



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

**GUIDELINES ON  
APPLICATION FOR FINANCIAL ADVISER'S LICENCE  
UNDER THE INSURANCE ACT 1996**

Revised Date – 18 September 2007

**Issued by:  
Consumer and Market Conduct Department**

## **GUIDELINES ON APPLICATION FOR FINANCIAL ADVISER'S LICENCE UNDER THE INSURANCE ACT 1996**

### **A. Introduction**

1. Bank Negara Malaysia (the Bank) is responsible for the licensing and regulation of financial advisers **in respect of insurance products**. Pursuant to section 15 of the Insurance Act 1996 (the Act), the Bank hereby issues the following guidelines to facilitate applications for a financial adviser (FA)'s licence under section 17 of the Act. These guidelines are intended to provide guidance on the licensing criteria for persons applying for a FA's licence as well as a FA's representative under the Act. The guidelines set out the licensing criteria as well as the various requirements and conditions imposed on a licensed FA and its representatives.
2. These Guidelines should be read in conjunction with the provisions of the Act, its subsidiary legislation as well as written directions, circulars and other guidelines that the Bank may issue from time to time.

### **B. Legal Requirements**

3. Section 9 of the Act requires a person carrying on financial advisory business in Malaysia to hold a FA's licence unless he is exempted under section 9(3) of the Act.
4. Section 10 of the Act specifies that no person shall hold himself out to be a FA unless he is licensed under the Act.
5. Section 70(1A) provides that no licensed FA shall appoint a FA's representative without the prior written approval of the Bank.

### **C. Definitions**

6. The Act provides the following definitions:-
  - “financial adviser” means a person who carries on financial advisory business;

“financial adviser’s representative” means an individual by whatever name described, in the direct employment of, or acting for, or by arrangement with, a FA, who performs for the FA any of the functions of a FA (other than work ordinarily performed by accountants, clerks or cashiers), whether his remuneration (if any) is by way of salary, wages, commission or otherwise, and includes an officer of the FA who performs for the FA any of those functions, whether or not his remuneration is as aforesaid; and

“financial advisory business” means **any or all** of the following services:-

- (a) analysing the financial planning needs of a person relating to insurance products;
- (b) recommending the appropriate insurance products;
- (c) sourcing insurance products from a licensed insurer;
- (d) arranging of contracts in respect of insurance products; or
- (e) other financial services as prescribed by the Bank.

#### **D. Licensing Criteria**

7. In order for the Bank to consider an application for a FA’s licence, an applicant must meet the following criteria:-

##### **Establishment Requirements**

a) A Body Corporate

An applicant for FA licence must be a body corporate registered with the Companies Commission of Malaysia.

b) Minimum Capital Funds

A FA must have minimum capital funds unimpaired by losses of RM100,000.

c) Shareholding Composition

The corporate body must be at least 30% Malaysian owned.

- d) Chief Executive Officer (CEO)  
The CEO of a FA must satisfy the fit and proper criteria as prescribed under the Act and comply with the circulars/guidelines on corporate governance issued by the Bank from time to time. The appointment of a CEO is subject to the Bank's approval under section 70 of the Act.
- e) Board of Directors  
The directors of a FA must satisfy the fit and proper criteria as prescribed under the Act and comply with the circulars/guidelines on corporate governance issued by the Bank from time to time. The appointment of directors is subject to the Bank's approval under section 70 of the Act. At least one of its directors shall be a FA's representative.
- f) Employee Composition  
The FA shall endeavour to maintain an employee composition that is in line with the economic policy of Malaysia in terms of Bumiputera staff composition of 30%.
- g) Professional Indemnity Insurance  
The FA must have professional indemnity insurance coverage of at least RM200,000 net of deductibles.

#### **Requirements for a FA's Representative**

- h) Age  
FA's representative shall be at least 21 years old.
- i) Resident  
FA's representative shall be a resident in Malaysia.
- j) Qualifications  
The applicant must possess:-  
(i) a Registered Financial Planner qualification as conferred by the Malaysian Financial Planning Council (MFPC);

- (ii) a Certified Financial Planner (CFP) qualification;
- (iii) a Chartered Financial Consultant (ChFC) qualification; or
- (iv) other professional qualifications as specified by the Bank from time to time.

k) Commitment

The FA's representative shall be engaged by a FA on a full-time basis.

l) Continuous Professional Development Programme

As part of continuous training programme, the representatives of FA must attend a minimum of 20 points of Continuous Professional Development (CPD) programme each year. The type of courses which qualify for the CPD points will be drawn up by the MFPC, and shall include both relevant technical and non-technical courses.

m) Fit and Proper Criteria

The representatives of a FA must always meet the fit and proper criteria prescribed under the Act and comply with the circulars/guidelines on corporate governance issued by the Bank from time to time. The appointment of a FA's representative is subject to the Bank's approval under section 70(1A) of the Act.

**E. Compliance with Code of Conduct**

8. A FA and its representatives shall conduct the business professionally with integrity and competence. Due care must be exercised to ensure that the advice given and products recommended are suitable to meet the needs and circumstances of the clients.
9. A FA and its representatives must always adhere to the circulars/guidelines and other directives issued by the Bank, the rules and regulations and the code of ethics issued by MFPC on the conduct of financial advisory business or sales of insurance products in Malaysia.

**F. Duration of Licence**

10. The licence shall be renewed annually subject to compliance with licensing criteria and conditions imposed by the Bank.

**G. Licensing Fee**

11. A licensing fee of RM500 shall be made payable to the Bank upon approval of a new licence or renewal of an annual licence.

**H. Procedures for Application for a FA's Licence**

12. An application for a FA's licence or to be a FA's representative should be made together with the relevant documents in the following application form:-
- a. BNM/JKAP/Form FA – Application for a FA's licence; and
  - b. BNM/JKAP/Form FAR – Application to be a FA's representative.

13. The completed application forms together with the relevant documents should be submitted to:-

Pengarah  
Jabatan Konsumer dan Amalan Pasaran  
Tingkat 7A, Bank Negara Malaysia  
Jalan Dato' Onn  
50480 Kuala Lumpur  
Malaysia

14. All enquiries regarding any application should be directed to the above address or the following:-

Telephone : (603) 2698 8044 extension 8739/8171  
Facsimile : (603) 2693 4051

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Bank Negara Malaysia  
18 September 2007

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