non-current Rates and Rollovers 3.11 Dealing Quotations, Firmness, Qualification and Reference 3.12 Dark Pools in Foreign Exchange (FX) Trading 3.13 Stop-loss Orders 3.14 Dealing through Brokers (Voice and Electronic) 3.15 Consummation of a Deal Between Dealers and Brokers 3.16 Passing of Names and Name Substitution 3.17 Assignment and Transfer 	<p>LO3 – Explain the best practices for the financial markets in the areas pertaining to relationships governing dealers, sales personnel and the dealing room security.</p>	<ol style="list-style-type: none"> 1. To describe the relationships between dealer and broker and active management monitoring of the relationships 2. To discuss best market dealing practices with regards to dealing authority, best execution, after-hour and off-premises, dealing room security, phone retention, position parking and name substitution 3. To discuss good practice for compliance, legal and credit functions and accurate knowledge of the principal's identity 4. To discuss dealing at non-current price, concealment of profit or loss and unauthorised extension of credit 5. To explain foreign exchange dark pools in trading and to ensure other customers' positions are not impacted 6. To discuss stop/loss orders procedures, adequate line of

			<p>communication and dispute resolution</p> <p>7. To discuss foreign exchange (FX) benchmark orders and rate fixing and manipulation of benchmark fixing</p> <p>8. To explain the importance of prime brokers to resolve differences with their customers in accordance with best market practices</p>
4	<p>The Middle Office Practice</p> <p>4.1 Introduction</p> <p>4.2 Trade Surveillance</p> <p>4.3 Mark-to-market</p> <p>4.4 Prime Brokers</p> <p>4.5 Disputes, Complaints and Claims</p>	<p>LO4 – Explain the best practices for the financial markets with respect to trade surveillance which is essential to provide transparency, efficiency and oversight in the trading environment.</p>	<p>1. To discuss the trade surveillance policy and system to detect potential violation of trading intention rules</p> <p>2. To discuss the importance of having an internal review to test the risk management, compliance and controls practices</p> <p>3. To discuss the MTM process and use of external data for transparency and fair valuation</p> <p>4. To explain the best practices for the financial markets with respect to activity of prime brokers</p> <p>5. To explain the best practices for the financial markets with respect to disputes, complaints and claims</p>
5	<p>The Back Office – Trade Standards and Practices</p> <p>5.1 Introduction</p> <p>5.2 Standard Settlement Instruction (SSI)</p> <p>5.3 Confirmation of Trades</p> <p>5.4 Reporting of Trades to Repository Centre</p>	<p>LO5 – Explain the best practices for the financial markets with respect to the set-up of the back office.</p>	<p>1. To discuss core competencies of the back office staff</p> <p>2. To describe control measures relating to storage, exchange of and changes of SSI</p>

	<p>5.5 Operational Risk Awareness</p> <p>5.6 New Business</p> <p>5.7 Segregation of Funds</p> <p>5.8 Reconciliations</p> <p>5.9 Money Laundering and Terrorist Financing</p>		<ol style="list-style-type: none"> 3. To explain the procedures to ensure the correct processes in confirming trades during their life cycle 4. To discuss areas related to operational risks and proper action plans to address the risks 5. To explain the process of introducing new products in a controlled manner 6. To describe segregation of funds belonging to the customers 7. To discuss the preparation and communication in crisis situations 8. To explain the calculation and communication methodologies for claims and back-valuation 9. To explain account reconciliation to detect missing, failed or erroneous entries 10. To discuss vigilance against fraud, money laundering and proper control measures to mitigate the risks
6	<p>Use of Technology and General Security</p> <p>6.1 Introduction</p> <p>6.2 Use of Mobile Phone</p> <p>6.3 Electronic/Online Trading and Broking</p>	<p>LO6 – Explain the best practices for the financial markets with respect to the misuse of technology on and off premises.</p>	<ol style="list-style-type: none"> 1. To discuss the policy regarding the use of mobile phones by trading, sales and settlement staff 2. To explain process and procedures governing personnel using electronic / online trading and broking 3. To describe the proper process and procedures to safeguard the institution when using the e-trading platform

<p>7</p>	<p>The Acts 7.1 Introduction 7.2 FSA / IFSA 2013 7.3 Provisions under FSA and IFSA 7.4 Capital Markets and Services Act 2007 (CMSA) 7.5 Provisions in the CMSA concerning Investor Protection</p>	<p>LO7 – Explain the FSA / IFSA2013 with respect to the regulatory and supervisory roles of BNM and the CMSA with respect to investor protection.</p>	<ol style="list-style-type: none"> 1. To discuss the purpose and roles of the FSA / IFSA 2. To identify the acts that are replaced by the FSA/IFSA 3. To explain the secrecy obligation of financial institutions and the applicable penalty if the provision is not complied with 4. To discuss permitted disclosure by the financial institutions and the applicable penalty if the provision is not complied with 5. To describe the Capital Markets and Services Act 2007 (CMSA) with respect to areas pertaining to investor protection 6 To identify the acts that are replaced by the CMSA 7. To discuss the roles of the. board and senior management in regard to launching and selling of capital market products under the investor protection framework
<p>8</p>	<p>Guidelines on Investor Protection 8.1 Introduction 8.2 Objectives of the Guidelines on Investor Protection 8.3 Register of Securities 8.4 Other Obligations</p>	<p>LO8 – Explain the Guidelines on Investor Protection with respect to ‘fit and proper’ requirements as well as in relation to investor protection.</p>	<ol style="list-style-type: none"> 1. To describe the purpose and general information of the guidelines on investor protection 2. To identify the criteria needed to meet the ‘fit and proper’ requirements as set out in the Guidelines 3. To state the requirements to maintain a register of securities by Registered Persons (RPs) and Employees of

			<p>Registered Persons (ERPs)</p> <p>4. To describe the other obligations to be carried out by registered persons under the Guidelines</p>
9	<p>Anti-Money Laundering and Anti-Terrorism Financing</p> <p>9.1 Introduction</p> <p>9.2 What Is Money Laundering?</p> <p>9.3 Reporting and Record-keeping</p> <p>9.4 Customer Due Diligence</p> <p>9.5 Retention of Records</p> <p>9.6 Opening an Account with a False Name</p> <p>9.7 Compliance Program</p> <p>9.8 Anti-money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML / CFT and TFS for FIs)</p> <p>9.9 Guidelines on Prevention of Money Laundering and Terrorism Financing for Reporting Institutions in the Capital Market</p> <p>9.10 High- / Low-risk Customers</p> <p>9.11 Suspicious Transactions</p>	<p>LO9 – Explain the Anti-money Laundering, Anti-terrorism Financing and Proceeds of Unlawful Activities Act 2001 concerning areas pertaining to the responsibility of reporting institutions.</p>	<ol style="list-style-type: none"> 1. To describe the process and the 3 stages of money laundering 2. To determine the applicable penalty in relation to the offence of money laundering and anti-terrorism financing 3. To describe the identification, record-keeping and retention requirements by reporting institutions pertaining to the Act 4. To discuss the compliance programme to be implemented by reporting institutions to guard against money laundering offences 5. To state the requirements for Reporting Institutions (RIs) to conduct Customer Due Diligence (CDD), including enhanced CDD for higher-risk customers 6. To describe the SC Guidelines on AML with respect to prevention of money laundering and terrorism financing by capital market intermediaries
10	<p>Malaysia Deposit Insurance System</p> <p>10.1 Introduction</p> <p>10.2 What Is the Purpose of the PIDM Act?</p>	<p>LO10 – Explain the Malaysia Deposit Insurance Corporation Act (Amendment) 2016 and the disclosure of Deposit Insurance Information</p>	<ol style="list-style-type: none"> 1. To discuss the purpose of the PIDM Act 2. To describe the deposit insurance system and the role played by PIDM

	10.3 Guidelines on Provision of Information on Deposit Insurance	pertaining to investor protection.	<ol style="list-style-type: none"> 3. To describe the benefits provided by the deposit insurance to depositors 4. To discuss the role of PIDM in contributing to the stability of the financial system 5. To identify the types of products covered under the deposit insurance system and the quantum of coverage 6. To state the disclosure requirements with regard to deposit insurance
11	Introduction of New Products 11.1 Introduction 11.2 Objectives 11.3 Products covered 11.4 Framework for Introduction of New Products 11.5 Product Risk Management 11.6 Product Authorisation 11.7 Fair Treatment of Consumers 11.8 Customer Suitability Procedures 11.9 Product Transparency and Disclosure 11.10 Objectives of the Guidelines 11.11 Stages of Disclosure 11.12 Types of Information	LO11 – Explain the Guidelines on Introduction of New Products pertaining to fair treatment of customers.	<ol style="list-style-type: none"> 1. To state the objectives of the Guidelines on Introduction of New Products 2. To discuss management’s role on how fair treatment of consumers is achieved under the Guidelines 3. To describe product transparency and disclosure with respect to investor protection 4. To discuss the importance of conducting customer suitability assessment to safeguard customer’s interest 5. To discuss disclosure standards to enable consumers to assess product suitability and conduct comparative shopping 6. To state the expectations on financial service providers in relation to good business conduct practices
12	Sales Practices of Unlisted Capital Market Products 12.1 Introduction	LO12 – Explain the Guidelines on Sales Practices of Unlisted	<ol style="list-style-type: none"> 1. To discuss the areas covered by the

	<p>12.2 Categories of Investors and Suitability Assessment</p> <p>12.3 Issuer’s Board Responsibilities</p> <p>12.4 Components of Product Highlight Sheet (PHS)</p> <p>12.5 Suitability Assessment</p> <p>12.6 Documentation and Record Keeping</p>	<p>Capital Market Products pertaining to investor protection.</p>	<p>Guidelines and the desired outcomes</p> <ol style="list-style-type: none"> 2. To discuss level of regulations imposed, which vary according to categories of investors 3. To outline the product issuer’s board responsibilities with regard to treating investors fairly 4. To determine the required contents contained in the Product Highlight Sheet 5. To describe the four stages in the suitability assessment process 6. To outline the product distributor’s responsibilities with regard to suitability assessment
13	<p>Lodge and Launch Framework</p> <p>13.1 Introduction</p> <p>13.2 Guidelines Superseded and Scope of Products</p> <p>13.3 Responsible Party</p> <p>13.4 Ringgit Sukuk and Islamic Structured Products</p> <p>13.5 Sophisticated Investors</p> <p>13.6 Transitional Arrangement</p>	<p>LO13 – Explain the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework pertaining to investor protection.</p>	<ol style="list-style-type: none"> 1. To state the areas and scopes of products covered under the Guidelines 2. To identify the existing guidelines that are superseded 3. To describe and determine who are the responsible parties and their roles 4. To describe the requirements for endorsement by the SAC for Islamic products 5. To determine the applicability of selling unlisted capital market products for different categories of investors 6. To discuss the treatment of existing programme under this new framework
14	<p>Corporate Bonds and Sukuk for Retail Investors</p>	<p>LO14 – Explain the Guidelines on</p>	<ol style="list-style-type: none"> 1. To outline the issuance of corporate bond/sukuk

	<p>14.1 Introduction 14.2 Responsible Party 14.3 Eligible Issuers 14.4 Characteristics of a Corporate Bond or Sukuk 14.5 Rating Requirements 14.6 Issuance Timeframe and Mode of Issuance 14.7 Regulatory Compliance Requirements 14.8 Roles and Responsibilities of Issuer and Principal Adviser 14.9 Submission and Approval Process 14.10 Revision of the Size of Issuance 14.11 Naming of Ringgit-denominated Sukuk 14.12 Seasoned Corporate Bonds or Sukuk 14.13 Eligibility 14.14 Characteristics of Seasoned Corporate Bond or Sukuk 14.15 Disclosure Requirements</p>	<p>Issuance of Corporate Bonds and Sukuk to Retail Investors and requirements pertaining to investor protection.</p>	<p>to retail investors and the existing guidelines which are superseded</p> <ol style="list-style-type: none"> 2. To describe the roles and responsibilities of the responsible party 3. To describe who are the eligible issuer under the Guidelines 4. To describe the characteristics and regulatory compliance requirements for corporate bonds and sukuk 5. To outline the issuing timeframe and mode of issuance 6. To describe the submission, approval and revision process 7. To discuss and describe the appointment of Shari’ah adviser and its roles and responsibilities
<p>15</p>	<p>Malaysian Financial System 15.1 Introduction 15.2 Islamic Banking 15.3 Regulatory Authorities 15.4 The Roles of Financial Institutions/Intermediaries 15.5 Cagamas Berhad (Cagamas) 15.6 Danajamin Nasional Berhad (Danajamin) 15.7 Financial Sector Blueprints 15.8 SC’s Capital Market Masterplans</p>	<p>LO15 – Explain the regulatory structure of the Malaysian financial system and the roles and responsibilities of the institutions within it.</p>	<ol style="list-style-type: none"> 1. To discuss the structure of the Malaysian financial system and the institutions regulated by BNM and the SC 2. To discuss BNM and its objectives and functions in maintaining financial stability in the system 3. To discuss the SC and its objectives and functions in relation to the development of the capital market 4. To discuss the main objectives and functions of the Labuan Financial Services Authority (LFSA) 5. To describe the various financial intermediaries and their roles and functions

			<ol style="list-style-type: none"> 6. To state the strategic plans on the future direction of the financial system as per the various Financial Sector Blueprints 7. To state the strategic plans on the future direction of the capital market as per the various Capital Market Masterplans
16	<p>Structure of the Wholesale Market</p> <p>16.1 Introduction</p> <p>16.2 Definition of Wholesale Market</p> <p>16.3 Dealers and Brokers</p> <p>16.4 Principal Dealers (PDs) System</p> <p>16.5 Principal Dealers</p> <p>16.6 KLIBOR Rate Setting Framework</p> <p>16.7 KLIBOR Submitter Banks</p> <p>16.8 MYOR – Alternative Reference Rate for Malaysia</p> <p>16.9 USD / MYR Reference Rate Setting Framework</p> <p>16.10 Real-time Electronic Transfer of Funds and Securities (RENTAS)</p> <p>16.11 Settlement Account Sub-System (SAS)</p> <p>16.12 Fully Automated System for Tendering (FAST)</p> <p>16.13 Overview of Operational Procedures for Securities Services</p> <p>16.14 Trading Principles for Secondary Market</p> <p>16.15 Amendment and Cancellation</p>	<p>LO16 – Explain the structure of the wholesale market and the services provided by the various market participants.</p>	<ol style="list-style-type: none"> 1. To define the wholesale market, the market participants and the products traded in the wholesale market 2. To discuss the roles and functions of dealers and brokers 3. To discuss the principal dealers system and their roles and responsibilities 4. To explain KLIBOR framework and the roles of KLIBOR submitters and distributors 5. To explain USD / MYR reference rate setting process 6. To describe the Fully Automated System for Issuing / Tendering (FAST) system and its linkages with other systems 7. To describe the operational procedures for securities services in RENTAS and FAST 8. To explain the trading principles for secondary market among market participants
17	<p>Bank Negara Malaysia Monetary Policy Framework and Foreign Exchange Policy</p> <p>17.1 Introduction</p>	<p>LO17 – Explain Bank Negara Malaysia’s principal functions in relation to monetary policy</p>	<ol style="list-style-type: none"> 1. To describe objectives of monetary policy and BNM’s new interest rate framework

<p>17.2 BNM’s Conduct of Monetary Policy Operations</p> <p>17.3 Monetary Policy Committee Meeting Process</p> <p>17.4 Monetary Operating Procedures</p> <p>17.5 Liquidity Management</p> <p>17.6 Factors Affecting Liquidity</p> <p>17.7 BNM’s Daily Liquidity Operations</p> <p>17.8 Structure of the Malaysian Foreign Exchange Market</p> <p>17.9 Structure of Foreign Exchange Market</p> <p>17.10 Authorised Dealers (ADs)</p> <p>17.11 Foreign Exchange Policy</p> <p>17.12 FEP Rules Applicable to Residents</p> <p>17.13 FEP Rules Applicable to Non-residents</p>	<p>operations and the foreign exchange operations in the Malaysian financial markets.</p>	<ol style="list-style-type: none"> 2. To describe BNM’s Monetary Policy Committee (MPC) meeting process 3. To describe the new monetary operating procedures and the OPR framework 4. To describe the various monetary instruments used by BNM to manage liquidity conditions in the financial system 5. To identify the factors affecting the liquidity in the system 6. To describe BNM’s daily liquidity operations 7. To describe the structure of the Malaysian foreign exchange market 8. To describe the Foreign Exchange Policy with respect to rules applicable to residents 9. To describe the Foreign Exchange Policy with respect to rules applicable to non-residents
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