

**Special Address by**  
**Dato' Seri Dr. Awang Adek Hussin**  
**Chairman, Securities Commission Malaysia**  
**At FIMM 30<sup>th</sup> Anniversary Dinner 2023**  
**Sofitel Hotel, Kuala Lumpur**  
**29 November 2023**

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**Key Highlights:**

In his special address, Dato' Seri Dr. Awang Adek Hussin, Chairman of the SC, emphasised the critical importance of accountability among those who offer capital market products so that investors are always protected.

He made it clear that the SC will not tolerate any non-compliance by capital market players and will not hesitate to take action against these "bad actors" who allow fraudulent activities to compromise the integrity of the capital market.

Here are highlights from his speech:

1. Fund management has grown to be the largest industry in the capital market.
2. Since 2003, the asset management industry has grown twelvefold, reaching RM964.8 billion in August 2023 from RM79 billion.
3. Fund management has broadened asset ownership and generated long-term savings, contributing to the growth of the capital market.
4. Principal firms need proper processes and procedures to monitor and supervise unit trust consultants.
5. If bad behavior is detected, the principal firm needs to own up to it and be held responsible, including refunding or compensating the aggrieved investors, especially where there are internal control failures on the part of the principal firm.
6. FIMM must carry out its functions without fear or favour and must hold 'bad actors' accountable.

## **Full Speech:**

**En. Mohd Ridzal bin Mohd Sheriff,**

Chairman of Federation of Investment Managers Malaysia ("FIMM"),

FIMM Board members and senior management,

Ladies and gentlemen,

### **Introduction – Acknowledgement of FIMM's 30<sup>th</sup> anniversary and contributions**

Assalamualaikum and Good evening.

1. It is an honour and pleasure for me to be here tonight to celebrate a remarkable milestone, the 30th Anniversary of the Federation of Investment Managers Malaysia, or FIMM. That is something we share in common. The SC too, turns 30 this year, and as you know, milestones are also a time to reflect and take stock.
2. If you think about it, 1993 was a very significant year in terms of the capital market in Malaysia because it was then that the market went, to use a highly technical term, "crazy". In a way both organisations started with a similar aim – to rein in the chaos of the markets and ensure good conduct amongst the players.
3. FIMM started as the Federation of Unit Trust Managers (FMUTM) to support the development of the investment management industry in Malaysia, during the early cowboy days of "anything goes", becoming a Self-Regulatory Organisation (SRO) in 2011.
4. There is a funny story about SROs from one of my predecessors, possibly one of the most colourful chairmen the SC has ever seen, Datuk Ali Kadir.
5. His deputy chief executive at the time came charging into his office with a complaint about the size of the signage of an accounting firm. To him, the SC micro-managing

how large a signage an accounting firm should have, was simply ludicrous, akin to getting the Attorney-General to direct traffic.

6. So, he decided that the various professions within the capital market should regulate themselves, hence the development of SROs. Although it was not until much later, long after he had left, that this particular vision was realised.
7. But seriously, having survived 30 years is not just a testament to the endurance of your organisation, but also a reflection of the vibrant and dynamic landscape of Malaysia's capital market. The market has achieved dizzying heights and fallen to the depths of despair in that time.
8. I think what the SC wants, more than anything, is to achieve some sense of stability and for all the disparate parts to continue to work, no matter what gales or hurricanes assail them. A little-acknowledged achievement is that our market continued to function even as it plunged to its lowest in 1998. That is because of the systems the SC had put in place so that the market continued to remain orderly and transparent, even at its most disorderly.
9. Because of our experience during the Asian Financial Crisis, and I am sure, you have your own stories to tell about this time, Securities Commission Malaysia pushed for the International Organization of Securities Commissions (IOSCO) to add "reducing systemic risk" to the accepted work of securities regulators. Many objected vehemently and it was not until the Global Financial Crisis imploded in the West some 10 years later, that they realised that this should have been part of the mandate of securities regulators all along.

Ladies and gentlemen,

10. Having said that, I take my hat off to the FIMM, for having survived the last 30 tumultuous years.
11. This achievement is a testament to the unwavering commitment, dedication, and contribution that FIMM has made to our capital market.
12. Today, fund management is the largest industry across the capital market, thanks in no small part to the tireless efforts of FIMM.

13. Since 2011, FIMM, as an SRO, has played a pivotal role in regulating the marketing as well as the distribution and sales practices for the unit trust and private retirement scheme industries.
14. This has led to a thriving industry. I am told there about 150 distributors and 87,000 consultants currently registered and supervised by FIMM.
15. As a forward-looking SRO, the SC commends FIMM's tireless and innovative approach to fulfilling its regulatory and development mandates.

Ladies and gentlemen,

16. I would like to take a moment to reflect on an important area that FIMM has played a key role in - the development of the Malaysian capital market, specifically in the fund management segment.
17. Over the past 20 years, we have witnessed strong growth in the asset management industry. The assets under management (AUM) have increased twelve-fold, reaching RM964.8 billion as of August 2023, up sharply from a modest RM79 billion in 2003.
18. This demonstrates the industry's significant contribution to the capital market by broadening asset ownership and generating returns on long-term savings. And more importantly, we were able to achieve this positive development despite going through tough times such as the Global Financial Crisis in 2008, the recent Covid-19 crisis and a string of geopolitical tensions over the past 20 years. So good job and well done!

Ladies and gentlemen,

### **Responsibility for duty of care and investor protection**

19. Our shared commitment to fostering a robust and trustworthy investment environment is paramount. As such, I would like to use this occasion to emphasise the critical importance of accountability in ensuring investor protection is always upheld.
20. We continue to see fraud and mis-selling involving unit trust consultants (or UTCs). For example, in a recent case, it was discovered that one UTC was siphoning funds from his clients' investments.

21. This is completely unacceptable and although the numbers are small, the fact that such behaviour is there at all, speaks to the need to monitor the UTCs even more closely, and make principal firms more accountable. There's a story about how James Ritty invented the cash register in 1879 to stop his employees from pilfering his profits. All efforts must be made to stop the wrong doing.
22. In the same way, I think, an intelligent use of technology can help monitor and do away with such unwanted behaviour among the few bad apples in this profession. It is important that we continue to prioritise investor protection and accountability, and ensure all systems and procedures are will in place to prevent fraudulent activities.
23. **To earn the trust and faith of investors, people who sell capital market products must be honest, trustworthy and transparent.** I believe this is in line with FIMM's Code of Ethics, which stresses how important it is for UTCs to uphold the highest levels of professionalism and ethical conduct.
24. But it is not enough to have a code of ethics and expect everyone to behave in a manner befitting a member of the profession. You need to have the right processes and procedures in place to monitor and supervise the UTCs. This is not only to protect legitimate investments, but also to prevent illegal activities such as money laundering.
25. **And if bad behaviour is detected, the principal firm needs to own up to it and be held responsible, including refunding or compensating the aggrieved investors, especially where there are internal control failures on the part of the principal firm. You cannot simply rely on UTCs to meet the required standards of behaviour. You remain equally accountable for any missteps.**
26. **Likewise, FIMM, as a SRO, must hold 'bad actors' accountable. You cannot and should not tolerate any fraud.** UTCs siphoning money, especially from vulnerable investors, will hurt the trust and reputation of our industry, and affect our efforts to develop the market. The capital market will not grow once investors lose confidence in the market and safety of their investments.
27. FIMM must enforce its code of ethics to instill a good culture of compliance, integrity and honesty among its members. **In this regard, FIMM must carry out its functions without fear or favour in the name of justice and fairness for all.**

## Conclusion

Ladies and gentlemen,

28. The SC will not compromise in the area of investor protection. **Moving forward, we will not hesitate to take criminal action against these "bad actors"** and enforce stronger supervisory actions against intermediaries lacking proper internal controls, indirectly allowing fraudulent activities to compromise the integrity of our capital market. In short, **we will not tolerate any non-compliance by capital market players.**
29. We are committed to working hand-in-hand with FIMM to achieve this objective and promote trust in our capital market.
30. In closing, I would like to once again extend my deepest appreciation to FIMM for its invaluable contributions to our capital market over the past 30 years.
31. May this occasion be a reminder of the achievements and challenges that have shaped us, and a catalyst for us to work harder in the coming years.
32. On behalf of the SC, Happy Birthday FIMM. I wish FIMM continues to enjoy growth, prosperity and success.
33. Thank you.