

CIRCULAR

Date:	12 January 2022	Ref No.:	ISRV/AL/SM-AS-ha/002-22 Total No. of Pages: 2
To:	UTMC, IUTA, CUTA, PRS Provider, IPRA and CPRA (Distributors)		
Attn:	Chief Executive Officer / Compliance Officers		

DEAR CEO LETTER: SHARING OF THE FEDERATION OF INVESTMENT MANAGERS MALAYSIA'S (FIMM) SUPERVISORY OBSERVATIONS

Dear CEO,

The year 2021 continued to be a challenging year as COVID-19 persistently dominates on how we conduct business. Nonetheless, we have seen businesses adapting to the new normal and showing remarkable resilience during this recovery phase.

Similarly, the supervisory function at FIMM has evolved in tandem where most of our activities are carried out virtually. Consequently, the supervisory observations are shared under this *Dear CEO letter* as part of our industry education efforts.

Our supervisory observations noted the following repeated failings across all type of distributors:

1. Training on Anti Money Laundering (AML) for consultants – not all consultants are trained on AML matters.
2. Periodic updates on policies and procedures – the operating manual has not been updated to incorporate the change in the regulatory requirements.

Appendix 1, which was shared during the Regulatory Industry Briefing held on 11 November 2021, outlines the key observations identified by FIMM during our supervisory activities in 2021. Observations noted on specific type of distributors are also highlighted to provide greater focus and appreciation on identified areas.

We would like to emphasise to all Distributors of the importance to perform a regular review of the adequacy and effectiveness of their system and processes in monitoring marketing and distribution activities of their respective Consultants, particularly on how the marketing and distribution activities has evolved in current times.

FIMM will continue to engage with distributors whose compliance weaknesses and failures have been identified to ensure that they are addressed. Notwithstanding, we also require other distributors to review the content of this letter to ensure that the assessment on the state of own compliance is carried out. Subsequently, to bring the content of this letter to the attention of their Board and/or relevant committee to ensure that any issue relevant to your company is being addressed. As mentioned during the Regulatory Industry Briefing, FIMM may exercise its supervisory actions for any non-compliances. This includes, where necessary, the pursuit of enforcement action against distributors.

Yours Sincerely,

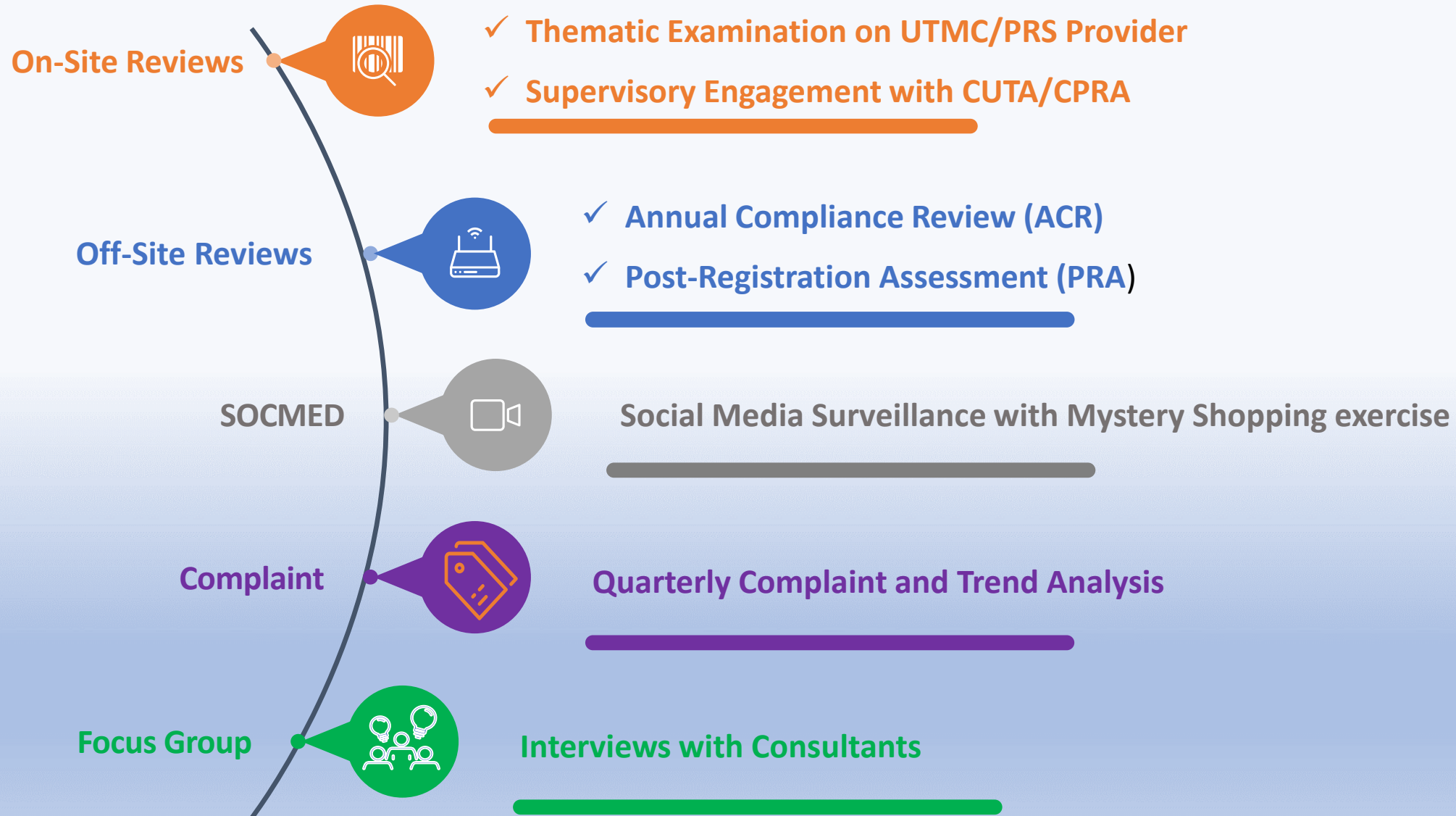


Sahlawati Mustafa
General Manager,
Regulatory Services Division

Observations from Supervisory Activities

11 November 2021

Overview of Supervisory Activities



Observations from Thematic Examination with UTM/PRS Provider

Notable findings for UTM/PRS Provider

1



Marketing and distribution of Schemes by persons not registered with FIMM

2



Implementation of suitability assessment

3



Failure to notify FIMM on Consultants who are no longer fit and proper

4



Failure to notify FIMM on Consultants' resignation

5



Weaknesses in the subscription process that may carry money laundering risks

6



Absence of periodic review of policies and procedures

7



Absence of actions taken on non-compliances observed



Identified areas for improvement for UTM/PRS Provider

Gaps in completing investor suitability assessment form



Gaps in processing investment subscriptions



Enhancement required on detective measures



Enhancement of policies and procedures



Notable findings for CUTA/CPRA

1



Absence of periodic review of policies and procedures

2



Marketing and distribution of Schemes by persons not registered with FIMM

3



Consultant represents more than one Principal

4



Non-compliance with CPD requirements during renewal and re-registration of Consultants

5



Inaccurate submission of Annual Compliance Review checklist

6



Weaknesses in complaints' monitoring mechanism

7



Failure to comply with FIMM's requirements when implementing multiple-tiered agency structure

8



Non-compliance with notification and submission requirements to FIMM

Identified areas for improvement for CUTA/CPRA

Strengthening the role of compliance functions

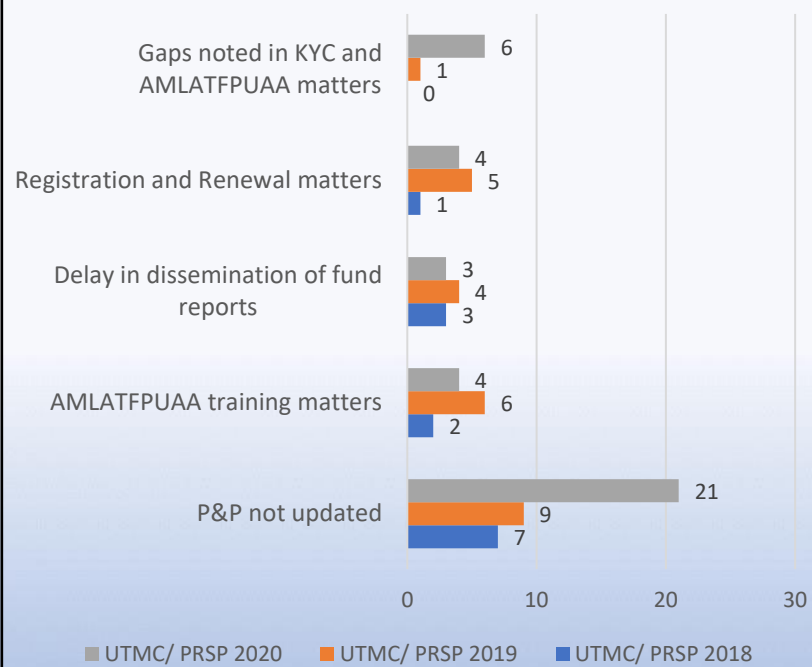


Gaps observed relating to policies and procedures and internal documents

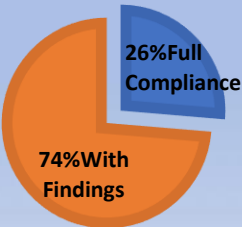


Common Observations from Annual Compliance Review (ACR)

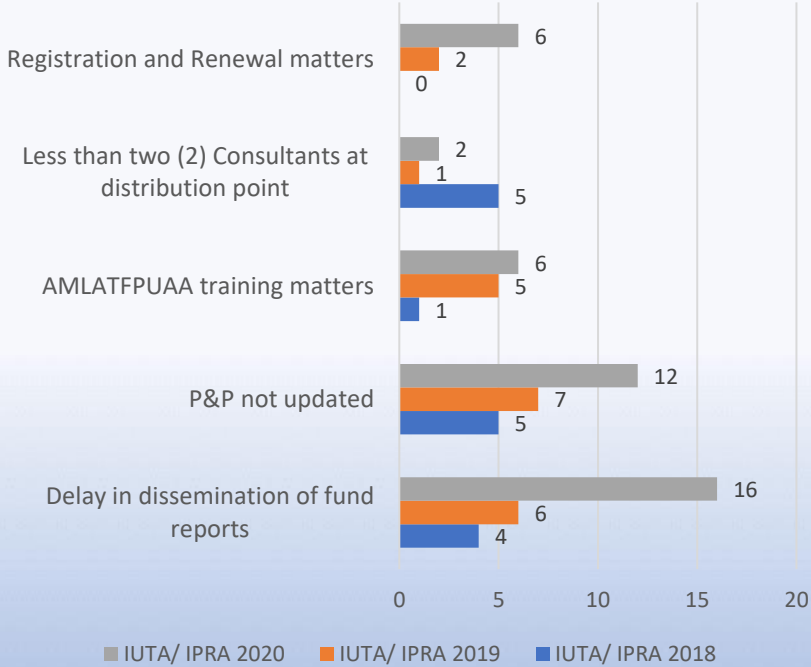
UTMC/PRSP



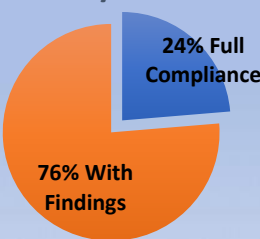
38 UTMC/PRSP



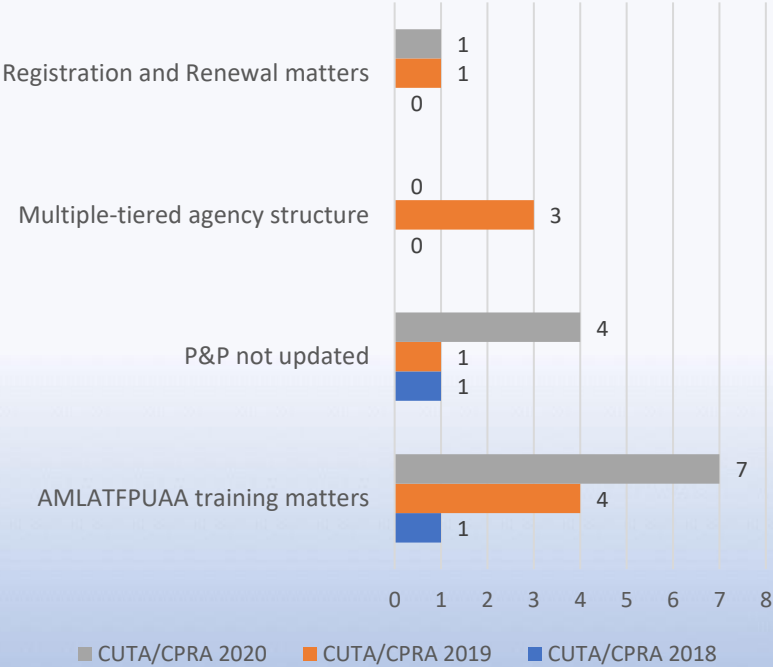
IUTA/IPRA



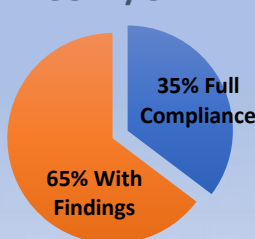
38 IUTA/IPRA



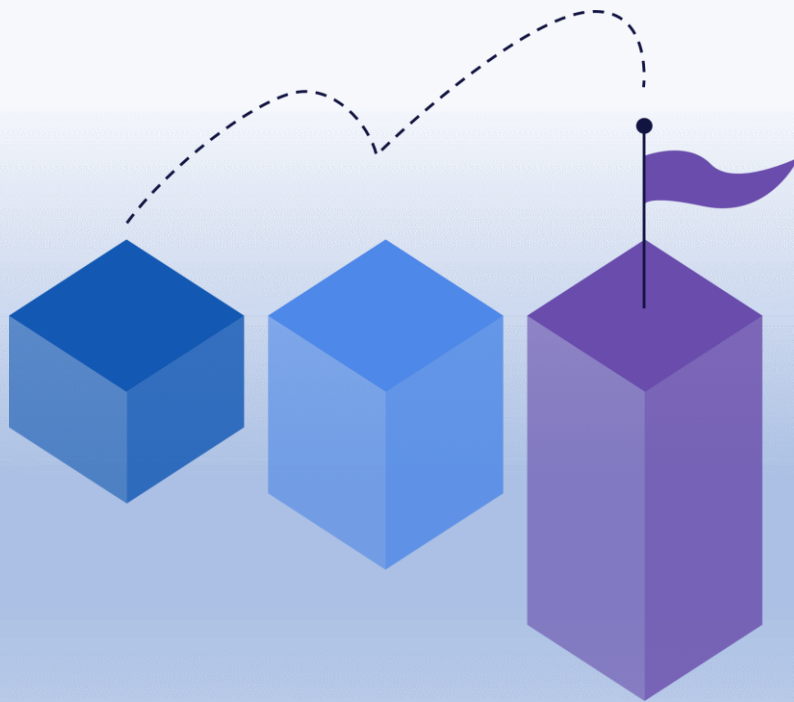
CUTA/CPRA



17 CUTA/CPRA



What are the observations seen for IUTA/IPRA?



Concerns on the increase on number of complaints received which relate to product offered did not match the investors' risk profile (vulnerable investors).

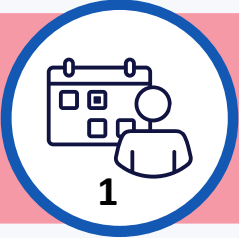
Delay in dissemination of interim and annual report to investors

Training on AML not attended by all consultants

Policies and procedures relating to marketing activities not reviewed on a regular basis

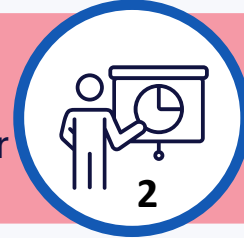
Untimely resolution of complaints

Observations from Social Media Surveillance with Mystery Shopping exercise



Unauthorized use, or by inference adopt or display, the designation, title or qualification meant for licensed person

Make false statement or disseminate false information concerning the Schemes, SC, FIMM, the Industry, other Distributor or Consultant



Appoint or allow non-registered person to market or distribute Schemes

Misrepresent or make false or exaggerated statements concerning the Schemes



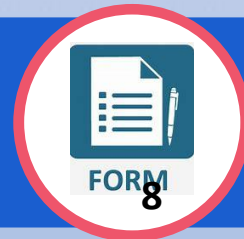
Use FIMM's logo without FIMM's prior written consent

Provide forecast of future performance of any Scheme



Disclose an investor's personal and financial information to a third party

Facilitate pre-signed or pre-thumbprint forms from an investor



SOCMED Surveillance – Action taken by affected Distributor

**Removed the posting
related to false
statement or related to
FIMM, SC and/or BNM**

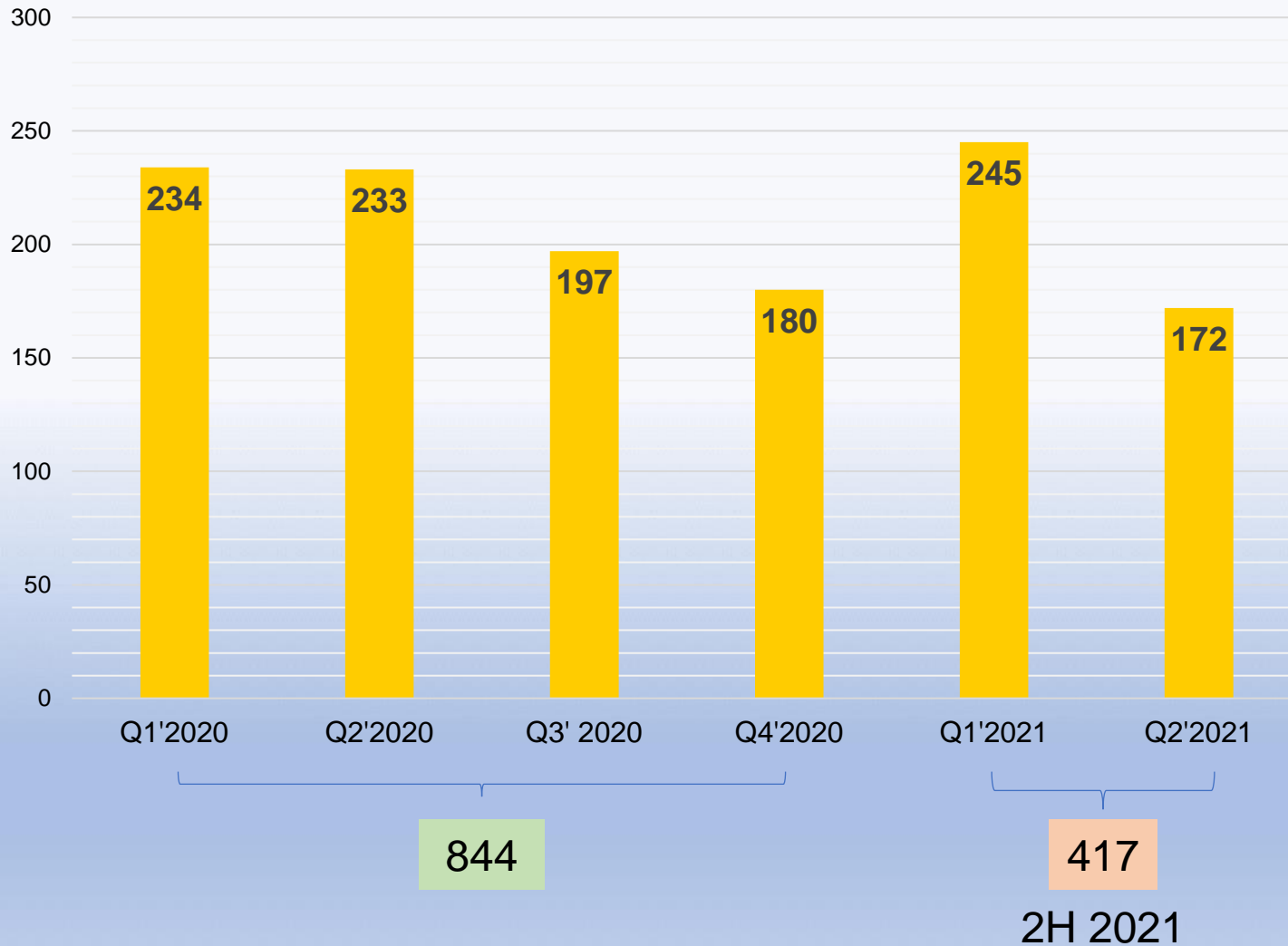
**Consultant advised to
remove or amend the
designation**



**Suspension
letter/warning letter
was given**

**Consultant required
to attend refresher
training courses**

Trends from Quarterly Complaints Submission (from 2020 up to Q2, 2021)



Top 6 complaint categories for 2020 (Q1 to Q4) and 2021 (Q1&Q2)

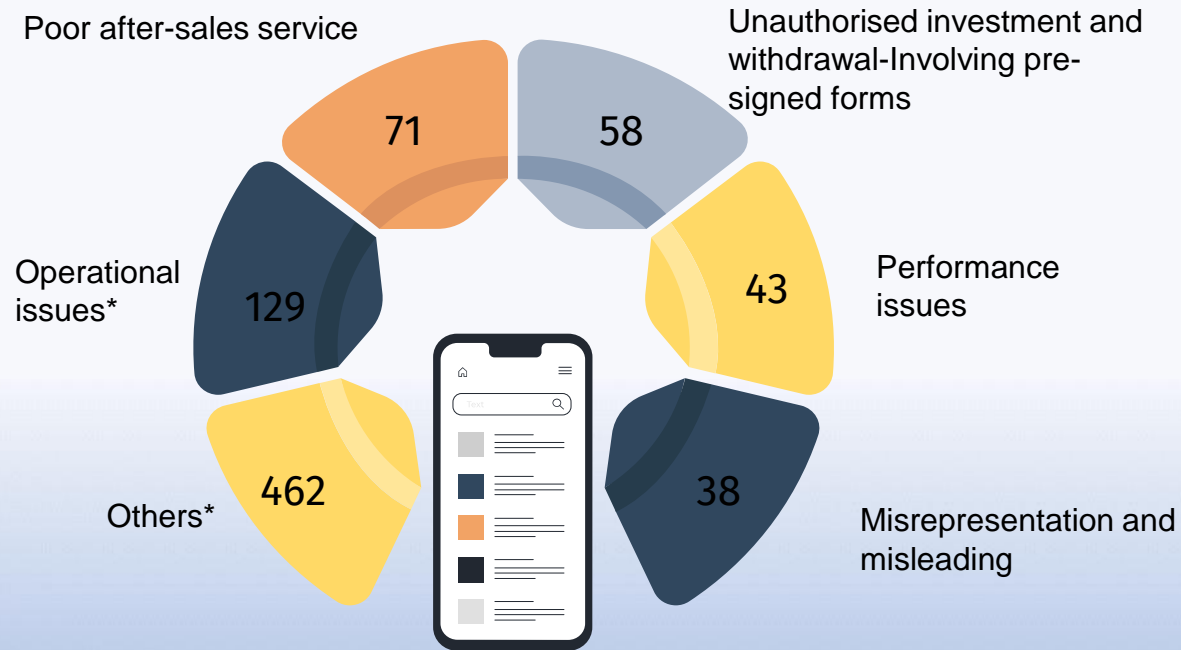


Chart 1: Year 2020

Note: Total complaints for the Top 6 categories equals to 801 (it represents 94.9% from the 844 total complaints received in the year 2020)

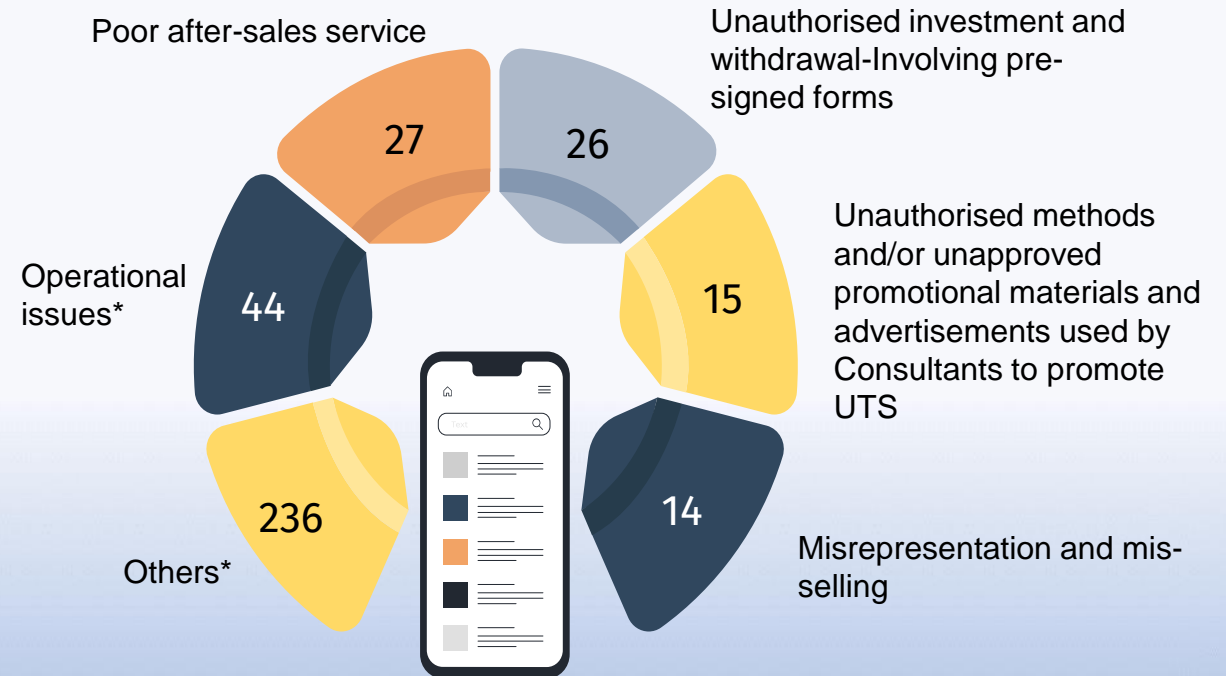


Chart 2: Year 2021 (Q1&Q2)

Note: Total complaints for the Top 6 categories equals to 362 (it represents 86.8% from the 417 total complaints received for Q1 and Q2,2021)

On-Site Reviews

- Assess applicability on observations raised & address them



1

Off-Site Reviews

- Timely & accurate submission of ACR and PRA



2



Social Media Surveillance

- Review on the need to have own SOCMED surveillance on consultants



3

Complaints Submission

- Monitor timeliness of quarterly complaints submission



4

THANK YOU!

Complaint trends and enforcement-related matters

11 November 2021

Overview

1

Top 5 Common Nature of Complaints

2

Trend on the Top 5 Common Nature of Complaints

3

Key Observations from Recent Review of Complaints

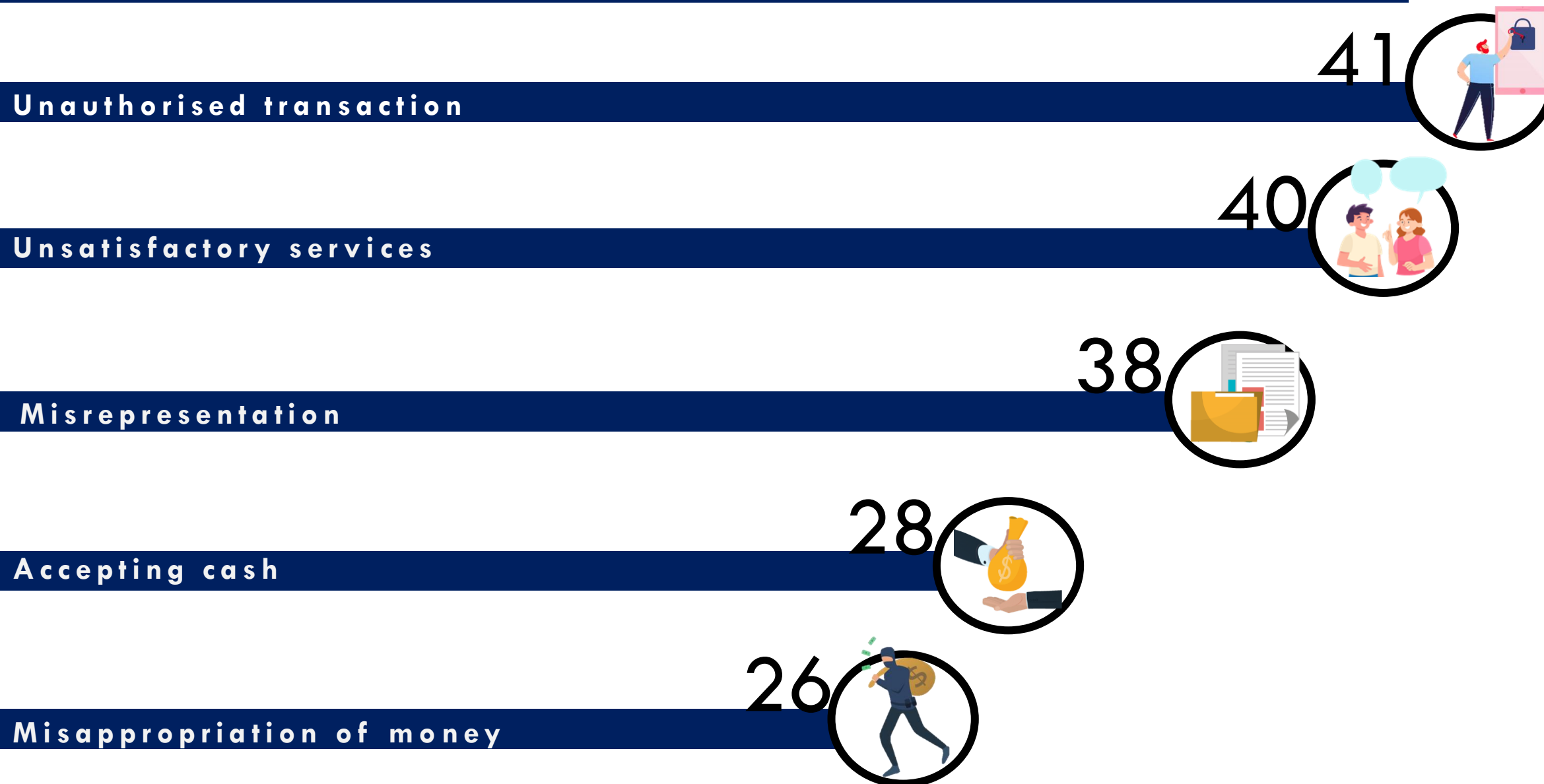
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Lifecycle of FIMM's Complaint Management and Enforcement Process

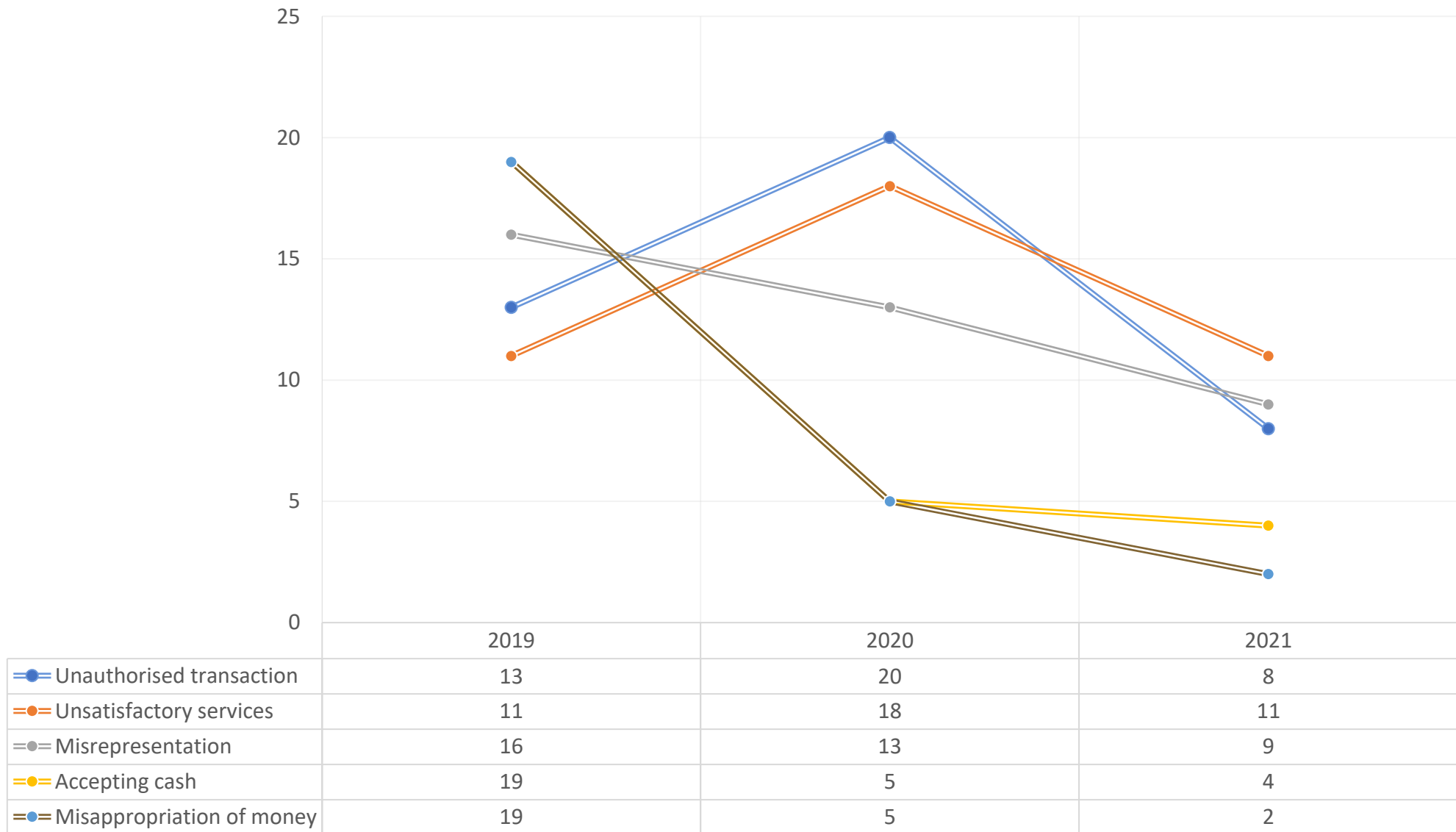
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Standard Document Checklist for FIMM's Investigation

Top 5 Nature of Complaints (2019 – Sept 2021)



Trend on the Top 5 Nature of Complaints (2019 – Sept 2021)



Key Observations from Recent Review of Complaints



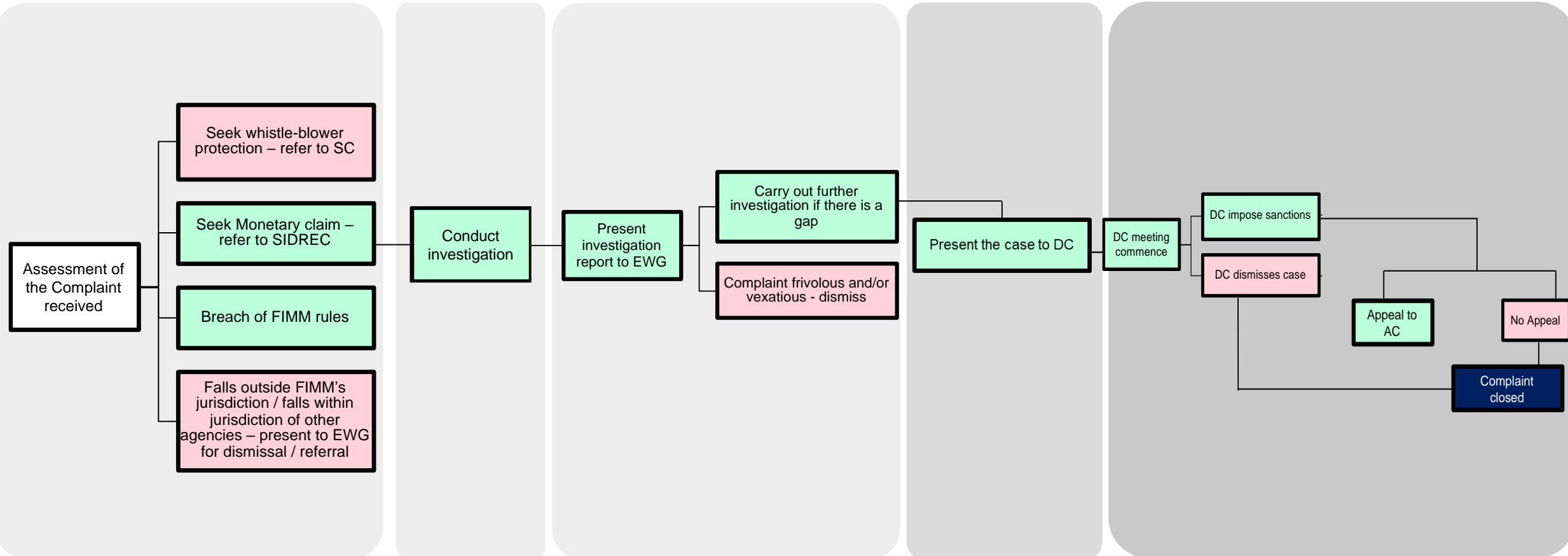
Observation	Proposed Solution	PIC
Increased complaints regarding poor investment performance	To provide timely updates to investors on the market outlook and performance of their UTS/PRS investment portfolio	Distributors & Consultants
Lack of understanding of FIMM's Rules and other rules/regulations of the UTS/PRS investment industry, among consultants	To intensify training among consultants and to re-look at training modules/syllabus	FIMM & Distributors
With regard to referral/proxy arrangements, there are increased complaints involving consultants who fail to conduct due diligence and provide satisfactory services to the investor	To create awareness among consultants on the importance of investor protection via due diligence and providing regular updates	Distributors


Lifecycle of FIMM's Complaint Management and Enforcement Process


Investigation

Deliberation

Hearing and Appeal



 Cases dismissed, closed or requiring no further action from FIMM

 Ongoing cases under FIMM's jurisdiction

"AC" - the Appeal Committee of FIMM

"DC" - Disciplinary Committee of FIMM

"EWG" - Enforcement Working Group of FIMM, comprising the CEO, Head of Regulatory Services Division and Heads of Registration, Supervision department and Legal and Regulatory Affairs department

Lifecycle of FIMM's Complaint Management and Enforcement Process

Investigation

Deliberation

Hearing and Appeal

Assessment of the Complaint received

Seek w
protection

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Breach o

Falls out
jurisdiction
jurisdiction
agencies –
for dismi

FIMM receives complaints in various ways, namely:

- Directly from complainants;
- Notification by Distributors to FIMM;
- Distributor's quarterly complaints reports; and
- Referral from the SC and departments in FIMM.

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ap

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s - dismiss

Present the case to DC

DC meeting
commence

DC impose sanctions

DC dismisses case

Appeal to
AC

No Appeal

Complaint
closed

Cases dismissed, closed or requiring no further action from FIMM

Ongoing cases under FIMM's jurisdiction

"AC" - the Appeal Committee of FIMM

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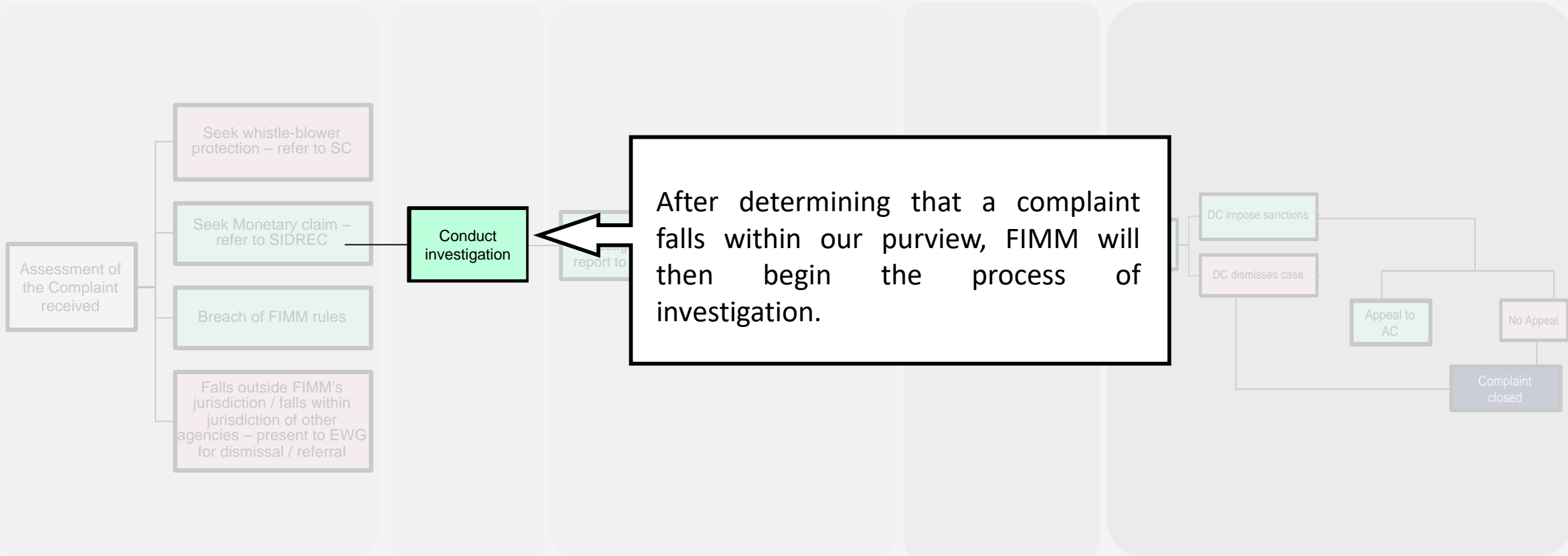
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Standard Document Checklist for FIMM's Investigation

FIMM's investigation is often reliant on information provided by Distributors. In the course of FIMM's investigation into a complaint, FIMM will often reach out to the Distributor for the following information (where applicable depending on the nature and circumstances of the complaint):



1

Distributor's investigation report

2

Investor's account opening forms

3

Investor's transaction forms
(EPF withdrawal, subscription,
Switching and redemption)

4

Investor's suitability assessment
forms

5

Details/breakdown of commission
earned by the consultant

6

Investor's investment ledger /
statement of accounts

7

Distributor's closure letter to the
complainant

8

Communications with
consultant/investor/complainant
i.e. email, WhatsApp, show cause/
decision letters, etc.

9

Any other documents/evidence
relied upon by the Distributor in
resolving the complaint i.e. email,
WhatsApp, etc.

Standard Document Checklist for FIMM's Investigation

FIMM's investigation is often reliant on information provided by Distributor. Upon investigation into a complaint, FIMM will often reach out to the Distributor for information (where applicable depending on the nature and circumstances of the complaint).



1 **Distributor's investigation report**

2 Investor's account opening forms

3 Investor's transaction forms
(EPF withdrawal, subscription,
Switching and redemption)

4 Investor's suitability assessment
forms

5 Details of commission earned by
the consultant

An ideal investigation report generally comprises of the following:

- ✓ Chronology of events;
- ✓ Findings made by the Distributor;
- ✓ Description of resolution and actions taken by the Distributor against the consultant.

9 Any other documents/evidence relied upon by the Distributor in resolving the complaint i.e. email, WhatsApp, etc.



FIMM and Distributors have a **symbiotic** relationship when it comes to investigation and complaint handling.

The key takeaway from this session is that we hope we can improve ourselves and support one another towards successful resolution of complaints in the interest of the industry and investors protection.

THANK YOU

Observation from Registration Activities and Embracing Technology

11 November 2021

Observation

Observation from Registration Activities

- Revocation of Registration
- iFVE Submission Errors
- Experience UTS Consultant to join as PRS Consultant

Technology

Embracing Technology

- Cessation in Issuance of FIMM Authorisation Card
- Launch of iFVE seat booking application

Observation from Registration Activities

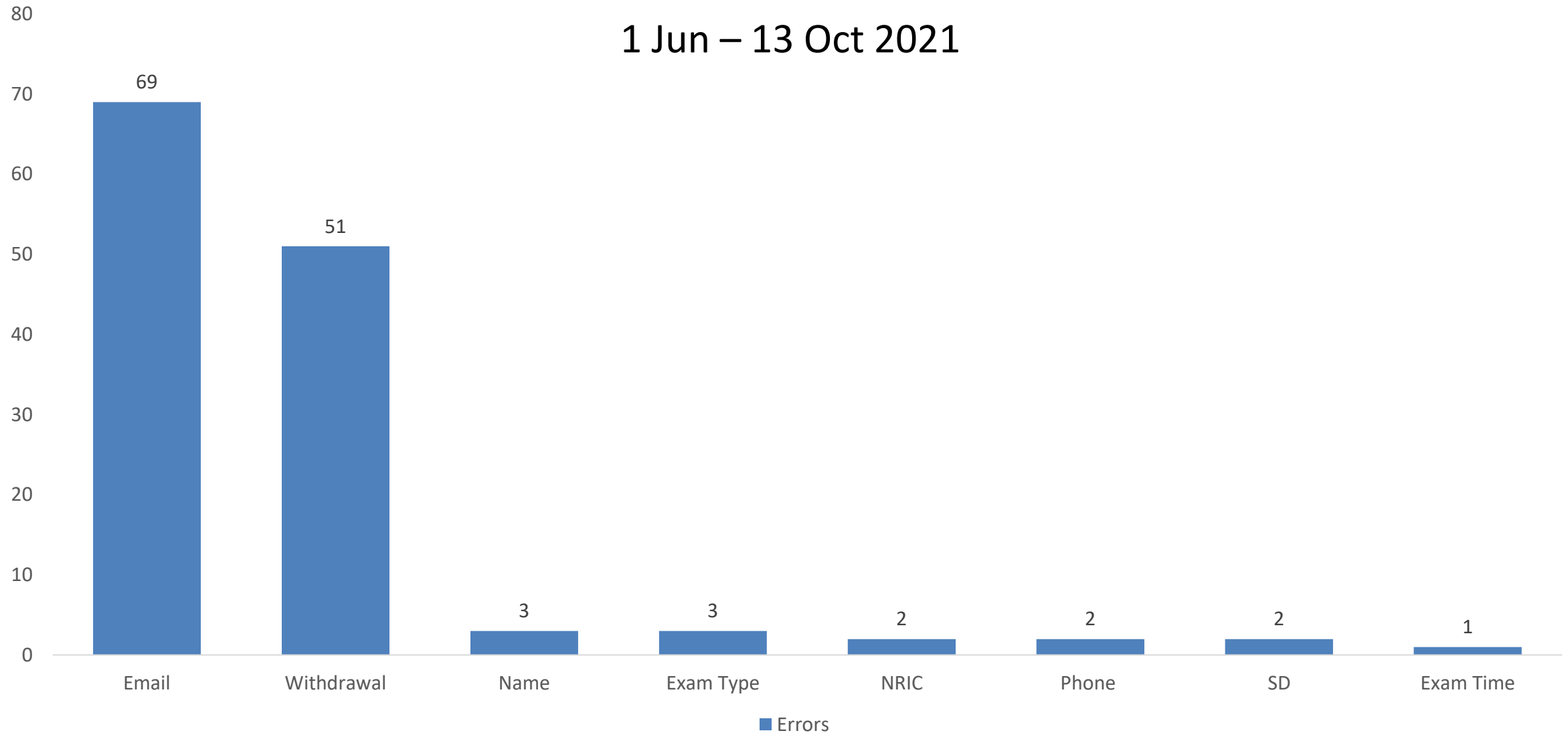
Revocation of Registration



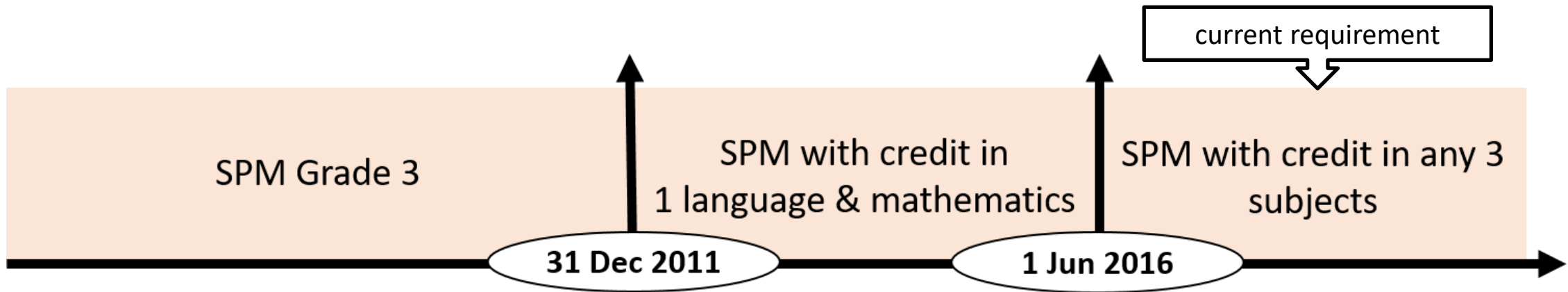
Due to
Non-fulfilment of CPD and SD requirement
for renewal of registration or re-registration

iFVE Submission Errors

1 Jun – 13 Oct 2021



Experienced UTS Consultant to join as PRS Consultant



Experienced UTS Consultants allowed to join as a PRS Consultant with the relevant qualification imposed at the prevailing time of registration with FIMM.

(Please refer to issued [Circular](#) for further information)

Joining Allowance Period:
16 Nov 2021 – 15 Nov 2022

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Embracing Technology

Cessation in Issuance of FIMM Authorisation Card



Is My Consultant Authorised?

This online verification is intended to facilitate members of the public to ascertain whether individuals they are dealing with, for purposes of investment or contribution into unit trust schemes or private retirement schemes, are registered with FIMM as Consultants. Only individuals registered with FIMM as Consultants are authorised to promote, market and distribute unit trust schemes and private retirement schemes. Members of the public are advised to report to FIMM at 03-2092 3800, or the Securities Commission Malaysia, if they encounter unauthorised individuals promoting, marketing and distributing unit trust schemes or private retirement schemes.

How to Use This Tool

Just key in the Consultants FIMM No. or Full Name or IC No and click "Search" to verify.

Full name

Full Name

FIMM No

FIMM No

Ic Number

XXXXXX-XX-XXXX

Search

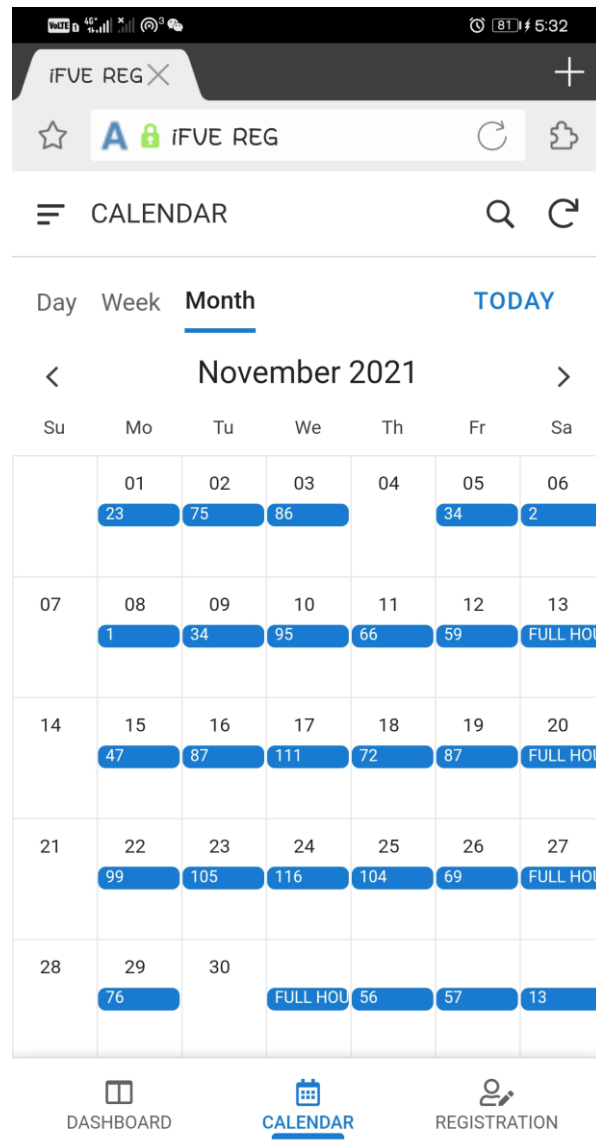
Back

Effective 21 August 2021

<https://www.fimm.com.my/search/>



Launch of iFVE Seat Booking Application



IFVE REG

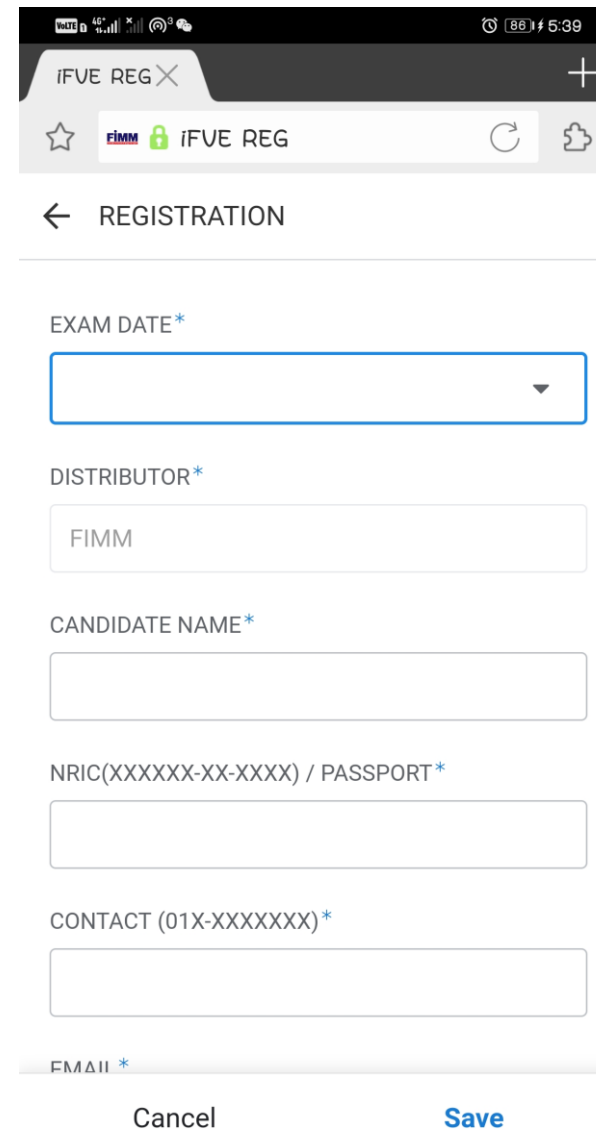
CALENDAR

Day Week Month **TODAY**

< November 2021 >

Su	Mo	Tu	We	Th	Fr	Sa
	01 23	02 75	03 86	04	05 34	06 2
07	08 1	09 34	10 95	11 66	12 59	13 FULL HOU
14	15 47	16 87	17 111	18 72	19 87	20 FULL HOU
21	22 99	23 105	24 116	25 104	26 69	27 FULL HOU
28	29 76	30 FULL HOU		56	57	13

DASHBOARD CALENDAR REGISTRATION



IFVE REG

REGISTRATION

EXAM DATE*

DISTRIBUTOR*

CANDIDATE NAME*

NRIC(XXXXXX-XX-XXXX) / PASSPORT*

CONTACT (01X-XXXXXXX)*

EMAIL *

Cancel Save

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Thank You !