

# **FIMM's VULNERABLE INVESTOR SURVEY 2022**

**FIMM is  
committed  
to protecting  
Vulnerable  
Investors**



1

Participated as a panelist in the Institute for Capital Market Research Malaysia's (ICMR) closed-door *Behavioural Workshop: Understanding New Age Vulnerability* on 14 July 2022.

FIMM shared its views and experiences about investor vulnerability within the unit trust context.

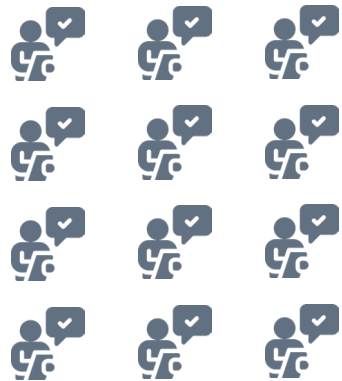
2

Participated in discussions with the Securities Commission Malaysia (SC) on *Vulnerable Investors in the UTS & PRS industry*.

3

Conducted industry study titled *FIMM's Vulnerable Investor Survey 2022*.

# SURVEY OBJECTIVE



To determine the level of understanding and awareness on Vulnerable Investors amongst UTMCS, IUTAs, CUTAs, PRS Providers, IPRAs and CPRAs.



To conceptualise the current level of awareness and practices concerning Vulnerable Investors, with the view of identifying best practices and areas for enhancements.



The survey comprised questions concerning identification of Vulnerable Investors and how organisations engage/protect this group of investors.

# SUMMARY OF FIMM's VULNERABLE INVESTOR SURVEY 2022

SURVEY INVITATION SENT TO

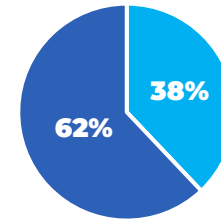
**98**  
ORGANISATIONS



**30**  
RESPONSES  
RECEIVED

2 TYPES OF ORGANISATIONS

**19**  
UTMC/PRS  
Provider



**11**  
Banks

Responses involved companies with an estimated

**16.8 million**

**Unitholder accounts**

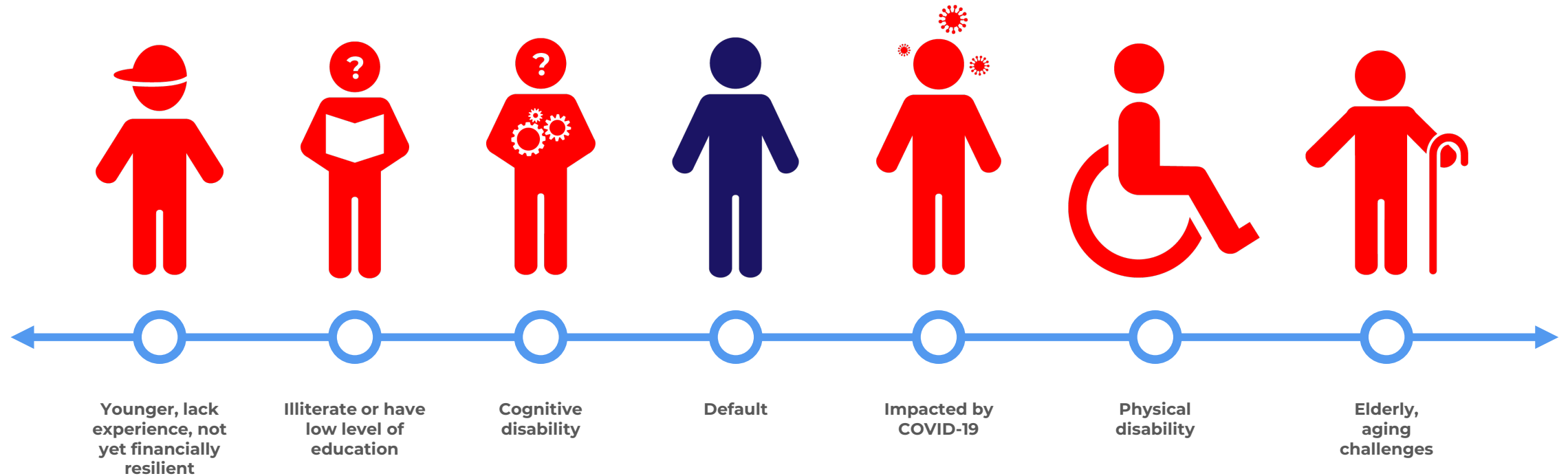
69% of the total number of unit holder accounts.

Total number of unit holder accounts as at November 2022 was  
24.3 million

**Reference:**

Unit Trust Fund Summary of Statistics as at 30 November 2022 from:  
<https://www.sc.com.my/analytics/fund-management-products>

# VARIOUS PERCEPTIONS & CLASSIFICATIONS OF VULNERABLE INVESTORS



# WHO ARE VULNERABLE INVESTORS



**United Kingdom**



### Low financial resilience

(i.e. over-indebted, could not cope with a small financial shock, retirees who are paying for day-to-day expenses with difficulty, etc)



### Life events

(i.e. bankruptcy, a serious accident or illness, losing their job, etc)



### Low financial capabilities

(i.e. lack of confidence in managing money or knowledge about financial matters)



### Health

(i.e. physical or mental health condition or illness that may significantly reduce the ability to carry out daily tasks)



**Malaysia**



### Old age



### Language & communication barriers



### Poor financial literacy

(i.e. unable to comprehend basic financial terms)



### People with disabilities

(i.e. hearing impairment, physical impairment, etc)



### Cognitive disabilities

(i.e. mental impairment or illnesses)



**Japan**



### Old age

(1-of-4 is above 65 years old)



### Young adult

(over 18 starting April 2022. Efforts are taken to improve their financial literacy)



### Physical disability

(34 per 1,000 population have physical disabilities)



### Mental disability

(33 per 1,000 population have mental disabilities)

#### Reference (Malaysia):

1. FIMM's Vulnerable Investor Survey 2022

#### Reference (Japan):

1. The JFSA Strategic Priorities July 2021-June 2022 - Overcoming COVID-19 and Building the Financial System for Greater Vibrancy
2. Statistical Handbook of Japan 2022
3. Patient experience (PX) among individuals with disabilities in Japan: a mixed-methods study - BMC Primary Care

#### Reference (UK):

1. Understanding the financial lives of UK adults, Findings from the FCA's Financial Lives Survey 2017

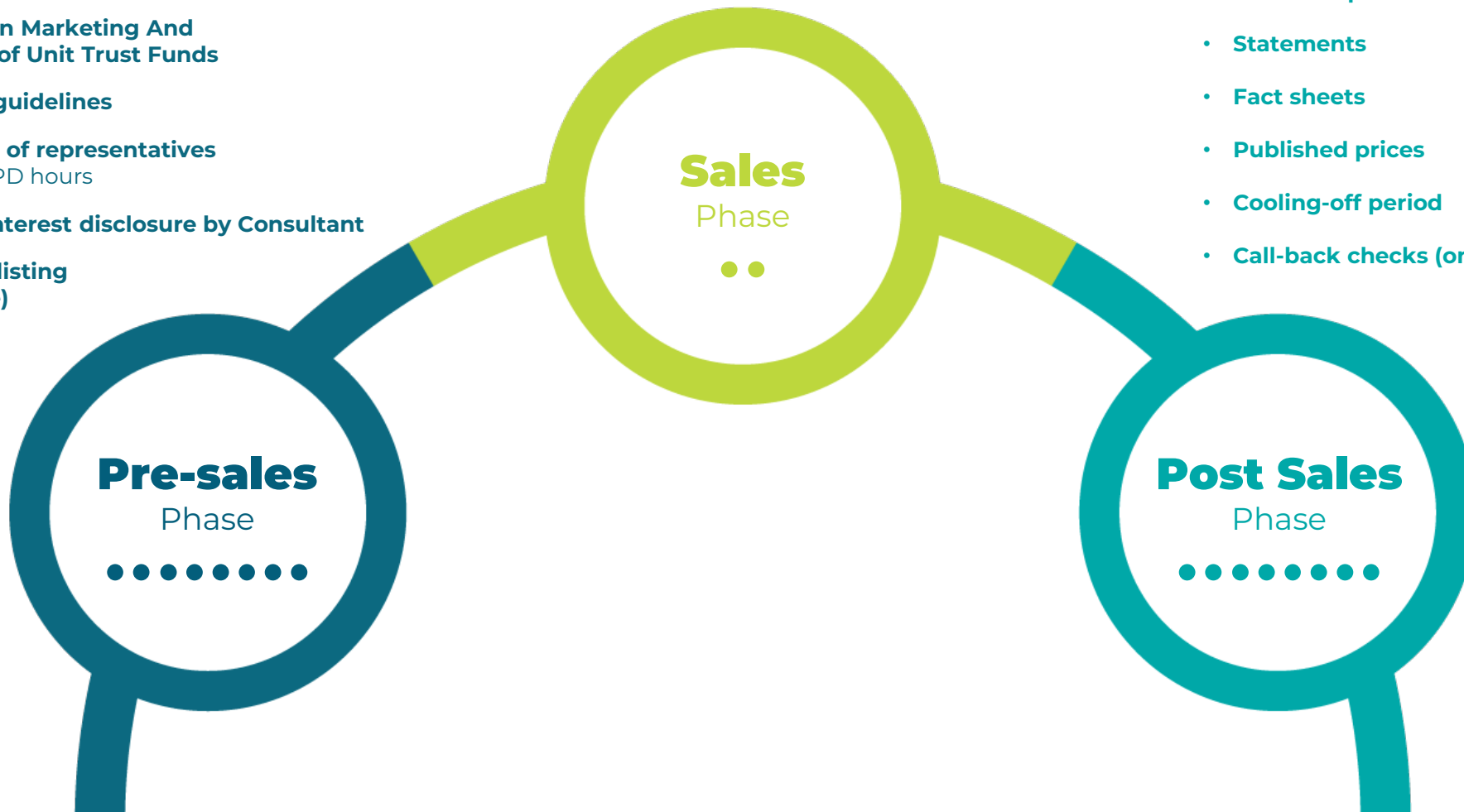
# EXISTING INVESTOR PROTECTION MEASURES

For All Investors

- Prospectus
- “Is my Consultant authorised” check
- Suitability Assessment
- Guidelines On Marketing And Distribution of Unit Trust Funds
- Advertising guidelines
- Competency of representatives  
i.e. license, CPD hours
- Conflict-of-Interest disclosure by Consultant
- EPF i-Invest listing  
(if applicable)

- Disclosures on application form
- OTP confirmation for online transactions

- Confirmation statement
- Annual reports
- Interim reports
- Statements
- Fact sheets
- Published prices
- Cooling-off period
- Call-back checks (on sampling basis)



## Pre-sales Phase



- Identify Vulnerable Investors via:
  - Customer's Risk Profile
  - Customer's mobility restrictions and potential liquidity needs.
- Requirement for Vulnerable Investors to provide additional information to gauge understanding of investment products.
- Staff / consultant dealing with Vulnerable Investors are provided relevant training.
- Perform a pre-assessment before the commencement of the suitability assessment.
- Multi-lingual option to reduce language barrier.

- High risk products can only be recommended to Vulnerable Investors IF they have been actively invested in similar products for the past five-years.
- Ensure the customer understands the risks associated with the investment. Independent / supervisory sign off is needed to ensure suitability and appropriateness of the product purchased.
- Full Risk Profiling Questionnaire to be completed by the customer.
- Vulnerable Investors are required to sign the Customer Risk Undertaking Form.
- Higher/independent approval for Vulnerable Investors is required.

## Sales Phase



- For sales of products to customers whose age is  $\geq 80$  years old, no revenue will be accorded to the sales staff.
- For customers with physical disabilities or illiterate, the bank will advise the customer to purchase the investment product with a non-vulnerable joint holder.

## Post Sales Phase



- To Conduct Risk Control Self-Assessment within 6 months.
- An independent party will perform a call back to customers aged  $\geq 70$  years.
- To protect Vulnerable Investors, Customer Service Executive will immediately notify the Supervisor / Manager for requests such as redemptions, transfers, and change of mobile number. The staff have the authority to reject any Vulnerable Investor request that may lead to financial exploitation.

VULNERABLE INVESTOR SURVEY 2022

# VULNERABLE INVESTORS CONTROL MEASURES

PRACTISED BY RESPONDENTS

Details in the following pages.



# VULNERABLE INVESTORS CONTROL MEASURES

ALREADY SET IN PLACE BY RESPONDENTS



- **The Customer Risk Profile is a vital tool to identify Vulnerable Investors and take necessary measures.**
  - OKU/Disabled person category – to obtain supporting documents.
  - Product recommendations are limited to low-risk products.
- **To consider customers' mobility restrictions and potential liquidity needs.**
- **To provide additional information to ensure the investor understands the investment products.**
- **To provide training for staff and UTCs to identify and engage Vulnerable Investors.**
- **Language preference:**
  - 100% Pre-transaction call back (via recorded phone) is conducted by sales leaders (call scripts are available in English or Bahasa Malaysia, or Mandarin) to validate Vulnerable Investors' understanding of the investment product.
  - All bank application forms are available in English, Bahasa Malaysia, and Mandarin.
- **Perform a pre-assessment before the commencement of the suitability assessment, focusing on the following:**
  - Observation on disability. Not to proceed with sales after observing customers with visual disabilities or mentally disabled. (Example: difficulty in speaking or communicating).
  - Observation on undue influence (example: any sign of financial abuse. If a sign of undue influence is imposed by a third-party on the investor, try to isolate the investor from the third party).
  - Observation on literacy. Additional approval is needed if the customer's highest education level is only primary or below or has no formal education. (example: the investor exhibits impaired judgment about investments or the use of money)
  - Observation on age. For customers who are  $\geq 80$  years old, they are strongly discouraged from purchasing high risk investment products. If they still insist, additional approval is required.

# VULNERABLE INVESTORS CONTROL MEASURES

ALREADY SET IN PLACE BY RESPONDENTS



- High risk products can only be recommended to Vulnerable Investors IF they have been actively invested in similar products for the past five-years.
- Ensure the customer understands the risks associated with the investment. Independent / supervisory sign off is needed to ensure suitability and appropriateness of the product purchased.
- Full Risk Profiling Questionnaire to be completed by the customer.
- Vulnerable Investors are required to sign the Customer Risk Undertaking Form.
- Higher/independent approval for Vulnerable Investors is required.
- For sales of products to customers whose age is  $\geq 80$  years old, no revenue will be accorded to the sales staff.
- For customers with physical disabilities or illiterate, the bank will advise the customer to purchase the investment product with a non-vulnerable joint holder.

# VULNERABLE INVESTORS CONTROL MEASURES

ALREADY SET IN PLACE BY RESPONDENTS



- **To Conduct Risk Control Self-Assessment within 6 months to ensure:**
  - pre-transaction compliance call back is performed.
  - call recording is retrievable.
  - deviation approval on the Vulnerable Investor is obtained prior completion of the transactions.
- **An independent party will perform a call back from the bank to customers aged 70 years and above.**
- **To protect Vulnerable Investors, Customer Service Executive will immediately notify the Supervisor / Manager for requests such as redemptions, transfers, and change of mobile number. The staff have the authority to reject any Vulnerable Investor request that may lead to financial exploitation.**



## FIMM's Commitment



FIMM has factored in elements of Vulnerable Investors when filtering and handling complaints.



FIMM will have continuous engagement and collaboration in protecting Vulnerable Investors in our effort to uphold investors' trust in the UTS and PRS industry.



## Recommendation to the Industry



To assess practicality of adopting control measures highlighted in this report.

## Prescription to Investors



Inform your Consultant and request for assistance should you need help to understand investment products, terms or conduct transactions.

# Thank You



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