

DAXs’ Know Your Client (KYC) onboarding processes, ongoing Anti-Money Laundering (AML) due diligence and transaction monitoring policies to ensure consistency and alignment with the SC’s *Guidelines on Prevention of Money Laundering and Terrorism Financing* and *Guidelines on Implementation of Targeted Financial Sanctions Relating to Proliferation Financing* as well as updated recommendations issued by FATF. The SC will continue its broad push towards digitisation by supporting and propagating the use of technology enhancements by DAX to support its Anti Money Laundering and Counter Financing of Terrorism (AMLCFT) compliance objectives.

The scope of the regulatory assessment on DAXs was also expanded to include a review of the DAXs’ IT governance framework and cyber security risk management and controls given the high dependence on technology and IT infrastructures to operate the markets.

Promoting Responsible Advertising Using Digital Channels

On 4 May 2020, the SC issued the *Guidelines on Advertising for Capital Market Products and Related Services* to promote responsible advertising using

digital channels. The guidelines allow intermediaries greater flexibility in leveraging advertising platforms, including social media, messaging applications and video streaming to promote their products and services.

GREATER INVESTOR EMPOWERMENT

Understanding Investors’ Behaviour and Motivation

During 2019 and 2020, the SC conducted several investors’ surveys across different segments of society to gain better insight on, among others, investors’ level of awareness on the different capital market products, their behaviours and motivations. The surveys also covered factors that may have influenced investors from participating in the capital market. General observations from the surveys are as follows:

Low level of investor awareness of capital market product types

Of the respondents, only 13% (2019) and 8% (2020) were able to accurately identify capital market products. The study shows a greater level of awareness of unit trust, listed shares and PRS (Chart 2).

CHART 2

Greater level of awareness of unit trust, listed shares and PRS

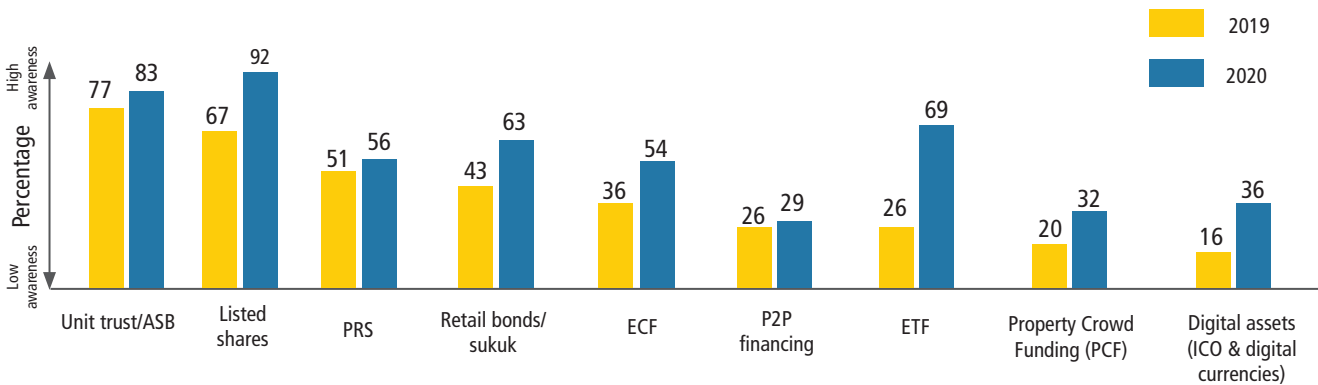
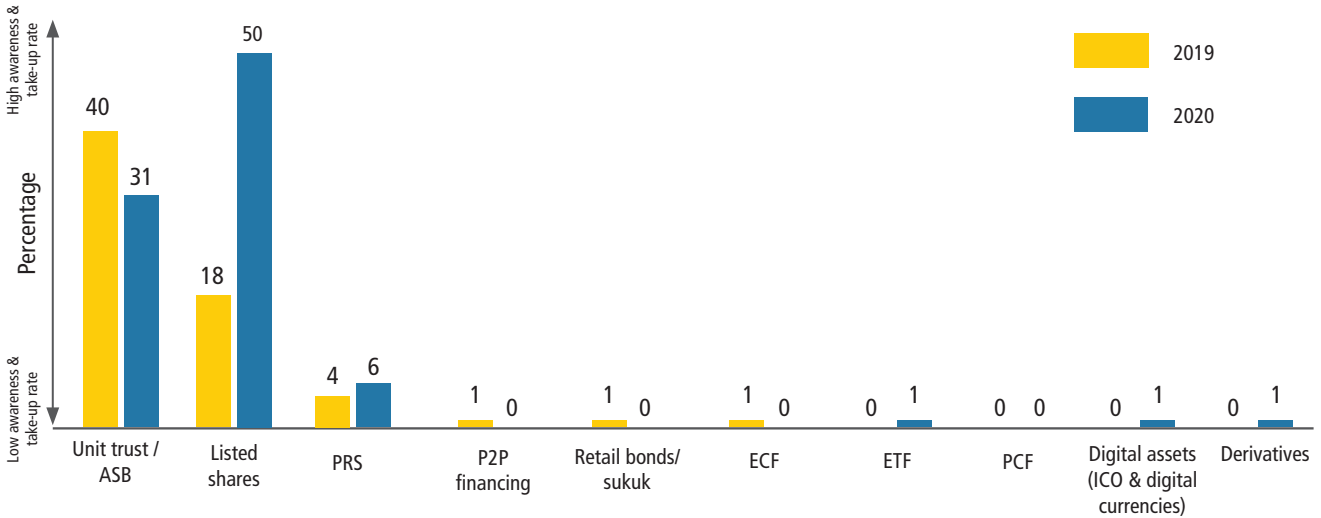


CHART 3

Survey on correlation between awareness and knowledge in a product and its take-up rate



The survey also established a correlation between awareness and knowledge in a product and its take-up rate. Between 2019 and 2020, unit trust and listed shares, which investors are most familiar with, showed the highest take-up compared to other capital market products (Chart 3). This result underscores the importance of efforts to embed investor awareness in new product design and distribution.

The SC’s surveys also revealed that the general investing public has a pronounced tendency to focus on potential returns when making their investment decision with very little consideration of the risks involved.

Unrealistic expectation of returns from investment

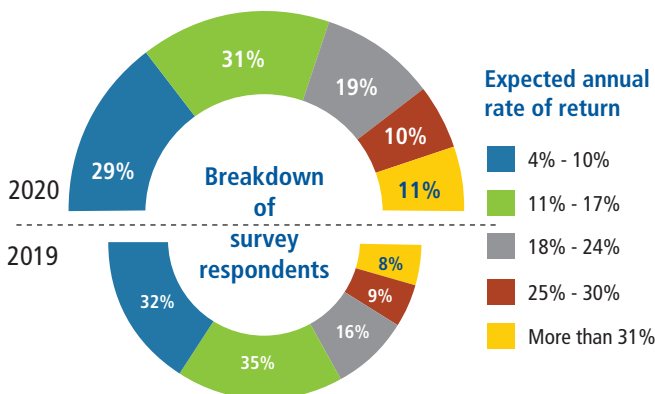
Chart 4 shows that a sizeable number of survey respondents have an unrealistic expectation of returns as high as 24% to more than 31% per annum. Such unrealistic expectation of returns makes them susceptible to scams, which thrive on the promise of high returns, with little or no risk involved.

Some barriers prevent investors from investing in the capital market

- Lack of product awareness and negative peer influence;
- Concern for frauds/scams and low returns; and
- Insufficient money and complicated process of investing.

CHART 4

Survey of investors’ expected annual rate of return



In view of the observations, the SC continues to prioritise investors’ empowerment initiatives to ensure that investors are making informed financial and investment decisions while safeguarding their interests.

Empowering Investors Against Scams

In 2020, the SC observed a 70% increase in investors' complaints and enquiries compared to the year before. Illegal investment schemes form 37% of all complaints handled by the SC.

The SC observed that the *modus operandi* of scammers have evolved over the years. Scams are now perpetrated predominantly through social media channels and messaging tools. To lure investors into the scheme, scammers have resorted to cloning legitimate firms, using the licensed firm's name and logo.

Anti-Scam Awareness Measures

Through InvestSmart®, the SC undertakes various initiatives to promote investment literacy and anti-scam awareness to the Malaysian public. Given the restriction imposed on physical events during the COVID-19 outbreak, InvestSmart® continued to utilise various tools such as digital and social media to reach out to members of the public. In 2020, InvestSmart® rolled out investor education initiatives through television and radio channels as well as Facebook, Instagram, Twitter and YouTube.

Anti-scam awareness television campaign



Recognising the potential rise in scams during the current economic uncertainties due to the COVID-19 crisis, InvestSmart® carried out a TV campaign on anti-scam awareness for three weeks from 10 to 30 April 2020 via four Media Prima TV channels - TV3, TV9, NTV7 and 8TV, to spread anti-scam awareness messages to the public.

The 15-second message was screened 504 times throughout the 3-week period, reminding the public to exercise extra caution and remember the InvestSmart® T.I.P.U formula before investing. These four channels have monthly viewership ranging from 4 million to 15 million, which gave InvestSmart® a very good reach, particularly when Malaysians were required to stay at home during that period.

Investor Alert List

A total of 134 new entries were made in the Investor Alert list in 2020 to warn the public against dealing or investing with such entities. These entities were involved in unlicensed activities and clone firm scams. To widen the reach and create better visibility of the Investor Alert List, new postings are regularly updated on the SC and InvestSmart® social media platforms and websites, every time a new entity is included in the Investor Alert List.

Media release and issuance of cease and desist directives

Several media releases were issued to warn investors against investment scams, clone firms and investing through unauthorised digital asset exchanges. These media releases serve as a communication tool for the SC to inform investors of the new *modus operandi* of scammers and also to alert them of red flags that they should be aware of, to identify these scams.

On 5 August 2020, the SC also issued cease and desist orders on two entities operating crypto ATMs, namely Miningpuppets Sdn Bhd and Occasin Sdn Bhd.

Establishment of an internal taskforce

In response to the increased incidences of scams and clone firms, the SC established an internal task force to investigate and take enforcement action against the perpetrators of such investment scams.

Blocking of websites

With the collaboration from the Malaysian Communications and Multimedia Commission (MCMC), the SC has blocked 78 websites found to be carrying unlicensed regulated activities, scams and misusing the SC’s name and logo.

Collaboration with the Ministry of Communications and Multimedia on public service announcements in the form of anti-scam awareness videos on all television channels and public transportation operated by Prasarana, television news crawlers and announcements on all radio stations.

Through the monthly InvestSmart® online series, basic information on capital market products and services are shared, as well as tutorials on how to invest.



“Did You Know” and “Capital Market Knowledge” series of postings on InvestSmart® social media platforms.



InvestSmart® Fest 2020

InvestSmart® Fest 2020 is an annual flagship investor education event, which forms part of InvestSmart® investor education initiatives to create more informed investors who are self-reliant and able to make

investment decisions that are right for them. The event aimed to reach out to a wide spectrum of the public throughout the nation. It is an avenue to educate the public on a range of investment-related topics and promote anti-scam awareness.

VIRTUAL INVESTSMART® FEST 2020

23 - 25 OCTOBER 2020

In October 2020, InvestSmart® organised its seventh instalment of the InvestSmart® Fest virtually for the first time. InvestSmart® Fest 2020 with the theme, 'Silap Labur Duit Lebur' was also held in support of the Financial Education Network's (FEN) inaugural Financial Literacy Month held throughout October 2020.





9,000+ VISITORS

- Over 50% reside outside Klang Valley
- 30% are between the ages of 18-30




37 EXHIBITORS

- Capital Market Intermediaries
- Associations
- Regulatory and Government Agencies



40 SPEAKERS



460 Slots of free consultation with licensed financial planners offered at #FinPlan4U service desk

FEATURED SPEAKERS



HUSAINI HUSSIN
Chief Executive Officer
Prudential Securities (M) Sdn Bhd

“If we live according to our means, and our means should mean saving extra and having protection by way of insurance, for example, then we should be fine.”



A.A. DEPA
SVP, Investor Education & Channel Management
Bursa Malaysia

“What you need to do is understand what kind of risk is involved? Every investment has certain risks attached - what kind of risks can you tolerate?”



SUHAIIDA MAHPOT
SVP, Investor Education
AmBank

“Kita perlu pastikan produk tersebut telah mendapat pengesahan AGI pengahabian atau SJI Pihak Suruhan daripada penasihat Syariah. Bila kita dah tempok status produk, kita juga perlu lihat adakah ada maklumat, dan bagaimana agensi tersebut mempromosikan produk.”



WAN RUMAIZI WAN HUSIN
President
FEN

“Kita-kita yang selalu kita dengar atau lihat dalam skim pelaburan itu, sebenarnya banyak (...). Apabila dibina pelaburan itu dengan lebih-tambah-tambah begini, maka semakin mudah digemakan sebagai skim untuk memancing pelabur yang ingin melaburkan duit mereka.”



KASHINDER SINGH

“[...] to a certain extent if you think you're investable then you are ready for crowdfunding. But you will then have to carry out a marketing campaign and reach out to your investors. And for you to do that, you will then have to look at how you can make yourself ready for investment.”

Strengthening Redress Mechanisms for Investor Protection

The SC's efforts to strengthen accountability and market integrity are complemented by the resolution of investors' claims through a dispute resolution mechanism. The Securities Industry Dispute Resolution Center (SIDREC) provides retail investors with a specialist independent and impartial avenue to resolve claims that they may have against a SIDREC member in an accessible, efficient and effective

manner based on the principle of fairness and reasonableness.

In 2020, SIDREC received 259 claims and enquiries (2019: 290), out of which 103 were eligible disputes¹⁰. In line with past trends, 90% of the eligible disputes in 2020 were resolved through case management and mediation. The year 2020 witnessed SIDREC spearheading the conduct of mediations and adjudications either fully virtual or on a hybrid basis for claimants.

ACHIEVING SWIFT AND TARGETED ENFORCEMENT ACTION

Swift and Effective Enforcement Outcomes Through Utilisation of Available Enforcement Tools

The SC continuously seeks to pursue an enforcement strategy that is proportionate, and yields the most efficient and effective outcomes for each case.

In 2020, the SC recalibrated its enforcement strategy to focus on cases that have caused significant harm involving vulnerable investors, namely fraud, misconduct and unlicensed activities.

A snapshot of some of the SC's key enforcement achievements in 2020 is presented in the *Enforcement Actions 2020*.

¹⁰ Dispute under SIDREC's purview as set out in its Terms of References.