

Multi-Pronged Approach Adopted by the SC to Address the Regulatory Concern Arising from Proliferation of Unlicensed Investment Advice

In 2023, the SC meted out several enforcement actions against unlicensed investment advisers. This was in response to the regulatory concerns arising from the increase in the proliferation of such self-styled investment gurus since 2020. The *modus operandi* of these unlicensed investment gurus is to give out investment advice in the form of stock tips in seminars, WhatsApp groups or Telegram groups. Interested members of the public would need to pay subscription fees to join exclusive support groups where the operator would disseminate the investment advice. These include buy, sell, and cut-loss calls with target price of specific counters.

In April 2023, the SC reprimanded and imposed a fine of RM303,376.00 against Logeswaran Balasubramaniam for breach of section 58 of the CMSA for carrying on a business in a regulated activity of providing investment advice to others concerning securities without holding a CMSL. Similar enforcement actions were also taken in 2023 against Asma Nasarudin and Andrew Ng Gim Meng where they were reprimanded and imposed fines of RM257,000 and RM248,140 respectively.

These outcomes are part of, and continuance of the enforcement actions and other interventions initiated since 2020, when there was a notable surge in the number of complaints received by the SC on unlicensed investment advisers which typically employ the *modus operandi* described above. This increase coincided with the surge in interest from retail investors to participate in the stock market in that year where it was reported that there was a 236% increase in the retail participation on Bursa Malaysia compared to 2019 with 167% increase in the number of new Central Depository System (CDS) accounts opened.

Prior to the actions in 2023 as above, in November 2022, the SC also charged four individuals namely Muhamad Afiq Md Isa, Natasha Mohamed Taufek, Tan Soon Hin and Teh An See in court for breach of Section 4(1)(b) of *Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001* (AMLATFPUAA) for receiving and transferring proceeds from unlawful activity, namely unlicensed investment advice. In addition concurrent enforcement actions were also taken against these individuals, where in 2023, the SC reprimanded and imposed a fine of RM1,975,570.88 against Muhamad Afiq Md Isa, RM6,579,922.75 against Teh An See and RM517,500.00 against Tan Soon Hin, for breach of section 58 of the CMSA for carrying on a business in a regulated activity of providing investment advice to others concerning securities without holding a CMSL.

From 2020 to 2023, the SC also took various other interventions against the operators of such schemes such as issuance of 31 cease and desist notices, blocking of 29 websites and inclusion of 53 names on the *Investor Alert List*.

The proliferation of unlicensed investment advisers raises several concerns. The obvious one would be that the investing public would be receiving investment advice from unqualified individuals. Investment advice rendered needs to be underpinned by cogent and sound reasoning based on research carried out by experts in the field. SC imposes strict requirements on those who wish to obtain an investment advice license. They will be required to possess certain qualification, pass stringent examinations, and must be assessed to be fit and proper before they can be issued with a license. In the hands of an unlicensed investment adviser, these objectives would not be met and consequently be detrimental to the investing public. Further, investors who deal with these unlicensed investment advisers would have limited access to legal recourse in the event of a dispute.

Other than receiving advice from unqualified individuals and having limited access to legal recourse, certain unlicensed investment advisers may use their influence to carry out a 'pump and dump' scheme. They could urge their followers to trade in a particular counter in order to create an interest to manipulate the market for their benefit. This way, unsuspecting investors may unwittingly be made victims to a market manipulation scheme or securities fraud.

These multi-pronged actions by the SC had alleviated the concern in this space where the number of complaints and enquiries received on such unlicensed investment advisers has significantly decreased. In 2021 the number of complaints received against unlicensed investment adviser stood at 75. Due in part to the regulatory actions taken by the SC, the number of new complaints received in 2022 and 2023 has dropped to only eight and nine cases respectively.

The SC will continuously monitor and take swift actions should the trend show any new increase in this area.