



## **CODE OF ETHICS**

**THIRD EDITION**

**13 January 2020**

First Edition: 1 September 2001

Second Edition: 22 January 2013

## CONTENTS

Chapter 1: Introduction	3
Chapter 2: Definition	5
Chapter 3: Core Principles of Ethical Standards and Professional Conduct	7
Chapter 4: List of Prohibited Conduct	13
Chapter 5: Non-Compliance with the Code and FIMM Rules	18

## CHAPTER 1 - INTRODUCTION

- 1.1 This Code of Ethics (“Code”) is issued pursuant to sub-paragraph 2.2.2(a) of FIMM’s Consolidated Rules.
- 1.2 The Code provides for the ethical standards and professional conduct of Distributors and Consultants—
  - (a) in marketing and distribution of unit trust scheme and private retirement scheme; and
  - (b) in relation to any activities that may adversely impact the Industry.
- 1.3 The Code sets out five core principles which include the following:
  - (a) Honesty and integrity;
  - (b) Professionalism;
  - (c) Avoidance of conflict of interest;
  - (d) Disclosure of Information; and
  - (e) Observance of Confidentiality.
- 1.4 The Distributors and Consultants must adhere to the five core principles of the Code, with the following objectives:
  - (a) To uphold ethical standards and professional conduct in marketing and distribution of unit trust schemes and private retirement schemes; and
  - (b) To instill public confidence in the Industry.
- 1.5 This Code shall be read together with FIMM Rules, relevant securities laws and other applicable laws that govern the Industry.
- 1.6 The Code shall come into force on 13 January 2020 and supersedes the Code of Ethics and Rules of Professional Conduct (2<sup>nd</sup> Edition) dated 22 January 2013 (“Repealed Code”).

1.7 All acts howsoever called, made or done before the commencement of this Code shall be dealt with under the provisions of the Repealed Code. All action, directions and notifications by FIMM that have been made, given or done under the Repealed Code will continue to remain in full force and effect in relation to whom they apply.

1.8 This Code does not affect—

- (a) the accrued rights of FIMM under the Repealed Code;
- (b) the right of FIMM to take any action for breaches under the Repealed Code discovered after this Code came into effect;
- (c) the right of FIMM to continue with any action initiated under the Repealed Code after this Code came into effect; and
- (d) any conditions, undertakings, decisions, waivers, act or thing imposed on or given by or done by Distributors and Consultants under the Repealed Code.

1.9 Any inquiry regarding this Code may be addressed to:

Head  
Legal & Regulatory Affairs  
Federation of Investment Managers Malaysia  
19-06-1, 6th Floor, Wisma Tune  
Lorong Dungun  
50490 Kuala Lumpur

Tel. No: 03-2093 2600  
Fax No: 03-2093 2700  
E-mail: [info@fimm.com.my](mailto:info@fimm.com.my)

## CHAPTER 2 - DEFINITION

2.1 In this Code, unless the context otherwise requires or the contrary intention appears, the following words shall have the following meaning:

authorisation card	means an identification card issued by FIMM to a Consultant who is registered with FIMM;
CMSA	means the Capital Markets and Services Act 2007;
Consultant	means an individual registered with FIMM and authorised to market and distribute Schemes;
Distributor	means a corporation registered and authorised by FIMM to market and distribute Schemes;
FIMM Rules	means rules, guidelines, codes, directives, standards, circulars and manuals issued by FIMM by whatever name called and include any amendment and revision made thereto from time to time;
Industry	means the UTS industry and/or PRS industry, as the case may be;
investor	means an existing or prospective investor of a UTS or contributor of a PRS. In this regard, “contributor” has the same meaning assigned to it in the CMSA;
marketing and distribution	means promotion, offering, marketing and distribution of Schemes in any form, including engaging or attempting to engage in any act to promote, offer, market and distribute Schemes to any person;
Officer	means a Distributor which includes— (a) any director, Secretary and employee; and (b) a receiver and manager, appointed under a power contained in any instrument, of any part of the undertaking or property of the corporation;
Personnel	means any director, Secretary and employee of the Distributor;

Principal	in relation to a Consultant, means the Distributor for whom his registration is tied to;
PRS	means a private retirement scheme. In this regard, “private retirement scheme” has the same meaning assigned to it in the CMSA;
SC	means the Securities Commission Malaysia established under the Securities Commission Malaysia Act 1993;
Scheme	means a UTS or a PRS, as the context requires and “Schemes” refer to UTS and PRS collectively;
Secretary	means a person as referred to under section 235 of the Companies Act 2016;
securities laws	has the same meaning assigned to it in the Securities Commission Malaysia Act 1993 and includes guidelines issued by SC; and
UTS	means a unit trust scheme. In this regard, “unit trust scheme” has the same meaning assigned to it in the CMSA.

2.2 A reference to any person includes an individual or a corporation, a reference to the masculine gender includes the feminine or neuter and a reference to singular includes the plural or vice versa.

2.3 A reference to any statute or subsidiary legislation or any provision of any statute or subsidiary legislation includes all modifications, extensions, substitutions or re-enactments thereof in force at any particular time and all regulations, rules, orders, directives, notices and other instruments then in force and issued under or deriving validity from the relevant statute or subsidiary legislation or provision.

## **CHAPTER 3 – CORE PRINCIPLES OF ETHICAL STANDARDS AND PROFESSIONAL CONDUCT**

### **Core Principle 1: Honesty and Integrity**

- 3.1 A Distributor and Consultant shall at all times act honestly and with integrity.
- 3.2 A Distributor and Consultant shall at all times act in the best interest of investors.
- 3.3 A Distributor and Consultant shall deal with investors in good faith and ensure fair treatment of investors.
- 3.4 A Distributor and Consultant shall uphold and protect the reputation of the Industry.

### **Core Principle 2: Professionalism**

- 3.5 A Distributor and Consultant shall demonstrate high standards of professionalism and shall exercise due care, skill and diligence when dealing with investors.
- 3.6 A Distributor and Consultant shall provide prompt, efficient and continuous service to investors, including treating investors with respect.
- 3.7 A Distributor and Consultant shall conduct suitability assessment in accordance with the requirements provided under relevant securities laws and guidelines and where applicable, other regulatory authorities' laws, regulations or guidelines prior to recommending any Schemes to an investor.
- 3.8 A Distributor shall ensure that the investors are continuously updated on their investment portfolio by submitting to the investor, statement of account on regular basis.
- 3.9 A Distributor and Consultant are discouraged to provide incentives such as gifts to entice investors to invest in a Scheme.

- 3.10 While the use of incentive such as gifts is not prohibited, a Distributor and Consultant must ensure that the use of incentive does not distract an investor from making an informed investment decision.
- 3.11 A Distributor and Consultant must comply with all requirements provided under the *Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries* issued by the SC.
- 3.12 A Distributor and Consultant shall deal with FIMM and other regulatory authorities in an open and co-operative manner, including providing such assistance, information and documents as may be required by FIMM or other regulatory authorities.
- 3.13 A Distributor must exercise all free switching options available under the Schemes before imposing any switching fees or charges on an investor.
- 3.14 A Distributor holding the investment as a legal owner or beneficial owner shall ensure that any distributorship arrangement entered into with another Distributor does not in any way undermine an investor's right in the Schemes.
- 3.15 Where an investment is made under the nominee system and payment is made via cheque, a Distributor must—
- (a) ensure that cheques are made in the name of the relevant Distributor (where investment is made through the nominee account of the Distributor) and for the benefit of the investor, by including—
    - (i) the name and identification card number or account number (if any) for individual investor; or
    - (ii) the name and company number or account number (if any) for corporate investor,
- on the reverse of the cheque; and



- (b) ascertain that—
  - (i) in relation to an individual investor, the name and identification card number in the cheque matches the name and identification card number of the investor; and
  - (ii) in relation to the company, the number and account number of the investor as reflected in the cheque matches the company number or account number of the investor,as indicated in the investment application form.

3.16 A Distributor must have in place systems, policies and procedures to—

- (a) accurately identify, verify and document all investment transactions of an investor; and
- (b) maintain the integrity of an investor's personal information and financial information including taking appropriate steps to obtain investor's latest address.

3.17 A Distributor shall have internal systems, policies and procedures to handle complaints received, including—

- (a) ensuring complaints received are handled fairly, properly and efficiently with due process;
- (b) ensuring inquiries, reviews, findings and actions taken on complaints received are properly recorded;
- (c) allocating sufficient resources to review and resolve complaints received within a reasonable time;
- (d) notifying investors on the manner they may lodge complaint and their recourse to the Securities Industry Dispute Resolution Center (SIDREC), in the event of any dispute involving monetary loss;

- (e) submitting reports on complaints received on quarterly basis, in the form and manner prescribed by FIMM or SC; and
  - (f) promptly notifying FIMM in writing of any complaint which may adversely affect the interest of an investor or reputation of the Industry, notwithstanding the requirement under sub-paragraph 3.17(e) above.
- 3.18 A Distributor shall ensure that all details and information obtained pursuant to complaints received—
- (a) are kept confidential; and
  - (b) are shared only with persons involved in reviewing the complaints, including the Board of Directors, auditors and compliance officers.
- 3.19 A Distributor shall monitor compliance of their Consultants on the requirements of this Code, FIMM Rules, the securities laws, guidelines and other relevant laws, including notifying, explaining and conducting the necessary training to their Consultants.
- 3.20 A Distributor shall ensure that all payments accrued to a Consultant in respect of marketing and distribution of Schemes are paid directly into the account of that Consultant and not to or through a third party.
- 3.21 A Distributor must inform each investor promptly in writing when there is a change in the servicing Consultant.
- 3.22 A Consultant shall only represent one Principal for UTS and/or PRS respectively at any one time.
- 3.23 A Consultant shall only market and distribute Schemes distributed by his Distributor.

3.24 A Consultant shall introduce himself as a FIMM's registered person and produce his authorisation card issued by FIMM when carrying out the marketing and distribution of Schemes.

### **Core Principle 3: Avoidance of Conflict of Interest**

3.25 A Distributor and Consultant shall avoid any conflict of interest when dealing with an investor.

3.26 Where a conflict of interest cannot be avoided, the Distributor or Consultant, as the case may be, shall promptly and responsibly disclose such conflict (whether real or potential) in writing to the investor concerned and ensure priority is given to the investor's interest.

3.27 A Distributor shall have in place systems, policies and procedures to identify, avoid, disclose and manage a conflict of interest situation.

### **Core Principle 4: Disclosure of Information**

3.28 A Distributor and Consultant shall provide accurate, timely and adequate information concerning the Schemes to assist an investor in making an informed investment decision, including information contained in the prospectus, disclosure document and product highlights sheet.

3.29 A Distributor and Consultant shall provide an investor with clear explanation on the features of the Schemes that are being marketed, including:

- (a) investment objectives of the Schemes;
- (b) investment strategy to achieve the objectives;
- (c) calculation method on unit prices;
- (d) risks of investing in the Schemes, including the risk of investing through loan financing;
- (e) unique features of the Schemes;

- (f) distribution policy of the Schemes;
- (g) fees, charges and expenses when investing in the Schemes, including details of calculation;
- (h) restrictions if any, applicable to the Schemes, including fees and charges on early withdrawal from the Schemes;
- (i) tax implications, if any; and
- (j) cooling-off period.

3.30 A Distributor and Consultant shall provide sufficient information and explanation to facilitate investor's understanding on the investment in the Schemes.

#### **Core Principle 5: Observance of Confidentiality**

3.31 A Distributor and Consultant shall safeguard investors' personal and financial information at all times, except where disclosure has been authorised in writing by the investor or where such disclosure is required to be made to any relevant authority pursuant to any relevant laws or legal process.

3.32 A Distributor shall have in place systems, policies and procedures to safeguard an investor's personal and financial information.

3.33 A Distributor shall ensure that its Officers do not make improper use of an investor's personal and financial information—

- (a) to gain an advantage for themselves or any other person; or
- (b) to cause detriment to investors.

3.34 A Distributor shall ensure only the servicing Consultant or an authorised Officer have access to an investor's personal or financial information.

## CHAPTER 4 – LIST OF PROHIBITED CONDUCT

Chapter 4 sets out a non-exhaustive list of prohibited conduct relating to the 5 core principles.

### Core Principle 1: Honesty and Integrity

4.1 A Distributor and Consultant shall not—

- (a) misappropriate funds of an investor;
- (b) knowingly or recklessly falsify documents or submit falsified documents;
- (c) commit forgery including forging signature of an investor or any other person;
- (d) amend or alter any information, in whole or in part, provided by an investor without his written consent;
- (e) use any document or information where the content or part of the content of the document or information is false or misleading;
- (f) misrepresent or make false or exaggerated statements concerning the Schemes including—
  - (i) the characteristics of the Schemes;
  - (ii) the past or present performances of the Schemes;
  - (iii) using names or advertisement expressions that are likely to mislead an investor into investing in the Schemes;
  - (iv) using outdated facts or information when dealing with an investor;
  - (v) disclosing only favorable features of the Schemes; or
  - (vi) comparing Schemes using unrelated characteristics.
- (g) make false statement or disseminate false information concerning the Schemes, SC, FIMM, the Industry, other Distributor or Consultant; or
- (h) use, or by inference adopt or display, the designation, title or qualification of ‘financial planner’, ‘financial advisor’, ‘investment advisor’ or ‘investment

consultant' unless authorised by the relevant regulatory authorities or professional bodies.

- 4.2 A Distributor and Consultant shall not deal in (including introduce, promote, market, distribute or be involved in any way) the following:
- (a) Any Schemes or other investment products which are not authorised or recognized for offer or distribution by the securities laws;
  - (b) Any Schemes or other investment products which they are not licensed or registered to market and distribute by the securities laws or guidelines; and
  - (c) Any Schemes or other investment products which are published in any alert list by the relevant authorities.

### **Core Principle 2: Professionalism**

- 4.3 A Distributor and Consultant shall not—
- (a) use deception, misleading, unfair and/or aggressive method to recruit prospective Consultant. The recruitment process should be conducted in an ethical manner at all times;
  - (b) act on behalf of an investor in submitting a transaction without a valid instrument;
  - (c) accept cash or cash deposits from investors;
  - (d) engage in aggressive and offensive sales practices;
  - (e) allow any investor to transfer money or issue a cheque to any banking account other than the Distributor's account;
  - (f) request, allow, accept or submit any pre-signed or pre-thumbprint forms from an investor;

- (g) appoint or allow a non-registered person to market or distribute any Schemes;
- (h) provide statement or information which creates confusion or misunderstanding;
- (i) provide cash discount or cash rebate to an investor;
- (j) perform churning by executing excessive redemption and purchase of Schemes using the same investment proceeds into one or more funds;
- (k) use advertisement and promotional materials which do not comply with the requirements of the *Guidelines on Unit Trust Advertisement and Promotional Materials* issued by the SC;
- (l) make negative or unwarranted statement that adversely affects or is likely to adversely affect the interest of an investor or reputation of the Industry, FIMM or the SC;
- (m) encourage investors to invest in any Scheme through loan financing; or
- (n) use FIMM's logo without FIMM's prior written consent except to disclose membership or registration with FIMM.

4.4 A Consultant shall not—

- (a) impersonate or use the identity of another Consultant when dealing with investors or other persons in relation to investment in any Schemes;
- (b) assign or allocate sales of any Schemes to another Consultant;
- (c) use advertisement and promotional materials which are not provided or approved by his Distributor;
- (d) use any form of valuation methodology other than those formally adopted by his Distributor for monitoring an investor's investment in any Schemes or furnishing investor's statements or reports pertaining to the investor's investment based on such valuation methodology;

- (e) make an investment decision on behalf of the investor; or
- (f) enter into any understanding, arrangement or agreement with any investor to charge the investor, or receive from the investor, any fee or remuneration other than those disclosed in the prospectus, disclosure documents and product highlights sheet lodged with the SC.

### **Core Principle 3: Conflict of Interest**

4.5 A Distributor and Consultant shall not perform any switching transaction for an investor to generate sales commission or gain other benefits whether in cash or in kind or where it is not in the best interest of investors.

### **Core Principle 4: Disclosure of Information**

- 4.6 A Distributor and Consultant shall not—
- (a) provide forecast of future performance of any Scheme;
  - (b) make statement on yields or returns of any Scheme without any objective and reasonable basis;
  - (c) conceal the different characteristics of each Scheme when making comparisons with other Schemes; or
  - (d) provide information on matters in which they are not competent to deal in.

### **Core Principle 5: Observance of Confidentiality**

- 4.7 A Distributor and Consultant shall not—
- (a) disclose an investor's personal and financial information to a third party unless prior written consent is given by the investor or when required by the SC, pursuant to any court order or any written law;



- (b) acquire or use any information in relation to an investor or potential investor without proper authorisation;
- (c) disseminate or exchange any investor's personal or financial information with another Distributor, Consultant or a third party; or
- (d) request or procure any investor's personal or financial information from a third party, including another Distributor or Consultant.

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## CHAPTER 5 – NON-COMPLIANCE WITH THE CODE AND FIMM RULES

- 5.1 A Distributor or Consultant who fails to comply with any provision of this Code or the FIMM Rules commits a misconduct, which may result in FIMM taking disciplinary or other appropriate action.
- 5.2 Upon discovery of a misconduct by its Consultant, a Distributor must—
- (a) establish *a prima facie case* of such misconduct; and
  - (b) submit a comprehensive investigation report of such misconduct as soon as practicable to FIMM upon completion of such report.
- 5.3 A Distributor or Consultant who—
- (a) attempts to commit a misconduct under this Code or FIMM Rules;
  - (b) does an act preparatory to, or in furtherance of, the commission of a misconduct under this Code or FIMM Rules; or
  - (c) abets the commission of a misconduct under this Code or FIMM Rules,
- shall be regarded to have committed a misconduct.
- 5.4 For the purposes of sub-paragraph 5.3(c) above, a Distributor or Consultant abets the commission of a misconduct if he—
- (a) instigates or instructs any person to commit a misconduct;
  - (b) engages with one or more persons in any conspiracy to commit a misconduct; or
  - (c) intentionally aids, by any act or omission, the commission of a misconduct.
- 5.5 A Distributor or Consultant who is found to have committed a misconduct will be liable to any of the sanctions provided under Chapter 6 of the FIMM’s Consolidated Rules.
- 5.6 Any Personnel or Consultant of a Distributor who has reason to believe that the Distributor has failed to comply with FIMM Rules or relevant securities laws must immediately report the said non-compliance to FIMM.

5.7 For avoidance of doubt, the identity of the Personnel or Consultant who submits a report on the non-compliance of the Distributor with FIMM Rules and securities laws must be kept confidential, to the extent permissible by law.

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