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### **Luno — *Numero Uno***

Luno Malaysia Sdn Bhd (“**Luno**”) has officially become the first Registered Market Operator (“**RMO**”) that is fully approved by the Securities Commission Malaysia (“**SC**”) to establish and operate digital asset exchanges (“**DAX**”) in the country. This means Malaysians now have a reliable platform to buy, sell and trade cryptocurrencies such as Bitcoin and Ethereum.

Prior to this, in June 2019, following the coming into force of the Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019 on 15 January 2019, and the issuance of the revised Guidelines on Recognised Markets (“**Guidelines**”) on 31 January 2019 that introduced new requirements for DAX operators, three RMOs were given conditional approval by the SC to establish and operate DAX in Malaysia. The three RMOs were Luno Malaysia Sdn Bhd, SINEGY Technologies (M) Sdn Bhd and Tokenize Technology (M) Sdn Bhd. Alongside the conditional approvals, these RMOs had nine months to fully comply with all regulatory requirements (particularly the additional requirements applicable to DAX operators set out under Chapter 15 of the Guidelines) in order to obtain full approval from the SC.

Some of those regulatory requirements under Chapter 15 are:

(a) **Obligations of a DAX operator**, where the operator must:

- (i) ensure that its platform is operating in an orderly, fair and transparent manner;
- (ii) have in place rules and procedures for the trading, clearing and settlement of digital assets on the platform; and
- (iii) conduct real-time market surveillance.

(b) **Protection of client’s asset**, where a DAX operator must:

- (i) establish systems and controls for maintaining accurate and up-to-date records of transactions on the platform;
- (ii) ensure investors’ monies and digital assets are properly safeguarded;
- (iii) establish and maintain trust accounts in a licensed Malaysian financial institution designated for the monies

received from investors;

- (iv) ensure that the trust accounts are administered by an independent registered trustee;
- (v) establish and maintain a sufficiently and verifiably secured storage medium designated to store investors' digital assets; and
- (vi) have arrangements and processes in place to, in relation to investors' digital assets, protect against the risk of loss, theft or hacking.

(c) **Arrangements for settlement and custody**, where a DAX operator must:

- (i) ensure that there are orderly, clear and efficient clearing and settlement arrangements;
- (ii) include, in these arrangements, prior or upfront deposit of monies and digital assets before entering into a transaction on the DAX; and
- (iii) provide clear and certain final settlement, intra-day or real time.

Given the stringent requirements set out under the Guidelines, a DAX operator that has the full approval of the SC must be able to provide a safe and secure exchange for the trading of digital assets.

Aspiring DAX operators must be aware of the relevant regulatory requirements that would be imposed on them and take the necessary steps to comply in order to secure the SC's unconditional approval.

Bearing in mind that operating a DAX without authorisation from the SC is an offence under securities laws in Malaysia, DAX operators who lag behind in this regulatory rat race would not only lose out, but also risk being liable to fine or imprisonment term, or both.

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