

FREQUENTLY ASKED QUESTIONS (FAQ) ON THE DIGITAL INVESTMENT MANAGEMENT (DIM) FRAMEWORK

[GENERAL](#)

[APPLICATION](#)

[DIM COMPANY](#)

[INVESTORS](#)

GENERAL

Q1 What is Digital Investment Management (DIM)?

Digital Investment Management (DIM) is a fund management business which incorporates innovative technologies to provide automated discretionary portfolio management services.

A

To know more, you can refer to our DIM video [HERE](#).

Q2 What is the DIM framework?

In May 2017, the SC introduced the DIM framework, which sets out licensing and conduct requirements for DIM.

A

DIM is a regulated activity pursuant to Part 1, Schedule 2 of CMSA 2007. Anyone interested to offer DIM services is required to obtain a capital markets services licence from the SC pursuant to Section 58 of CMSA 2007. Please refer to [Q7](#) on key regulatory requirements applicable to DIM.

Q3 What is the difference between Robo Advisory and DIM?

In general, Robo Advisory services may involve a wide range of services ranging from the provision of pure financial advice to full-fledged portfolio management.

A

In Malaysia the term DIM is used instead of Robo Advisory as the SC intends to facilitate a specific scope of regulated activity within the DIM framework which is “automated discretionary portfolio management”. This means that the DIM provider’s services must involve automation of core components of portfolio management services including risk profiling, suitability assessment, asset allocation and rebalancing.

Q4 How does DIM work?

In general, a DIM business leverages technology across the entire value-chain of its portfolio management services. It aims to replicate and automate many of the activities performed by traditional fund managers through the use of algorithms.

A

In its basic form, DIM is an online service that uses questionnaires to profile clients' risk appetite and assess their investment goals and needs. Based on the clients’ input, an appropriate investment portfolio is assigned to the client.

Once the clients’ funds are invested, the clients’ portfolios are monitored on an ongoing basis and the DIM algorithm can automatically rebalance your portfolio when required—that is, to make the changes to the investments needed to align your portfolio back to its target allocation.

Q5 Who is eligible to invest with DIM companies?

A

DIM investment opportunities are open to all investors.

To know more, kindly refer to the [INVESTORS](#) section in this FAQ.

Q6 Where can I find more information on DIM?

A Find out more information about DIM in our Digital Initiatives section, [HERE](#).

[Back to Top](#)

APPLICATION

Q7 What are the key regulatory requirements for DIM?

A DIM companies must adhere to SC's regulatory requirements, which may be issued from time to time, and any other relevant laws and regulations. The key regulatory requirements may be found in the SC's [Licensing Handbook](#) and [Guidelines On Compliance Function for Fund Management Companies](#).

Q8 How to apply as a DIM company?

Before submitting a formal licensing application to the SC, we encourage interested parties to leverage the aFINity engagement process.

A The one-on-one engagement sessions between the SC and prospective DIM applicants aim to delve into key aspects of the digital business proposition and understand how the business model is intended to be deployed. This is to better prepare interested parties in meeting readiness requirements before submitting a formal application for licensing.

When meeting the SC, we expect interested parties to explain their business plan and back-office operations in Malaysia with a focus on the custodial arrangements i.e. kindly walk us through the entire value chain of execution, clearing, and settlement. This includes the process flow on how money deposits and withdrawal payment by/to the client will be carried out.

[Back to Top](#)

DIM COMPANY

Q9 Who can be a DIM company?

A An applicant who wishes to be licensed as a DIM company must be a body corporate incorporated under the Companies Act 1965. It must obtain a capital market services licence from the SC for fund management in relation to portfolio management as a digital investment manager.

Q10 As a licensed portfolio management company, can I leverage my existing licence to offer digital investment management services without having to apply for a separate licence to be a DIM company?

No, you cannot offer or hold yourself out as providing digital investment management services unless you are licensed as a DIM company. There are critical differences between a DIM company and a traditional portfolio manager.

A A DIM company incorporates innovative technologies to provide automated discretionary portfolio management services where core components of its services including risk profiling, suitability assessment, asset allocation and rebalancing are automated.

As such, this differentiation needs to be reflected in the type of licence that the intermediary holds and the regulatory requirements need to commensurate with the unique and specific aspects of the DIM company's business model.

Q11 Can a Portfolio Manager vary its licence to become a DIM company?

Yes, you can but you must satisfy the requirements to be a DIM company and in this regard, your variation would require prior approval from the SC. To vary your licence, you must:

- A
- i) satisfy the digital value proposition requirements;
 - ii) have technology capabilities to undertake digital investment management business;
 - iii) have the necessary expertise and resources in place to carry on such activity; and
 - iv) satisfy other requirements specified for digital investment management in the Licensing Handbook

Q12 As a licensed portfolio management company, do I have to set up a separate company to be a DIM company?

- A
- There is no requirement for a separate company to be set up for this purpose. The setting up of a separate company is a business decision. You can be licensed as both Portfolio Manager and DIM Company.

Q13 Can an existing licensed portfolio management company apply to be a DIM company to leverage the existing resources including the licensed director, licensed representative, and compliance officer?

Leveraging existing resources is allowed, subject to the following:

- A
- i) The identified resources have the ability and relevant competency to undertake the activity;
 - ii) Such arrangement will not give rise to the potential conflict of interest situation; and
 - iii) Such arrangement will not compromise the operations and performance of its existing business.

Q14 Would a Digital Investment Management Company be required to make contributions to the Capital Market Compensation Fund?

- A
- Yes, you would be required to make contributions to the Capital Market Compensation Fund, which is aimed at investor protection.

Q15 Is there a requirement for a readiness audit to be conducted prior to the commencement of the Digital Investment Management business?

- A
- Yes. A readiness audit must be carried out by an independent party.

Q16 Can a DIM company acquire or engage the service of a technology provider without developing the system in-house?

- A
- Yes, you can. However, the DIM Company will remain accountable for all outsourced functions. Further, you must comply with Chapter 10 of the Licensing Handbook which deals with outsourcing.

INVESTORS

Q17 How does investor invest through DIM?

The process for investing through a DIM company may differ depending on the rules set by the company.

- A** In general, you open an account with a licensed DIM company by completing an online risk assessment questionnaire. The DIM Company will recommend an optimal portfolio based on the answers you have provided in the risk assessment questionnaire. If you are happy with this portfolio allocation, you can proceed to add funds into your investment account.

Q18 What are the investment limits for DIM investors?

- A** There are no investment limits. While there are no regulatory limits, DIM companies may choose to impose their own.

Q19 What happens when there is a complaint or dispute regarding the investment?

DIM companies must have in place processes for complaints handling or dispute resolution. Such information must also be made accessible to all investors.

- A** Alternatively, you may lodge your complaint pertaining to the Malaysian capital market by contacting the Consumer & Investor Office (CIO), please refer [HERE](#) for more information.