

**CONTINUING PROFESSIONAL EDUCATION (CPE):
PHASE 2 IMPLEMENTATION**

*“ It is the duty of capital market practitioners to continuously maintain
and improve their professional competence ”*

**ISSUED FOR COMMENT BY THE
SECURITIES INDUSTRY DEVELOPMENT CENTRE**

RESPONSE DUE DATE: MAY 8, 2002

The Securities Industry Development Centre (SIDC) invites industry associations and interested parties to provide comments and feedback on the Consultation Paper on Continuing Professional Education (CPE): Phase 2 Implementation.

All comments are to be submitted **in writing** to the SIDC on or before **8 May 2002**, and addressed to:

Training and Education, SIDC
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1 Purpose and Scope

- 1.1 The purpose of this paper is to seek industry comments and feedback on the proposed framework for CPE Phase 2 implementation in relation to:
- Target groups
 - Mandatory CPE requirement for licence renewal
 - Curriculum
 - Mode of delivery
 - Course fees and pricing
 - CPE point system for CPE-approved courses
 - CPE infrastructure

2 Introduction

- 2.1 Recognising the importance for licensed representatives to keep abreast with the latest developments in the securities and futures industry, the Securities Commission launched the Continuing Professional Education (CPE) programme for the Malaysian capital market on **18 January 2001**. The CPE programme is being implemented and managed by the Securities Industry Development Centre, the training arm of the SC.
- 2.2 The CPE is conceived as a career-long competency education programme designed to inform, update and enhance the knowledge and skills of market professionals, and is made mandatory for all licensed representatives of the Malaysian capital market.
- 2.3 Attendance of CPE-approved courses has been made a condition for licence renewal and licensed representatives must participate in the programme and collect the required number of CPE points if they wish to renew their licences.
- 2.4 In view of the sizeable number of licensed representatives in the Malaysian capital market, implementation of the CPE programme is implemented in two phases. Phase 1 launched in January 2001 covers all dealer's representatives while all other categories of licensed representatives will be covered in Phase 2.
- 2.5 For dealer's representatives, the mandatory CPE compliance for licence renewal will take effect **from July 2002**. This means that an annual accumulation of 20 CPE points will be one of the requirement for licence renewal. The effective date for other categories of licensed representatives will be made later.

3 Objectives of CPE

- 3.1 The CPE is aimed at enhancing the professional competence of all licensed representatives. Over the longer term, the programme should create a culture of continuous education and improvement among licensed representatives in the capital market as part and parcel of their skills and knowledge upgrading so as to better serve their clients. Through a systematic enhancement and broadening of knowledge and skills of licensed representatives, investors can expect their representatives to carry out their duties competently and professionally and continues to meet the SC's standard of "fitness and properness".
- 3.2 It should be pointed out however, that the CPE programme is not a guarantee of high standards of services given differing learning curves, aptitude and commitment among licensed representatives. Even so, the SC is of the view that without a culture of continuous improvement with respect to regulatory and technical knowledge, a licensed representative cannot expect to continue to earn the trust and confidence of their clients.
- 3.3 The introduction of the CPE for licensed representatives is also in line with Recommendation 145 of the Capital Market Masterplan aimed at developing a culture of continuous learning and skill enhancement among market professionals. Ultimately, the CPE will act as a professional competency model, aimed at benchmarking the development of licensed representatives, on the level of technical knowledge and professional skills expected throughout the cycle of the profession.

4 Proposed Framework for CPE Phase 2

4.1 Target Groups

- a. Phase 2 of the CPE will involve:
- Fund manager's representatives
 - Futures broker's representatives
 - Investment representatives
 - Futures fund manager's representatives
 - Futures trading adviser's representatives

4.2 Mandatory CPE Requirement for Licence Renewal

- a. An **annual accumulation of 20 CPE points** has been proposed as the requirement for the purpose of licence renewal.
- b. As with Phase 1 of the CPE, the CPE Phase 2 **will be effected through the SC's licensing mechanism**. This means that the licensed representatives must collect

the requisite 20 CPE points a year, accumulated from attending CPE-approved courses in order to have their licenses renewed.

4.3 Curriculum and the Structure

- a. The CPE curriculum is broadly categorized into two categories, namely **market regulation** and **market development**. This is because the Commission is of the view that licensed representatives must have the knowledge and understanding of the products they deal in or advise upon and the markets in which they provide these services. They should also understand the rules and regulation governing their activities and ethical standards expected of them so as to maintain investor confidence in the profession and integrity of the market.
- b. More specifically, the curriculum will encompass pertinent areas relevant for licensed representatives in the Malaysian capital market, among others include:

Market Regulation

- Regulatory developments
- Rules, regulations and guidelines
- Codes
- Corporate governance
- Compliance
- Best sales practices
- Offences

Market Development

- Equities market (instruments, trading, valuation techniques)
- Derivatives market (instruments, trading, pricing)
- Bond market (bond fundamentals, trading, valuation and pricing)
- Investment advisory, analysis and strategies
- Securities analysis and investment management
- Portfolio management and asset valuation
- Corporate finance
- Risk management
- Financial planning
- International capital markets
- Alternatives investments such as hedge funds, exchange-traded funds
- Venture capital

- c. Looking ahead, the Commission's view is that **specific CPE requirements based on licence type could be imposed in ensuring licensed representatives remain competent in carrying out those activities for which they have been licensed**. For example, a futures broker's representatives could be required to collect at least 10 CPE points from courses related to futures trading advisory.

4.4 Mode of Delivery

- a. Participants can take a combination of instructor-led and self-learning via the use of computer-based training, online learning and CD-ROMs.
- b. Notwithstanding the mode of delivery for CPE courses, all courses offered must first be CPE-approved and clearly indicate endorsement by the CPE Working Committee as well as the approved number of CPE points for participation.

4.5 Course Fees and Pricing

- a. Pricing and fees will not be determined by the SC but every effort will be made to ensure fees are reasonable and, more importantly, commensurate with the depth and quality of the courses offered.

4.6 CPE Point System for Approved Courses

- a. A simple CPE point system will be used, in which half-day courses will obtain 5 CPE points while a one or more days courses gain 10 CPE points.
- b. The criteria for approval of CPE courses will also apply for approval of courses relevant for Phase 2.

4.7 CPE Accreditation

- a. The *Guidelines for CPE Accreditation* approved by the CPE Working Committee in February 2002 applies for licensed representatives who serve in approved industry-related associations and committees or speakers/trainers of CPE-approved courses. This is in recognition of their service and contribution for the development of the capital market industry.

4.8 CPE Infrastructure

- a. The CPE Tracker database will be expanded to ensure CPE participations of all licensed representatives are properly captured and monitored via proper reporting systems.
- b. To ensure effective monitoring of Phase 2 implementation of the CPE, the relevant licensed companies (fund management companies, futures broking companies or investment companies) will be made responsible for the verification of CPE points obtained by the respective licensed representatives. Hence, the relevant companies will need to ensure minimum requirement is obtained, as they will be **required to**

issue a letter confirming the licensed representatives compliance to the SC's Licensing department.

- c. Licensed representatives, upon accumulating the required number of CPE points, need to get attestation letters from their respective companies supporting their application for licence renewal. These together with the CPE dockets are to be submitted to the SC's Licensing department for application of licence renewal.

5 Proposed Implementation for CPE Phase 2

5.1 Time Frame and Initial Grace Period

- a. It is proposed that an announcement on the Phase 2 implementation of the CPE be made in **early 2003**. To ensure that there is sufficient time for CPE points to be collected, the announcement would also state that mandatory CPE requirement for licensing purpose will **take effect for licence renewal 6 months after the launch date**.