



FPAM Signature Financial Planning Symposium
“Raising the Bar of Financial Professionals”
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Keynote Address
Encik Kamarudin Hashim
Executive Director, Securities Commission Malaysia

Yang Berusaha

Mr. Ismitz Matthew De Alwis, President of Financial Planning Association of Malaysia (FPAM),

Mr Derick Tan, President of Association of Financial Advisor (AFA),

Mr Sean Lee, President of Malaysian Financial Planners & Advisers (MFPAA),

Distinguished guests,

Ladies and gentlemen,

Assalamu’alaikum and a very good morning

1. Firstly, I would like to express my gratitude for the invitation to speak at the 3rd instalment of the annual signature financial planning symposium. I am delighted to see so many familiar faces here today from the last FP conference hosted by MFPC (Malaysian Financial Planning Council) earlier this year. I am confident that this high level of dedication shown from all of you will bring success for the financial planning industry.
2. I was made to understand that this is the 2nd time the Financial Planning Association of Malaysia or FPAM has taken the role as lead organiser. This serves as a testament to FPAM’s capabilities in organizing this event which showcases its dedication towards the betterment of the industry and taking it to greater heights.

Global Issues Impacting Financial Planning Sector

Ladies and gentlemen,

3. As we all are aware, there have been significant developments in the international financial planning landscape over the past decade. The global financial crisis along with the collapse of prominent financial products and service providers contributed to the loss of public trust in the financial services industry.
4. The US Financial Crisis Inquiry Commission which investigated the 2008 crisis found that one of the notable causes was due to “systemic breaches in accountability and ethics at all levels”. These events provided a turning point, prompting the financial services industry, including financial planners and the broader wealth management industry to change the focus of the client relationship from product pushing to needs based planning.
5. Despite these shifts and the many lessons learned from the global financial crisis, we have witnessed **shake-ups in the financial planning sector in countries such as United States and Australia** mainly stemming from apparent disregard of client’s best interests¹. As recent as last May, a report was published detailing the scandal plaguing the financial planning industry across major world economies involving breach of trust.
6. In Australia, the Royal Commission has discovered that the four big banks and a large financial services company which collectively holds half of Australia’s A\$4.6 billion-a-year financial planning industry, were responsible for ripping off customers and providing false information to regulators.
7. The country’s biggest bank by assets confessed to charging customers fees for services it never provided. It also admitted it even charged dead clients, in at least one case for up to a decade. Another case detailed how a nurse was left without a home following poor advice provided by a financial adviser, who sold her expensive

¹ <https://www.theguardian.com/australia-news/2018/jan/24/asic-accuses-banks-financial-advisers-of-working-against-customers-interests>

insurance policies and charged thousands of dollars in fees. The commission's hearings have shorn a spotlight on multiple cases of unethical behaviour by planners.

8. These worrying developments come amid global outrage over banks' bad behaviour. In the US, Wells Fargo was recently fined \$1 billion in the wake of an investigation², which found thousands of staff signed up customers for services they knew nothing about to meet sales targets. While in the UK, banks have repaid £30 billion to customers mis-sold payment protection insurance linked to mortgages and credit cards since 2011³.
9. All these cases regretfully showcase that the cost for unacceptable conduct in this industry is ultimately borne by our average "uncles and aunties" (mom and pops). This behaviour of disregarding client's best interest in pursuit of high sales margin only brings a "lose-lose" situation as investors would henceforth shun away from doing businesses with wealth advisors and planners. In this regard, there is an urgent need globally to restore a culture of trust, confidence and professionalism for the benefit of all.

Corporate governance and the financial planning industry

Ladies and gentlemen,

10. The Malaysian financial planning industry should take heed from these developments and **take the opportunity for self-assessment** to improve the overall culture of trust, confidence and professionalism. In lieu of trends and events circling the globe, **upholding good governance and conduct is fundamentally imperative** in driving efforts to further sustain and strengthen the industry.
11. **Good corporate governance is one of the main drivers of ethical corporate culture** that leads to organisational growth as it puts the required processes in place to ensure the long-term sustainability of a business. Its tenets engender the very best principles of integrity and accountability. This is essential in building an organisation

² <http://www.investmentnews.com/article/20180413/FREE/180419953/wells-fargo-advisors-continues-to-bleed-reps>

³ <https://www.ft.com/content/01f8c178-4867-11e8-8ee8-cae73aab7ccb>

that has a healthy corporate culture anchored on accountability and transparency which is key in delivering long-term business and economic success.

12. The International Corporate Governance Network (ICGN) discusses the need for **self-responsibility as an antidote to regulation**⁴. Self-responsibility requires **trust, and trust depends on corporate culture**. Corporate culture and ethics are **deemed to be means of mitigating governance failures and value destruction**.

Malaysia's CG initiatives

13. In this regard, the SC has taken consistent and structured measures to enhance the corporate governance framework and advocate the adoption of best practices. Good corporate governance remains an important cornerstone of the Malaysian capital market as evidenced by the creation of the Malaysian Code of Corporate Governance (MCCG), with the latest revision made last year. Through the Code, we emphasize the **internalization of good governance as an integral aspect of Malaysian corporate culture**.
14. Corporate culture relates to strategy and is also part of risk management. For example, an attitude or culture in a financial planning business that has inappropriate incentive structures and impossible targets will affect the clients' best interests as efforts are aimed at chasing profits which opens up avenues for abuse and unethical behaviours.
15. Just as financial planning is often associated with long-term decision-making, the industry should also promote business culture orientated towards long-term and responsible behaviour. It is found that corporate short-termism is becoming a rising problem against long-term thinking and mind set. Following a recent McKinsey Quarterly survey⁵, majority of the executives have admitted to being subject to numerous pressures to perform on a short-term basis.

⁴ <https://www.icgn.org/corporate-culture-and-ethics-means-mitigating-governance-failures-and-value-destruction>

⁵ (Research panel led by McKinsey Global Institute).

16. One of the emphasis in **SC's 3 year Corporate Governance Strategic Priorities 2017-2020** is the importance of recognising that it is "corporate governance for all", and not just for companies in the listed space. This plan promotes the focus of inculcating corporate governance to public listed companies, licensed intermediaries and onwards to the next generation of companies – through some new regulatory initiatives and market mechanisms.
17. The inculcation of good corporate governance culture must also start early in the life-cycle of a firm. As financial planning firms continue to **scale up and respond to new market opportunities and challenges, the need for better corporate governance practices becomes more critical**. Having a set of governance mechanisms and processes in place from the very get-go of a start-up or a bigger enterprise continuously support business longevity, increases brand reputation and increase the ability to access capital.

Philosophy and Significance of Professionalism in the Financial Planning Industry

Ladies and gentlemen,

18. Before I continue any further, allow us all to reflect on the question of "What is high standard of professionalism and why is it so important?". A short Google search reveal that the words associated with high standard of professionalism include, among others, things that we always talk about like reliability, competence, ethics and accountability. To achieve high standards of professionalism, we must first inculcate in ourselves the type of attitude that underpins it.
19. It is earned by having a good reputation and a habit of putting the other person's best interest at heart. These are the traits that everyone needs to possess especially in the financial planning industry as clients must be able to have faith in their financial planners to share with them their personal information and expect to be guided to make sound decisions.

20. Being a professional in your chosen field means much more than wearing a coat and tie or possessing the relevant degree and qualification. Professionalism also has to do with how you conduct yourself during your business affairs. Financial planners with a high standard of professionalism possess all the important characteristics I have mentioned and more, that can be applied to the financial planning process.

Importance of best practice and self-regulation

21. It is recognized that **no set of laws, rules and regulations can contemplate all possible scenarios and circumstances that financial planners have to face.** This is where best practices – which form part of good governance- play an important role. Best practice provides the framework in setting up parameters within which the industry can operate, develop and achieve the end-goal of providing good value and adequate protection to investors.
22. Enhancing trust and confidence also requires a stronger ethical dimension to individual participants' actions. **Good behaviour and efficiency cannot merely be legislated and regulated, it must be encouraged and internalised.** Sustainable market growth will only be achieved with our regulatory and governance framework that is underpinned by a culture of accountability and propriety.
23. In this regard, greater self-discipline among market participants would reinforce efforts undertaken by regulators in areas that include, amongst others, culture, level of professionalism and fair treatment of consumers and investors. This duty is even more demanding today with heightened expectations on governance. Being market professionals, financial planners must “walk the talk” of high standards of professionalism, with focus on a relational and long-term investment culture aimed at value creation for investors.

Applying high standards of professionalism and ethics

24. Given the important role of financial planners in providing professional advice for investors, a strong culture of professionalism is central to the industry's long-term sustainability. Being a professional entails embodying the highest standards of integrity, ethics and responsible conduct. Central to this and the **financial planning business is also being client-centric**. This essentially means that financial planners have to **look beyond short-term gains and act in their clients' best interests**.
25. Such duties are encapsulated in the Capital Markets Services Act (CMSA), which is to carry on the regulated activity efficiently, honestly and fairly. Indeed the SC looks into this obligation seriously as evident from the various administrative actions taken and publicized over the years on licensed persons errant of such obligation.
26. Undeniably, the culture within a firm is another key component that influences the behaviour of its employees. While the regulators can set rules on what is allowable, it is not feasible to impose rules to promote a certain corporate culture. The changes have to come from within. This involves the management setting the right tone from the top and goes beyond company policies and procedures.
27. The other main element is competence – be it in offering quality advice, or offering effective service to clients. With the wide array of financial products in the market and changing demographic of Malaysians, consumer's demands are becoming more complex. There is a **real need for representatives to constantly upgrade their knowledge and skills to offer quality advice**, as well as to appeal to a bigger pool of investors.
28. Towards this end, the **Malaysian financial planner of the year award is an important platform to recognise our local financial planners**, who have showcased a high level of competency and professionalism in producing good quality financial plans.

29. As financial and capital markets grow bigger and sophisticated, competency in new segments such as Islamic financial planning service has become increasingly important. In this regard, it is vital for financial planners to increase their knowledge and understanding of the Shariah requirements to cater to the increasing demand for Islamic financial products and services.

30. In looking out for the client's interest in the long-term, the compulsion to plan for one's retirement savings should continue to be advocated by the planners. As they say - youth is wasted on the young; and often, money is too. Numerous studies⁶ have shown the positive correlation between financial planning and savings level, and this serves as an impetus for planners to engage clients on the importance of having retirement goals. Planners are able to guide their clients throughout their life-cycle and help avoid monetary pitfalls such as dipping into retirement savings at times of crisis. Voluntary schemes such as the Private Retirement Scheme (PRS) provide the opportunity for Malaysians to supplement their retirement savings under a well-structured and regulated environment, and would complement towards establishing a robust retirement portfolio. It is essential that the FP industry along with regulators continue to provide support for all Malaysians to achieve financial security for their retirement years.

31. Ensuring that clients are financially stable as they grow old is one of the main duties of a financial planner along with the expectation to support a client's best interest in the long term. As the FP industry can provide a big impact to the society, planners play a major part in educating investors on the virtues of sustainable and responsible investments. In prioritizing the wellbeing of the society, financial planners are in unique position to influence decision making of investors towards investments that considers environmental, social and governance factors. Sustainable investing is not merely a new trend, but represents an emerging and monumental shift in global thought leadership which emphasizes the principles of continuously seeking the best for the clients while subsequently delivering a positive impact to the overall society on a long term basis.

⁶ HSBC's Future of Retirement : A New Reality

Adaptability to Change

32. Industry veterans would realise that the wealth management industry is not the same as it used to be. The industry has experienced huge shift caused by the changing population dynamics and technological advancements. For one, product-based business model is gradually losing its relevance in terms of attracting and retaining clients.
33. Many investors today have become more sophisticated and savvy – from understanding the need for diversification to opting fintech solutions. The financial planning industry is urged to take cue from these by taking a more holistic approach in addition to being client-centric. This includes adopting goal-based planning which has “quality of advice” at its core.
34. The golden age of technology also prompts financial planners to be more flexible in employing a wider range of engagement methods. Where one of the pillars of this new landscape is data analytics and digitalization, planners should consider exploring ways to deliver their services in digital.
35. On this note, we are encouraged that the industry is seen to move towards this direction such as through the **establishment of the web portal – smartfinance.my. It is recognised that the website provides fair and independent content and adopts interactive approach in educating investors on financial planning and to reach licensed planners.** This particular development is celebrated as it makes financial planning accessible to a bigger pool of prospective clientele as financial planning can now reach whoever that has access to internet wherever they are. The SC hopes that this digital and innovative streak will continue to be prevalent among the associations, practitioners and the industry as a whole.

Concluding comments

Ladies and gentlemen,

36. While the SC stands ready to support initiatives towards enhancing professionalism, it is the industry that must ultimately collaborate to create the business models and value propositions that will define the future of financial planning in this country.

37. It would be our mutual goal to create a sustainable yet valuable environment where financial planners are able to meaningfully contribute towards Malaysians' financial wellbeing and overall confidence in our financial markets.

38. Before I end, on behalf of the SC, I would like to applaud FPAM's initiative to explicitly put the value of professionalism on the agenda. In fact, all of the associations, and everyone here has a key role in providing leadership to the profession, while the profession collectively needs to position itself to welcome, rather than resist, initiatives that raise its overall standard and reputation.

On that note, I wish all of you a fruitful and engaging symposium ahead.

Thank you & Assalamu'alaikum.