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BNM's Framework for Electronic Trading Platforms

On 8 November 2019, Bank Negara Malaysia (**BNM**) issued the **Policy Document on the Framework for Electronic Trading Platforms** pursuant to s 266 of the Financial Services Act 2013 and s 277 of the Islamic Financial Services Act 2013. The Framework came into effect on 11 November 2019, superseding the Guidelines on Electronic Broking System by Licensed Money Brokers issued by BNM on 1 August 2005.

The Framework aims to mitigate risks arising from the automated and multi-jurisdictional nature of the services provided via these platforms. It is applicable to the following market participants in the wholesale financial markets:

- (1) approved money brokers operating electronic broking platforms; and
- (2) operators of electronic trading platforms (whether or not any form of remuneration, fee, commission or subscription is chargeable).^[1]

In a statement on 14 June 2019, BNM said that wholesale financial markets refer specifically to money markets (for instruments such as negotiable instruments of deposit, bills, bankers' acceptance and repurchase agreements) and foreign exchange markets (for products such as spot, forward, swaps and derivatives).^[2]

A market participant who intends to operate an electronic trading platform must obtain BNM's prior approval, by submitting a written application together with key information, such as the following:

- (a) type of electronic trading platform used (main characteristics, features, functionalities and capabilities and its *modus operandi*)
- (b) details of the applicant's board of directors and management;

- (c) a statutory declaration by each of the directors, the chairman and the CEO that they meet the fit and proper criteria;
- (d) the applicant's latest audited financial statements;
- (e) both internal and (independent) external audit on the electronic trading platform;
- (f) details of a feasible business plan and business structure;
- (g) if applicable, details of the cloud services and data centre infrastructure to be used by the applicant.^[3]

The other key requirements of the Framework are:

- (1) The requirement to notify BNM prior to offering any additional services or functionalities;^[4]
- (2) The prescribed operational requirements on:
 - (a) Due diligence on prospective users;
 - (b) Onboarding and pre-disclosure;
 - (c) IT security and protection;
 - (d) Recordkeeping;
 - (e) Cloud services;
 - (f) Business continuity plan;
 - (g) System testing;^[5]

(3) The roles and responsibilities of the board of directors and management;^[6] and

(4) The monitoring, surveillance and reporting requirements.^[7]

In addition to this Framework, market participants will also need to comply, where relevant, with other policy documents issued by BNM, such as:

(1) the Policy Document on the Code of Conduct for Malaysia Wholesale Financial Markets issued on 13 April 2017;

(2) the Policy Document on Fit and Proper Criteria for Approved Person issued on 24 December 2018;

(3) the Policy Document on Outsourcing issued on 28 December 2018; and

(4) the Policy Document on Risk Management in Technology issued on 18 July 2019.

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^[1] Part A of the Policy Document, para 2.1

^[2] "Exposure Draft on Framework for Electronic Trading Platforms" <http://www.bnm.gov.my/index.php?ch=en_announcement&pg=en_announcement&ac=718>

^[3] Chapter 8 of the Framework, para 8.1 to 8.3

[\[4\]](#) Part B of the Policy Document, para 9

[\[5\]](#) Part C of the Framework

[\[6\]](#) Part D of the Framework

[\[7\]](#) Part E of the Framework