

**SECURITIES COMMISSION RESPONSE PAPER
ON
INDUSTRY FEEDBACK ON THE “CONSULTATION PAPER ON
CONTINUING PROFESSIONAL EDUCATION (CPE): PHASE 2
IMPLEMENTATION”**

Date issued: 26 August 2002

BACKGROUND

1. In line with the Securities Commission’s (SC) consultative stance, the SC had undertaken the following steps to garner industry feedback on its plans to introduce Phase 2 of the Continuing Professional Education (CPE) programme:
 - 17 April 2002 — the SC met with the Malaysia Derivatives Exchange (MDEX) and relevant industry associations namely Malaysian Association of Asset Managers (MAAM) and Malaysia Futures Brokers Association (MFBA). The objective of this meeting was to obtain initial feedback on the proposed framework for Phase 2 of CPE.
 - 18 April 2002 — the SC issued a press release on the consultation paper entitled *“Continuing Professional Education (CPE): Phase 2 Implementation”* and invited public feedback as part of the industry consultation process. The consultation paper was also made available on the SC’s website. The deadline for submission of comments on the consultation paper was 8 May 2002.
2. The following parties submitted feedback on the consultation paper:
 - Malaysia Derivatives Exchange (MDEX)
 - Malaysian Association of Asset Managers (MAAM)
 - Malaysia Futures Brokers Association (MFBA)
 - Malaysian Society of Financial Analysts (MSFA)
3. Generally, industry’s response to the consultation paper was encouraging. There was recognition that a programme of continuing education is necessary to enhance professionalism and competence of licensed representatives in the Malaysian capital market.

OBJECTIVE OF THIS RESPONSE PAPER

4. The objective of this response paper is to present the SC’s responses to industry feedback on the consultation paper. Specifically, this paper aims to provide an analysis of the submissions received and explains the SC’s perspectives on major issues raised by the industry.

SC RESPONSE TO INDUSTRY FEEDBACK

5. The SC's response to the various issues raised by industry is categorized under the following subjects for ease of reference:

- Target groups
- Mandatory CPE requirement for licence renewal
- Curriculum and the structure
- Mode of delivery
- Costs
- CPE point system for approved courses

A) TARGET GROUPS

Industry Feedback/Proposal:

- i) **The Securities Commission Act exempts certain individuals such as investment managers in insurance firms and trustees in Investment Committees making investment decisions, from the need to comply with the CPE requirement. Industry is of the view that such waivers should be discontinued.**

SC Response:

The SC notes and takes into consideration the comments by some respondents that the waivers from the CPE requirement that are given to certain individuals engaged in investment activities, should be discontinued. This issue will be further reviewed and in doing so, the SC will take a functional approach whereby the aim will be to ensure a level-playing field for all parties performing similar tasks or services within the capital market. Notwithstanding this, it should be noted that the SC may only impose the CPE requirement on market intermediaries licensed by the SC or whose business activities fall under the SC's purview.

B) MANDATORY CPE REQUIREMENT FOR LICENCE RENEWAL

Industry Feedback/Proposal:

- i) **Dual licensees should be required to collect 20 CPE points, as with single licence holders, instead of 40 CPE points.**

SC Response:

Given that existing dual licensed holders are given two different licence numbers to operate in the equities and futures markets, the SC will need to evaluate implications of the proposal to impose the same CPE requirement of 20 CPE points to dual licensees. Also, considering the complexity of the matter,

several procedural and system changes will be required to facilitate this process.

Industry Feedback/Proposal:

- ii) The SC should stipulate the specific types of CPE courses required for the different types of licences.**

SC Response:

The SC believes that industry should be given the flexibility to select courses relevant to meet their training needs. Licensed representatives are expected to identify their training needs and pursue relevant training to enhance their professional competence, just as stockbroking companies are expected to provide direction on training needs of their companies so that licensed representatives can be trained to meet the business model of the companies.

Industry Feedback/Proposal:

- iii) CPE points collected before the implementation of CPE Phase 2 should be recognized for the purpose of licence renewal.**

SC Response:

The SC maintains that there will be no backdating of CPE points i.e. CPE points collected before the effective date of CPE Phase 2 may not be taken into consideration for licence renewal of CPE Phase 2 participants.

C) CURRICULUM AND THE STRUCTURE

Industry Feedback/Proposal:

- i) Allow CPE points for courses that are not CPE pre-approved.**

SC Response:

In response to the industry feedback, the SC would like to maintain that only CPE pre-approved courses may be recognized for CPE point collection including overseas courses. The same procedures for obtaining approval for proposals would be applied. In particular, vetting of overseas courses will take into consideration the relevance of the course to the Malaysian capital market.

D) MODE OF DELIVERY

Industry Feedback/Proposal:

- i) Unsupervised activities such as reading books/materials should not be considered for CPE accreditation.**

SC Response:

The SC concurs that unsupervised activities such as reading books/materials should not be considered for CPE accreditation. Nonetheless, the SC continues to encourage unsupervised activities like online CPE for CPE training. In this regard, online CPE providers are guided by the monitoring guidelines established by the SC to ensure that there is no abuse of the system.

To date (as at 31/10/2002), the CPE Working Committee has approved 413 CPE courses offered by 72 CPE providers, covering a wide range of topics relevant for the CPE.

Industry Feedback/Proposal:

- ii) Overall costs of becoming a futures broker's representative is higher than those incurred by dealer's representatives**

SC Response:

Futures broker's representatives should look forward to the reduction of their examination fees from RM800 to RM650 on 5 September 2002, when the consolidation of Module 2 and 3 examinations take effect.

On a related note, although the SC does not determine CPE course fees, it does take measures to ensure that those fees are reasonable and more importantly, commensurate with the depth and quality of the courses offered.

To-date, the CPE Working Committee has approved 374 CPE courses offered by 67 CPE providers, covering a wide range of topics relevant for the CPE. For more information of the approved courses, please look for "Forthcoming Courses" on the CPE page on the SC website (www.sc.com.my).

E) CPE POINT SYSTEM FOR APPROVED COURSES

Industry Feedback/Proposal:

- i) Allow CPE points to be carried forward to the following year if the licensed representative has accumulated more than 20 CPE points required for that year.**

SC Response:

The SC maintains that no CPE points be carried over to the following year for renewal purposes. The SC is of the view that what was learnt under the courses in one particular year may no longer be relevant the subsequent year.

Industry Feedback/Proposal:

- ii) Introduce a broader CPE points system which would allow CPE points for courses shorter than half-day. Also, highly specialized/technical courses should be granted more CPE points.**

SC Response:

The SC would like to maintain the present CPE point system for CPE Phase 2. However, the system is not cast in stone and could be reviewed at a later, more appropriate time.

ACKNOWLEDGEMENT

The SC would like to thank all those who have taken time to comment on the consultation paper.

FURTHER COMMENTS

The SC welcomes any comments and feedback on this response paper in ensuring the effectiveness of the CPE programme to all licensed representatives in the Malaysian capital market.

Please send comments and enquiries on this response paper in writing to:

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