



Keynote Address
by Dato' Seri Dr. Awang Adek Hussin
Chairman, Securities Commission Malaysia
Virtual FIMM Annual Convention and Industry Education Series
Theme: 'Re:Set'
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At the FIMM Annual Convention today, the SC Chairman urged the fund management industry to adapt to changing investor preferences for alternative assets and SRI. Furthermore, retirement security has emerged as a national concern. As a result, by learning more about investor behaviour, there is an opportunity to enhance PRS offerings and reduce the retirement savings gap.

Highlights:

- *Several measures introduced by the SC in March have facilitated fund management efficiency and widened their investment universe.*
- *Last month, ETFs and PRS were also liberalised, allowing retail funds to have exposure to digital assets, investment accounts and investment notes. Similar plans are intended for the wholesale fund market as well.*
- *In anticipation of the growth in SRI funds, the SIDC will launch an SRI Certification for market professionals in 2023, focusing on fund distributors such as unit trust and PRS consultants*
- *The SC has met with key stakeholders in the PRS industry to discuss potential policies and possible applications of new product features. These insights are being used to design pilot projects with industry players and the Private Pension Administrator Malaysia (PPA)*
- *Market intermediaries must continue to act in investors' best interests. The SC will pursue enforcement actions against consultants who engage in misconduct and mis-selling.*
- *As a self-regulatory organisation, FIMM must continue to hold "bad actors" accountable for investor rights and interests.*

En. Mohd Ridzal bin Mohd Sheriff, Pengerusi FIMM,
Ahli lembaga pengarah dan pengurusan kanan FIMM,
Tuan-tuan, puan-puan,
Assalamualaikum warahmatullahi wabarakatuh dan selamat pagi.

1. Pertama sekali, terima kasih kepada FIMM atas undangan untuk saya menyampaikan ucapan pembukaan pada konvensyen tahunan ini.
2. Biarpun kita tidak bersama secara fizikal, kaedah atas talian memberi peluang kepada kita semua untuk berkongsi pandangan mengenai perkembangan semasa dan kesannya ke atas industri kita. Khususnya apa yang harus kita lakukan, 'reset' untuk menjamin kemampanan bersama.

Reset for a resilient industry

Ladies and gentlemen,

3. Malaysia's fund management assets have more than doubled since 2010, to RM 951 billion¹, as more savings were mobilised through the capital market. It was also a period of rising asset prices, supported by easier monetary and financial conditions. Despite this strong growth, the unprecedented events over the last two years, serve to remind us all that the status quo can shift rapidly.
4. Today, it is a far different economic and financial landscape that we face. Rising global interest rates have tightened market liquidity and heightened volatility. This has negatively impacted net asset values. As the outlook ahead remains challenging, it is necessary to reset focus and expectations to ensure continued industry relevance and resilience.
5. Being one of our oldest and largest market segments, the unit trust industry must, first and foremost, adapt to changing demands. The search for returns, has seen investor preferences shift, from conventional products towards alternative assets and sustainable and responsible investments (SRI). Going forward, this trend is

¹ As at end 2021

likely to continue, alongside further product innovation and a higher interest rate environment. Therefore, it is important that fund intermediaries continue to ensure that sufficient processes and safeguards are in place, to manage risks from these emerging asset classes.

Areas of opportunities moving forward

Ladies and gentlemen,

6. From a product standpoint, the SC introduced several measures to facilitate greater efficiency in fund management and the widening of their investment universe in March this year. This coincided with the move to a principles-based approach. Similar liberalisation measures were also extended to exchange-traded funds (ETF) and private retirement schemes (PRS) last month.
7. With these changes, a retail fund is now permitted to have some exposure to digital assets, investment accounts, and investment notes. This will enable individual investors to gain exposure to alternative assets. We intend to allow the same for the wholesale fund market as well.
8. Sustainable investments are another asset class in high demand. Domestically, SRI funds have grown more than seven fold between 2019 to June this year. Its attractiveness lies in its risk diversification benefits, as well as its ability to meet the social impact needs of investors.
9. In anticipation of a significant growth in SRI funds, I am pleased to announce that our training and development arm, the Securities Industry Development Corporation (SIDC), will introduce SRI Certification for Market Professional in 2023. The certificate will enhance industry capabilities, particularly those involved in fund distribution, such as unit trust and PRS consultants. After all, better equipped intermediaries will raise investor confidence and participation in the SRI asset class.
10. Post-pandemic, retirement adequacy has emerged as a pressing national concern. It also presents an opportunity to enhance PRS offerings, through better understandings of investor behaviours, and reduce the retirement savings gap.

11. In this regard, the SC hosted a behavioural workshop, with key stakeholders in the retirement ecosystem, to discuss potential policies and possible applications of new product features. Insights from this workshop are being utilised to design pilot projects with industry players and the Private Pension Administrator Malaysia (PPA), towards nudging individuals and encouraging participation in private retirement schemes. Hopefully, these efforts will result in a future retirement landscape that we can be proud of.
12. In addition, I would like to urge the industry to take advantage of an increasingly digital world. Investments into technology and online tools have become crucial to sharpen the competitive edge. It will also help intermediaries monitor and manage risks, as well as enhance process efficiencies to serve customers better.

Investor protection remains a priority

Ladies and gentlemen,

13. Even as the industry moves to take advantage of opportunities, I would like to remind market intermediaries to continue to act in the best interest of their investors. The SC will not hesitate to pursue enforcement actions for misconduct and mis-selling by consultants. In fact, we have issued penalties of more than RM 4 million from 2020 to 2022. In terms of conduct, the SC has acted against consultants for failure to explain the unit trust fund marketed, for providing performance guarantees, unauthorised transactions on client accounts, and issuing false or misleading information.
14. FIMM, as a self-regulatory organisation, must also continue to hold “bad actors” accountable, in protecting the rights and interests of investors. In fact, 76 actions against consultants have been taken in the last four years. These range from reprimands to suspending their registration, as well as requiring consultants to attend training. FIMM also employs targeted supervisory inspections to identify, prevent and deter misconduct.

15. Ultimately, we expect consultants themselves to avoid improprieties and breaches of trust. It is also incumbent on their principal firms to remain diligent in taking proactive steps to ensure expected standards of conduct are upheld. This requires all firms to act in good faith, be fair and transparent, as well as strive to avoid foreseeable harm to investors.

Conclusion

Ladies and gentlemen,

16. In resetting priorities and expectations, it is important not to lose sight of where we are heading and how to get there. For the SC, the end objective is to ensure a relevant, efficient and diversified capital market. This calls for a resilient and sustainable fund management industry, one that is equipped to capitalise on opportunities and address future challenges.
17. Moving forward, it is essential for unit trust and PRS consultants, their principals, and FIMM, to continue to take their roles and responsibilities seriously. The trust and confidence of investors depends on every one of us upholding the highest standards.
18. With that, I wish you all a fruitful and engaging two-day convention.

Thank you.