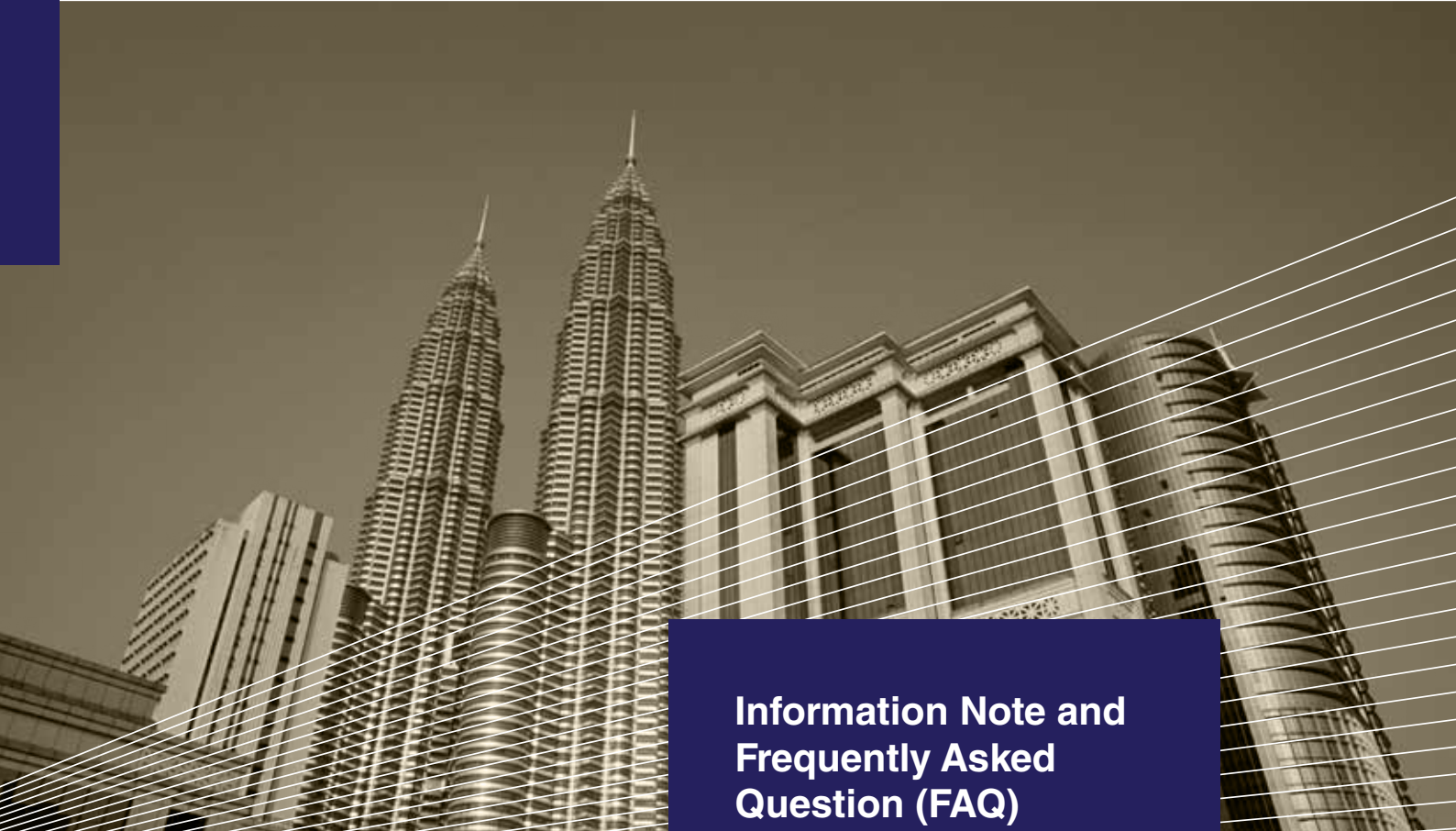




BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



**Information Note and
Frequently Asked
Question (FAQ)**

**RENTAS
SEGREGATED
SECURITIES
ACCOUNT**

RENTAS Segregated Securities Account

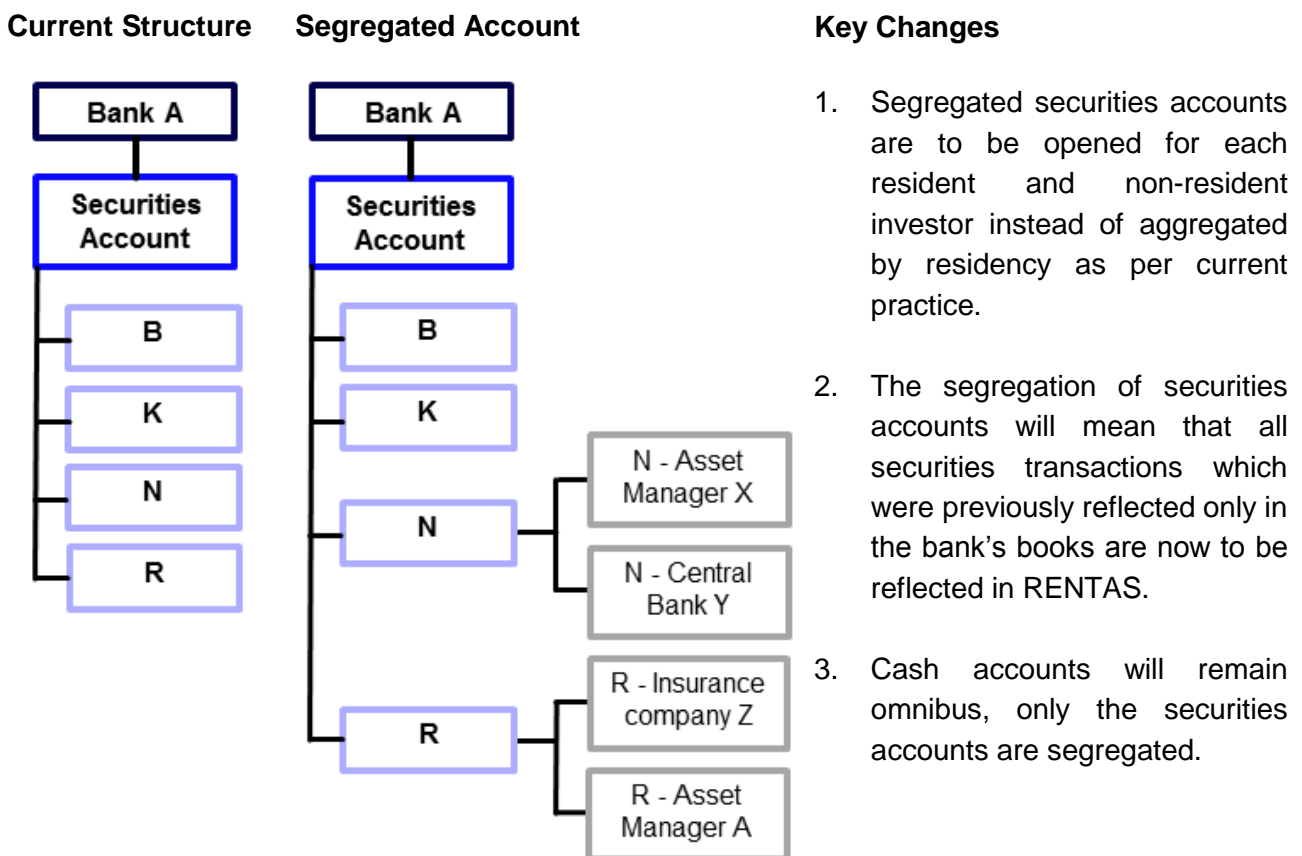
Enhancing Financial Market Infrastructure

Introduction

The Financial Markets Committee (FMC) together with Bank Negara Malaysia (BNM) have announced a number of initiatives to broaden and deepen the onshore financial market, that would amongst others, strengthen financial market infrastructure. In particular, settlement infrastructure will be enhanced for greater transparency and to facilitate surveillance in the onshore financial market.

The large value payment system, Real-time Electronic Transfer of Funds and Securities System (RENTAS), will be implementing segregated securities account structure. In addition, the globally recognised Legal Entity Identifier (LEI) issued by Local Operating Unit (LOU), will be used as a unique identifier in addition to the securities account number.

Chart 1: General Structure of New RENTAS Securities Account



Summary on RENTAS Segregated Securities Account Requirements

The segregated securities account requirements are applicable to all resident and non-resident investors of RENTAS debt securities who are required to comply with the requirements on maintaining RENTAS segregated account up to fund manager level, with quarterly reporting on detailed investors.

Summary on segregated securities account and quarterly reporting requirements as follow:

No	Type	RENTAS Segregated Securities Account	Quarterly Reporting
1	Fund manager	Fund manager or Bond fund level i.e. Fund Manager XYZ or XYZ EM Bond Fund	Quarterly reporting of underlying clients is required for fund manager's separately managed accounts ¹ Not required for mutual funds ²
2	Fund trustee	Trustee Level or Trustee Level for Specific Fund/Corporation/Individual i.e. XYZ Trustee Limited as Trustee for ABC Fund or Fund Level	Quarterly reporting of underlying beneficial is only required if segregated at trustee level. Not required if segregated and registered under Trustee level for specific fund/corporation/individual
3	Central Bank, Government	Entity level i.e. Central Bank of Malaysia	Quarterly reporting is not required on underlying funds, contributors, shareholders, individuals, clients or specific banking desk/section. These information will only be requested on an adhoc basis.
4	Pension funds, private/corporate retirement schemes or sovereign wealth funds	Fund level i.e. ABC Pension Fund	
5	Insurance company	Insurance company level	
6	Corporate entity ³	Corporate entity level	
7	Banking Institution – own position only	Entity level i.e. XY Investment Bank	
8	Individual	Collectively placed under the omnibus account of the intermediary ⁴ or local ADI under category for “Non-resident/resident” and “Individual”	

¹ Separately managed accounts refer to a portfolio of securities managed on behalf of an investor by asset manager/ fund manager

² Mutual funds refer to an investment vehicle made up of a pool of funds collected from many investors for investing in bonds

³ For corporate entity with holdings below RM1 million, the securities could be collectively placed under the omnibus account of the intermediary or local ADI under category for “Non-resident/resident” and “Corporate entity”

⁴ Intermediary includes private bank, management company, trust company, legal firm, custodian, stockbroking corporation or any similar entity which undertakes investment of manages funds on behalf of clients

Frequently Asked Questions

- 1) **Who is required to comply with the requirement on RENTAS segregated securities account?**
 - All resident and non-resident investors of RENTAS debt securities are required to comply with this requirement.

- 2) **Who is responsible for the creation of the RENTAS segregated securities account?**
 - Custodian banks are responsible for the creation of client's RENTAS segregated securities account, ensuring the correct LEI, legal name and investor type is used based on guidelines outlined in this document.

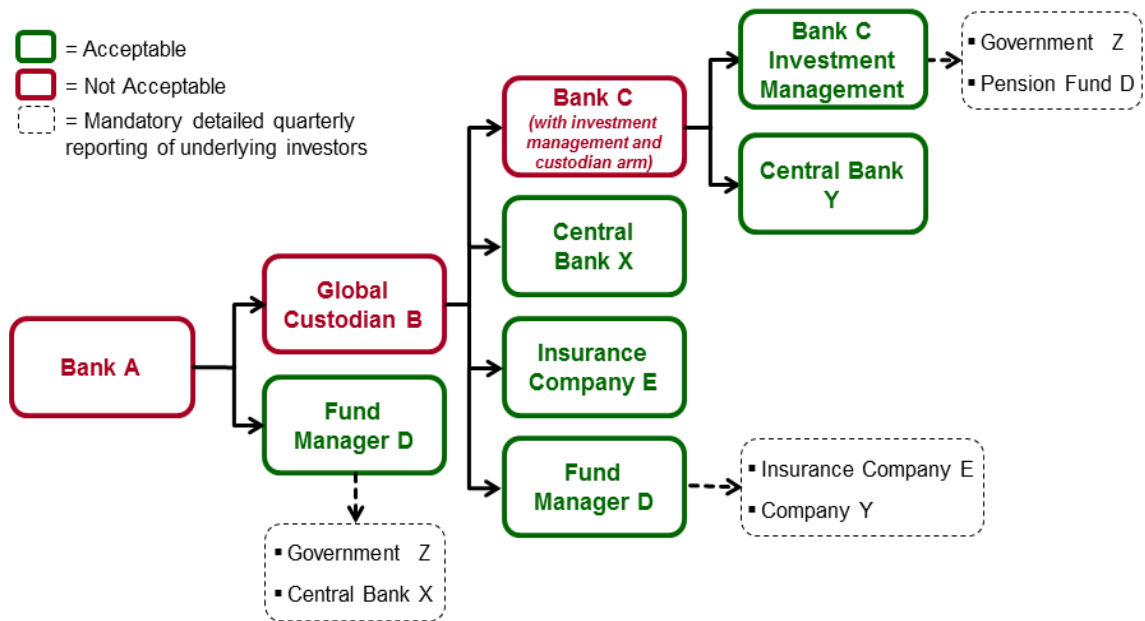
- 3) **What naming convention should be used for the RENTAS segregated securities account?**
 - Each segregated securities account should be named with the registered legal entity name corresponding to its LEI, with options of indicating in brackets the sub funds, corporate clients, individuals, contracting banks or stockbroking companies, i.e. XYZ Insurance Berhad (General Fund), ABC Global Foundation (XY Bank London), YZ Asset Management (Pension Fund A / Individual B / Corporation C)

- 4) **How do custodian banks create RENTAS segregated securities account for its clients?**
 - Kindly refer to RENTAS i-Link User Guide under Member Account Maintenance.

- 5) **What additional information is required to open client's RENTAS segregated account?**
 - Client legal name as per registered LEI
 - Client LEI
 - Client Investor Type [Details as per Appendix I]

- 6) **What is a Legal Entity Identifier (LEI) and how to register for one?**
 - The LEI is a unique 20-character, alpha-numeric code to identify legally distinct entities which engage in financial transactions.
 - An investor/entity can obtain the LEI via Local Operating Units (LOU), which at present, there are 30 LOUs globally.
 - Further information on LEI could be found in BNM website via the following link: http://www.bnm.gov.my/index.php?ch=en_fxmm_mo&pg=en_fxmm_fmc&ac=585&lang=en

- 7) **What level of RENTAS segregated securities account is required?**
 - Investors are required to maintain RENTAS segregated account up to fund manager level, with quarterly reporting on detailed investors [Subsequent questions will provide further details on reporting requirements].
 - Example of illustration as follow:



8) For pension funds, private/ corporate retirement schemes, or sovereign wealth funds, is it necessary to maintain a RENTAS segregated securities account for each individual contributor?

- No. The RENTAS segregated account should be opened up to the fund level only (pension funds, private/corporate retirement schemes, mutual funds or sovereign wealth funds), not underlying contributors.
- Naming convention should include the fund manager, if any, i.e. Pension Fund A (Fund Manager B) or Sovereign wealth fund A (Global Asset Manager B) [*Refer to question 3 on Naming Convention*].
- Quarterly reporting on detailed underlying contributors is not required.

9) For mutual fund manager or mutual funds, is it necessary to maintain a RENTAS segregated securities account for each individual contributor?

- No. The RENTAS segregated securities account should be opened up to the fund manager or fund level only, consistent with the reporting in ROMS and dynamic hedging monitoring i.e. Fund Manager XYZ, XYZ Emerging Market Bond Fund, ABF Pan Asia Bond Index Fund.
- For separately managed accounts, the account name should reflect both the fund manager and underlying client, i.e. Fund Manager XYZ (Pension Fund ABC) [*Refer to question 3 on Naming Convention*].
- Quarterly reporting of underlying clients is required for fund manager's separately managed accounts while quarterly reporting is not required for mutual funds.

10) If a fund manager manages various funds (Fund A, B and C), should the fund manager open segregated securities account at RENTAS for each fund or the fund manager opens one omnibus account to hold for the three funds?

- The rule of thumb would be to achieve consistency between RENTAS segregated account, investor registration for dynamic hedging and ROMS reporting.
- If each fund (Fund A, B and C) has segregated securities account at RENTAS, the fund should be registered separately for dynamic hedging and ROMS reporting.

11) For a trustee of a fund, what level of RENTAS segregated securities account is required?

- Segregated securities account in RENTAS could be maintained at trustee level or trustee level for specific fund/corporation, i.e. XYZ Trustee Limited as Trustee of ABC Fund or at fund level, i.e. ABC Fund (XYZ Trustee Limited) [*Refer to question 3 on Naming Convention*].
- If trustee's LEI is used, quarterly reporting of underlying beneficial, fund or corporation is required.
- If the LEI for trustee of specific fund/corporation is used, no quarterly reporting is required and the investor type should reflect the investor type of underlying beneficial.
- If the fund/corporation LEI is used, no further quarterly reporting is required.

12) For a corporate entity or insurance company who manages its own fund without going through a fund manager or mutual fund, is it necessary to maintain a segregated securities account?

- Yes. The corporate entity or insurance company would be required to maintain a segregated securities account in RENTAS and no quarterly reporting is required.
- Naming convention should include the fund manager, if any, i.e. Insurance Company A (Fund Manager B) [*Refer to question 3 on Naming Convention*].
- For an insurance or re-insurance company with three separate funds, i.e. Takaful Fund XY, General Fund Z, Life Fund A, the segregated account should be opened at the parent company level with the corresponding LEI of the parent insurance/re-insurance company and the details of the underlying separate funds/ fund managers be inserted in a bracket (), i.e. Insurance AB (Life Fund) [*Refer to question 3 on Naming Convention*]. Detailed reporting on underlying funds is also not required.

13) For a corporate entity with holdings below RM1 million, is it necessary to maintain a segregated securities account?

- If the corporate entity manages its own fund, holdings would be collectively placed under omnibus account in the local ADI's RENTAS account and local ADI's LEI with the following investor category "Corporate entity" and custody "Non-resident" or "Resident"
- If the corporate entity invests via intermediary, the securities could be collectively placed under omnibus account in the intermediary's RENTAS account with the following investor category "Corporate entity" and custody "Non-resident" or "Resident".
- Alternatively, intermediary has the option to open segregated securities accounts for each client, observing the naming convention, i.e. Private Bank A (Corporation Z) [*Refer to question 3 on Naming Convention*]
- Detailed quarterly reporting on the individual corporation is not required.

14) For an individual who manages its own fund without going through a private bank, fund manager or other intermediary, is it necessary to maintain a segregated securities account?

- For non-resident or resident individual investors, holdings would be collectively placed under omnibus account in the local ADI's RENTAS account and local ADI's LEI with the following investor category "Individual" and custody "Non-resident" or "Resident".
- Detailed quarterly reporting on the individual holdings is not required.

15) For an individual who invests via intermediary, is it necessary to maintain a segregated securities account?

- Individuals with holdings of RENTAS debt securities are not required to maintain a segregated securities account and may be collectively placed under omnibus account in the intermediary's RENTAS account with the following investor category "Individual" and custody "Non-resident" or "Resident".
- Alternatively, intermediary has the option to open segregated securities accounts for each individual client, observing the naming convention, i.e. Private Bank A (Individual B) [*Refer to question 3 on Naming Convention*]
- Detailed quarterly reporting on the individual holdings is not required.

16) What is the treatment for suspended/non-transferable securities?

- If the security is held by an investor with existing segregated securities account, it should be reflected in the investor's existing account.
- If the security is held by an investor with no existing segregated securities account (or with cumulative holding of other securities below RM1 million), the investor has the option to either maintain a segregated securities account or may collectively place the holdings under omnibus account in the local ADI or its intermediary's RENTAS account with appropriate naming of the account e.g. to include "(Suspended/Non-transferable Securities)" after the legal name, i.e. Bank A (Suspended/Non-transferable Securities) and custody "Non-resident" or "Resident".
- Please adhere to PayNet's instructions on the schedule and process of transferring the securities into segregated securities accounts.

17) What is the required RENTAS specification to be in line with this initiative?

- At present, existing RENTAS message specification version 1.5 for account structure is required. [*Kindly take note that the version may be subjected to changes upon upgrades into higher version*]

18) Would the RENTAS cash account be segregated or omnibus?

- RENTAS cash account to remain omnibus.

19) Upon implementation of the RENTAS segregated securities account, are the custodian banks still subject to the monthly non-resident UBO reporting?

- The monthly non-resident UBO reporting is targeted to be completely phased out upon full implementation of the RENTAS segregated securities account and quarterly UBO reporting.
- From 30 September 2018, custodian banks may submit to BNM a one-off declaration of compliance with the requirements stipulated under the RENTAS segregated securities account. BNM will take this declaration into consideration in determining a custodian bank's eligibility for the discontinuation of the monthly UBO reporting to BNM. The format of this declaration is as provided in Appendix III herewith. This declaration must be signed-off by the custodian bank's compliance officer.
- Custodian banks that have yet to implement RENTAS segregated securities account will continue to be subject to monthly non-resident UBO reporting requirements.

- If there are any clients who are facing challenges in embarking on the RENTAS segregated securities account initiative, please forward their details including name of entity and reason for non-compliance to sou@bnm.gov.my.

20) Upon implementation of the RENTAS segregated securities account, what additional information is required for securities trade settlement?

- For settling trades on behalf of clients, counterparty banks would have to provide the corresponding RENTAS securities account number instead of presently settling into the omnibus R or NR account.

21) Will BNM be sending daily statement of holdings to facilitate member banks' reconciliation post implementation of RENTAS segregated securities account?

- No, but member banks will continue to receive end-of-day securities holding statements (MT535 & MT536) at the segregated securities account level via member bank's respective access channel. In addition, member banks will also be able to view their clients' holdings via RENTAS i-link as per existing functionality.

22) Will there be any changes to the FAST tender allotment process?

- Custodians may continue to allot securities to their omnibus account, however, the securities have to be transferred to clients' segregated securities account by the value date of the respective trade with clients.
- Custodians are encouraged to set up configuration in FAST for direct allotment to clients' segregated securities accounts where possible.

23) When will RENTAS segregated securities account be implemented?

- Implementation was conducted in two phases with phase I on 21st May 2018 and phase II on 30th September 2018 to allow for transitioning into full compliance.
- The deadline for Phase II has now been extended to April 2019 for Euroclear to allow for additional time for full implementation.

24) For any other enquiries or clarifications, please contact sou@bnm.gov.my.

- Appendix I: Investor Type

No	Type	Code	Remarks
1	Asset Management	AM	Includes unit trust funds, mutual funds, bond funds, income funds, investment/asset/fund management companies, bank-backed/non-bank backed asset management, wealth management funds, private trust
2	Central Bank	CB	Includes central bank, reserve bank or monetary authority
3	Government	GV	Includes sovereign fund, federal fund, state fund, municipal fund, government organisation/council
4	Pension Funds	PF	Includes retirement funds, employee provident funds, social security funds, pension scheme, government pension funds, national pension services, pension fund associations, superannuation funds
5	Insurance Companies	IC	Includes life/General insurance companies, insurance funds, social insurance organizations
6	Non-Financial Corporation	NF	Includes associations, non-banking private sectors, foundations, endowment funds
7	Banking Institutions/ Financial Intermediaries	BI	Banks own position only. Banks include commercial banks, investment banks, development banks, multilateral development banks, private banks, broker-dealers. Other financial intermediaries include credit union, financial cooperatives, credit corporations, property financier, mortgage corporations, leasing and factoring companies
8	Individual	IN	A person

- Appendix II: List of Custodian Banks and International Central Securities Depositories (ICSD)

Local Custodian Banks	
1. Affin Hwang Investment Bank Berhad	12. Hong Leong Investment Bank Berhad
2. Alliance Bank Malaysia Berhad	13. HSBC Bank Malaysia Berhad
3. Alliance Investment Bank Berhad	14. KAF Investment Bank Berhad
4. AmBank (M) Berhad	15. Kenanga Investment Bank Berhad
5. Bank Islam Malaysia Berhad	16. Malayan Banking Berhad
6. Bank Muamalat Malaysia Berhad	17. MIDF Amanah Investment Bank Berhad
7. Bank Negara Malaysia	18. OCBC Bank (Malaysia) Berhad
8. CIMB Bank Berhad	19. Public Bank Berhad
9. Citibank Berhad	20. RHB Investment Bank Berhad
10. Deutsche Bank (Malaysia) Berhad	21. Standard Chartered Bank Malaysia Berhad
11. Hong Leong Bank Berhad	22. United Overseas Bank (Malaysia) Berhad

Global Custodian Banks	
1. Australia and New Zealand Banking Group	25. KBC Securities
2. Bank of America	26. LGT Group
3. Bank of Singapore	27. Lombard Odier
4. Banque Cantonale Vaudoise	28. Macquarie Bank
5. Banque de Luxembourg	29. Merrill Lynch
6. Barclays	30. Mizuho Trust & Banking
7. BNP Paribas	31. Morgan Stanley
8. Brown Brothers Harriman	32. Nomura Group
9. CA (Crédit Agricole) Indosuez	33. Northern Trust
10. CACEIS Bank	34. Pictet Group
11. Citigroup	35. Raiffeisen Bank International
12. Commonwealth Bank of Australia	36. Royal Bank of Canada
13. Credit Suisse Group	37. SMBC Nikko Bank
14. Danske Bank	38. Societe Generale
15. DBS Bank	39. Standard Chartered
16. DZ Privatbank	40. State Street Corporation
17. Erste Group Bank	41. Sumitomo Mitsui Trust Group
18. Fideuram Bank	42. The Bank of New York Mellon
19. Goldman Sachs	43. The Master Trust Bank of Japan
20. HSBC Bank	44. Trust and Custody Services Bank
21. ING Bank	45. UBS
22. Japan Trustee Services Bank	46. Union Bancaire Privée
23. JPMorgan Chase & Co	47. United Overseas Bank
24. KAS BANK	

International Central Securities Depository (ICSD)	
1. Clearstream	2. SIX SIS

- Appendix III: Format of compliance declaration

[Letter Head of Declaring Entity]

Date :

From : [Name of Declaring Custodian Bank]
: [Contact Details]

To : Director, Investment Operations and Financial Markets
Bank Negara Malaysia (Central Bank of Malaysia)

SUBJECT: Declaration On Compliance with requirements stipulated under RENTAS Segregated Securities Account (RENTAS SSA)

[Declaring Entity] hereby provides unconditional representation and commitment to Bank Negara Malaysia, that effective from the date of this letter, [Declaring Entity] has fully complied and will continue to comply with the requirements stipulated under RENTAS SSA.

Thank you.

[Name of Compliance Officer]