



PUBLIC RESPONSE PAPER
NO 4/2011

**PROPOSED IMPLEMENTATION OF THE CONTINUING
PROFESSIONAL DEVELOPMENT (CPD) FRAMEWORK TO
REPLACE THE CURRENT CONTINUING PROFESSIONAL
EDUCATION (CPE) PROGRAMME**

The Securities Commission Malaysia (SC) issued this Public Response Paper pursuant to the feedback received on the Consultation Paper dated 18 May 2010 on the Proposed Implementation of the Continuing Professional Development (CPD) Framework to Replace the Current Continuing Professional Education (CPE) Programme.

This Public Response Paper is dated 28 June 2011

PART 1: INTRODUCTION

- 1.1. The recent global financial crisis has sparked an intense need to develop a new and robust approach in capital market human capacity building, particularly for the Capital Markets Services Representative's Licence (CMSRL) holders to harness innovation and create products and services that meet the risk-reward profiles of issuers and investors.
- 1.2. On 18 May 2010, the SC published a Consultation Paper on the Proposed Implementation of the Continuing Professional Development (CPD) Framework to Replace the Current Continuing Professional Education (CPE) Programme (**Consultation Paper**). Having considered the CMSRL holders' specific training needs, the new CPD framework¹ was designed with the objective of facilitating the following national agenda:
 - to ensure Malaysia's long-term competitiveness as an investment destination; and
 - to raise the standards and quality assurance of human capital development in the capital market through enhancing knowledge at all levels.
- 1.3. In line with the SC's consultative stance, the CPE Secretariat has also held several consultative sessions with the relevant industry associations² prior to the issuance of the Consultation Paper.
- 1.4. We have reviewed all feedback received and noted that while most of the feedback was supportive, there were some comments and suggestions on certain aspects of the CPD framework that needed to be considered further. We have carefully reviewed the comments and suggestions as well as assessed the possible impact of the CPD framework on the industry and wish to set out our replies in this response paper.
- 1.5. We would like to thank all respondents for their feedback on the Consultation Paper.

¹ The new CPD framework would also be applicable to the Employees of Registered Persons pursuant to the issuance of the Guidelines on Investor Protection dated 19 December 2010.

² Please refer to Appendix 1 herein for listing of industry associations that attended the consultation sessions held on 23 and 24 March 2010.

PART 2: SUMMARY OF THE PROPOSED CPD FRAMEWORK AND THE RESPONSES RECEIVED

2.1 For ease of reference, we have categorised the feedback received on the Consultation Paper under the following headings:

- A. Framework
- B. Curriculum
- C. Knowledge Complexity
- D. Classification of Junior and Senior CMSRL holders, Points Collection System and Learning Categories
- E. Recognised Activities and Points Computation System
- F. Enhanced Assessment Criteria for Training Providers and Programmes/Courses

No.	Subject Matter	Industry Feedback/ Proposals	Secretariat's Response
A	<p>Framework</p> <p>It was proposed that the design of the new CPD framework would be based on the adult learning methodologies which provide positive correlations between technical knowledge sophistication, competencies and career paths. In addition, the CPD would act as a platform to facilitate individual licensed persons, i.e. CMSRL holders, to progressively acquire the necessary knowledge and skills that correspond with their regulated activities.</p>	<p>The majority of the respondents perceived that the CPD framework would be too complicated for CMSRL holders in view of the differences in the CPD points collection system applicable to the Junior and Senior categories. The respondents believed that this might potentially discourage new participants from entering the capital market industry.</p>	<p>Taking into account the industry's views on the CPD points collection system, we have made the necessary changes to the said system to reflect industry views and to ensure smooth implementation of the new CPD framework.</p> <p>We would also like to highlight that a new CPD Tracker System is in the midst of being developed to support the implementation of the new CPD framework, which functions, among others, to track and monitor the CPD activities of CMSRL holders.</p>

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B	<p>Curriculum</p> <p>It was proposed that the CPD curriculum be categorised according to each capital market regulated activity.</p>	<p>Some respondents have proposed that the scope of the CPD curriculum be expanded to include topics on risk management, real estate investment, tax, estate planning as well as client advisory and management as part of the financial planning subject. They also regarded standards and ethics as important subjects to raise the standards of practices and ethical conduct of CMSRL holders that should be recognised under the CPD curriculum. The respondents also pointed out that the inclusion of soft skill subjects such as business communication and report-writing in the CPD curriculum would help CMSRL holders who possess strong technical competencies but lack the required soft skills when dealing with clients.</p>	<p>We wish to highlight that subjects on financial planning, standards and ethics are currently acknowledged under the CPE curriculum and would form part of the CPD curriculum. In terms of its focus of activities, the CPD will maintain its current focus on the technical competencies required by the regulated activities.</p>
C	<p>Knowledge Complexity</p> <p>It was proposed that CPD-approved courses would be labelled according to the level of knowledge complexity as prescribed by UNESCO and the Malaysian Qualifications Framework (MQF). The knowledge complexity level for each course would depend on the breadth and depth of the course content and would guide CMSRL holders when selecting CPD-approved</p>	<p>Some of the respondents expressed disagreement with the adoption of the UNESCO and the Malaysian Qualification Framework (MQF)'s knowledge complexity level to label the content sophistication of CPD-approved courses. The respondents considered that the approach would be too academic and most capital market professionals would not be familiar with the knowledge complexity prescribed by the UNESCO or MQF.</p>	<p>Taking the respondents' feedback into consideration, it was concluded that content sophistication of CPD-approved courses would be labelled according to the knowledge complexity levels practised under the current CPE system, i.e. Advanced, Intermediate and Refresher.</p>

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	courses that best commensurate with their knowledge sophistication.										
D	<p>Classification of Junior and Senior CMSRL Holders, Points Collection System and Learning Categories</p> <p>It was proposed that CMSRL holders will be classified as either "Junior" or "Senior" for the purpose of collection of CPD points. CMSRL holders with less than 10 years of relevant experience in the licensed regulated activity will be classified under the "Junior" category whilst "Senior" CMSRL holders will be those with 10 years or more relevant experience in the licensed regulated activity.</p> <p>It was further proposed that there will be a different points collection system set for the Juniors and Seniors under three (3) learning categories, namely Active Learning, Development of Others and Self-Directed Learning.</p>	<p>a. Standardisation of CPD Points Collection System</p> <p>The majority of the respondents raised concerns on the appropriateness of the CPD points collection system for each of the Junior and Senior classifications under the respective learning categories. Most of the respondents argued that such a system would be onerous for the Seniors to fulfil their CPD requirements given the lack of skills, time and avenues to conduct activities under the Development of Others category.</p> <p>Given the above, the respondents have proposed to standardise the points allocation structure applicable for the Juniors and Seniors. The standardisation would accord more flexibility to CMSRL holders to choose their preferred learning method whilst meeting the CPD requirements.</p>	<p>Having thoroughly reviewed the feedback from the respondents and considered the practical implications arising, we accept the respondents' views.</p> <p>We further agree that greater flexibility should be given to all CMSRL holders to fulfil CPD requirements and to continually acquire and update their professional knowledge. In this regard, the CPD points collection system for each learning category would be standardised and would apply to all CMSRL holders. Due to the said standardisation, the classification of Juniors and Seniors has no further significance and purpose. Therefore, the original CPD points collection system will be replaced as follows:</p> <table border="1" data-bbox="1036 1436 1463 1787"> <thead> <tr> <th data-bbox="1036 1436 1227 1549">Learning Category</th> <th data-bbox="1227 1436 1463 1549">Maximum Points Allocated (Per Annum)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1036 1549 1227 1629">Active Learning</td> <td data-bbox="1227 1549 1463 1629">20</td> </tr> <tr> <td data-bbox="1036 1629 1227 1709">Development of Others</td> <td data-bbox="1227 1629 1463 1709">20</td> </tr> <tr> <td data-bbox="1036 1709 1227 1787">Self-Directed Learning</td> <td data-bbox="1227 1709 1463 1787">2³</td> </tr> </tbody> </table>	Learning Category	Maximum Points Allocated (Per Annum)	Active Learning	20	Development of Others	20	Self-Directed Learning	2³
Learning Category	Maximum Points Allocated (Per Annum)										
Active Learning	20										
Development of Others	20										
Self-Directed Learning	2³										

³ The maximum points for Self-Directed Learning have been revised to only 2 points. For this category, the application process would be based on CMSRL holders' self-declaration and no verification procedures would be imposed.

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		<p>b. Removal of the Development of Others and Self-Directed Learning categories</p> <p>Several respondents have proposed the removal of the Development of Others and Self-Directed Learning categories under CPD. These respondents considered the sole retention of the Active Learning category to be sufficient and suitable for the adult learning process. It was also proposed to include some form of evaluation method to assess CMSRL holders' understanding and to supplement the Active Learning category, either by way of conducting online examinations or random interviews.</p>	<p>While we appreciate the respondents' proposal to retain Active Learning as a single learning category under the CPD framework, we are of the view that the removal of both the Development of Others and Self-Directed Learning categories would limit the flexibility and options available for CMSRL holders in fulfilling their CPD requirements. In contrast, we wish to highlight that there are also CMSRL holders who prefer to carry out the activities listed under the Development of Others category to accumulate their CPD points, in particular those who hold senior positions in the industry. Maintaining both the Development of Others and Self Directed Learning categories will allow greater choice and flexibility for all CMSRL holders to fulfil their CPD requirements.</p> <p>Regarding evaluation methods, where applicable, CPD-approved programmes would be required to assess participating CMSRL holders' understanding of the subject matter.</p>

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E	<p>Recognised Activities And Points Computation System</p> <p>It was proposed that each CPD learning category would comprise specific and pre-determined activities for CMSRL holders points collection purposes and the CPD points would be computed based on the total learning and/or total development time for each of the learning categories.</p> <p>Corresponding to the SC Licensing Handbook, it was further suggested that the points requirement be maintained, where CMSRL holders with a 1-year licence period would be required to collect a minimum of 20 CPD points and those with a 2-year licence period to collect a minimum 40 CPD points for their licence renewal exercise.</p>	<p>a. Active Learning Category - Points Computation for Courses</p> <p>Several respondents called for the adoption of the CPE points' computation system within the CPD framework, especially in the computation of points for CPD-approved courses. The respondents highlighted that under CPD, a maximum of 9 CPD points would be accorded to a CMSRL holder who attends a 1-day course which runs for a 6-hour training period. In contrast, the CPE currently awards 10 CPE points to a CMSRL holder who attends a 1-day course of a similar duration. Based on this example, the respondents argued that the proposed CPD points system would not only subject CMSRL holders to higher training costs but would also consume more of their time and effort to fulfil the CPD requirements.</p>	<p>We noted the concerns raised by the respondents; however, we wish to highlight that the CPE points system limits courses which exceed the 6-hour training period to a maximum award of 10 CPE points. Thus, a CMSRL holder who completes the attendance for a 2-day course with a 12-hour training duration would still be entitled to a maximum of 10 CPE points only. On the contrary, a CMSRL holder would be able to accumulate 18 CPD points for attending a course of a similar duration under the new CPD framework.</p> <p>In addition, the new CPD framework is flexible where points computation and course duration are concerned. For example, a CMSRL holder may opt to participate in any CPD-approved course for a minimum of 1 hour, which would entitle him to accumulate 1.5 CPD points. Alternatively, he may attend other CPD-approved programmes of a longer duration, which would carry the maximum of 20 CPD points per programme. With this flexibility, we believe that the points computation system would not cause any additional burden to CMSRL holders.</p>

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		<p>b. Active Learning Category - CPD Recognition for Overseas Courses</p> <p>There were views that CPD should by merit recognise and award the necessary points for CMSRL holders who attend capital market-related courses in jurisdictions such as the United Kingdom, Australia, Hong Kong and Singapore. The respondents opined that the recognition would be in line with the practices adopted by these jurisdictions as evident from the Secretariat's studies and benchmarking exercises conducted for CPD. The recognition would also support one of the CPD objectives to enhance the international community's confidence in the capabilities and professional competencies of the Malaysian intermediaries.</p> <p>c. Utilisation of Excess CPD Points for Next Licence Renewal</p> <p>Some of the respondents argued that CPD should recognise CMSRL holders' efforts in accumulating points in excess of the requirement within a particular licence period. The respondents believed</p>	<p>The initial intention to limit CPD recognition to within Malaysia serves to ensure consistency in requirements and obligations amongst all qualified training providers in terms of provisioning and delivering CPD courses. Taking into account the industry's feedback, the new CPD framework will consider providing CPD recognition for overseas courses on capital market-related areas, subject to these courses fulfilling the prescribed criteria.</p> <p>We wish to highlight that Paragraph 8.01 (3) of the SC Licensing Handbook has expressly disallowed any carry forward of excess CPE points gained by CMSRL holders during a particular licence period for their next licence renewal exercise. This provision would also apply to the</p>

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		<p>that the best form of recognition would be to allow the relevant CMSRL holders to carry over the excess of CPD points for their next licence renewal exercise.</p>	<p>treatment of CMSRL holders' excess points within the CPD framework. We believe that the objective of this provision is to stress the importance for CMSRL holders to aggressively upgrade their capital market knowledge and skills since the industry itself is very dynamic and continues to change rapidly.</p>
<p>F</p>	<p>Enhanced Assessment Criteria for Training Providers and Programmes/Courses</p> <p>It was proposed that new assessment criteria, covering both the financial and non-financial aspects, would be imposed on all applications relating to CPD approval for training providers and their respective programmes/courses. The assessment criteria have been designed to provide minimal assurance on the quality and credibility of all qualified training providers as well as their programmes/courses.</p>	<p>Several respondents disagreed with the paid-up capital requirement of RM100,000 being imposed on training providers whose organisations are established under the Companies Act 1965⁴. The requirement was seen as burdensome for small, albeit highly specialised training providers, and would consequently lead to the low supply of CPD-approved courses and adversely affect CMSRL holders. In this regard, the respondents have urged for certain exemptions be granted to the existing CPE-approved training providers, especially to those with proven performance and/or who have received favourable evaluation feedback for CPE programmes.</p>	<p>While we are mindful that the RM100,000 paid-up capital requirement may affect the number of CPD-approved training providers and the supply of CPD-approved courses, we are of the view that the RM100,000 financial criterion is reasonable and that all training providers committed to providing CPD-approved courses would not hesitate to oblige and comply. We are also of the view that the criterion would provide an assurance that CPD-qualified training providers have sufficient financial resources to actively develop and deliver CPD-approved programmes for CMSRL holders' continued training needs.</p> <p>We wish to reiterate that the paid-up capital requirement of RM100,000 would be imposed on training providers whose organisations are established under the Companies Act 1965 and exemptions would only be given to corporations limited by guarantee.</p>

⁴ One of the proposed CPD organisational assessment criteria stated in the Consultation Paper requires training providers established under the Companies Act 1965 with a private limited company status to have a minimum paid-up capital of RM100,000.

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		There was also the proposal to categorise the training providers into the 'professional' and 'in-house' groups. The proposal further called for the above exemption to be given to training providers who fall under the 'in-house' group since the CPE programmes that they run are not for commercial gain.	On the other hand, the course assessment criteria would be applicable to all types of courses regardless of the training providers' mode and/or nature of establishments.

PART 3: ACCREDITATION FEES

3.1 In addition to comments raised by the respondents above, we have also received some feedback on the proposed CPD accreditation fees to be imposed on CPD training providers and their respective programmes/courses. We noted all views received and will take them into consideration in determining the appropriate accreditation fees.

PART 4: CONCLUSION

4.1 The finalised details of the CPD framework would be made available on the SC's website in due course and the CPD framework is targeted to be implemented this year.

List of Industry Association Participants in the CPD Consultation Sessions

1. First Consultation Session, 23 March 2010

- Association of Stockbroking Companies Malaysia (ASCM); and
- Malaysian Futures Brokers Association (MFBA).

2. Second Consultation Session, 24 March 2010

- Malaysian Association of Asset Managers (MAAM);
- Malaysian Investment Banking Association (MIBA);
- Financial Planning Association of Malaysia (FPAM);
- Malaysian Financial Planners Association (FPA) formerly known as the Malaysian Association of Chartered Financial Consultants (MACHFC); and
- Malaysian Financial Planning Council (MFPC).