

S P E E C H E S

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CHAIRMAN, SECURITIES COMMISSION OF MALAYSIA
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Yang Amat Berhormat Dato' Seri Anwar Ibrahim, Timbalan Perdana Menteri merangkap Menteri Kewangan Malaysia

Yang Berusaha Encik Abdul Azim Mohd Zabidi Presiden, Federation of Malaysian Unit Trust Managers

Tuan-tuan dan puan-puan yang dihormati sekalian

Assalamualaikum wr. wb. dan salam sejahtera.

1. Terlebih dahulu, izinkan saya mengucapkan tahniah dan terima kasih kepada Federation of Malaysian Unit Trust Managers (FMUTM) atas kesungguhan dan inisiatif mereka di dalam menganjur persidangan ini. Sesungguhnya, persidangan ini amat penting dan bertepatan waktu, bukan hanya dari segi mempertingkatkan kesedaran am tentang pelaburan dan amanah saham, bahkan juga untuk menerangkan dengan lebih lanjut tentang selok belok amanah saham bagi para pelabur yang sedia ada.

Tuan-tuan dan puan-puan,

2. As at 31st March 1998, the unit trust industry was valued at RM43 billion, accounting for 9.5% of the Kuala Lumpur Stock Exchange's market capitalisation. 31 management companies were in operation, with a total of 85 funds under management and 6 more funds approved but not yet launched. And, despite perhaps the most trying of times, the industry (in terms of units in circulation) has continued to grow - albeit less rapidly. As at the end of March 1998, 47.3 billion units were in issue, up 4.4% from the end of 1997 and 21.3% from the end of 1996. Notwithstanding the growth however, the industry still has a lot more promise, if indications and the experience in more developed markets are anything to go by.
3. Right from its formation in 1993, the Securities Commission has been deeply committed to the unit trust industry within the larger fund management sector of the capital market. This has certainly not been coincidental but very deliberate - the development of unit trust funds would bring about greater institutionalisation of the domestic market, and also contribute to the efficiency, stability, breadth and depth of the Malaysian securities market. Unit trusts, combined with other local funds, would provide liquidity to the market, cushion the impact of sudden flows of funds, and

S P E E C H E S

efficiently mobilise savings to fund corporate expansion and fuel economic growth.

4. To promote the orderly and rapid development of the unit trust industry, numerous measures have been implemented by the Government and by the Securities Commission. The main legal provision for the unit trust industry, the Securities Commission (Unit Trust Scheme) Regulations 1996, was enacted in August 1996 to give the Commission powers over unit trust prospectuses and trust deeds. Meanwhile, the unit trust guidelines were reviewed twice in the space of 4 years, while property trust guidelines were reconsidered once with another revision in the offing. The wholesale review of the unit trust guidelines last year not only comprised liberalisations in terms of investments and administrative matters, but also very importantly looked at investor interest in terms of disclosure of information. The guidelines are now clear on the content of prospectuses and reports to unitholders, whilst regulating the use of promotional materials and requiring certain disclosures to be made (e.g. the requirement for net asset values of a unit to be reported in national newspapers). In addition, the Securities Commission has promulgated the Guidelines on Marketing and Distribution of Unit Trusts to regulate unit trust agents and salespeople. The said marketing guidelines set down many standards - that agents and salespeople should be properly qualified, that they should be registered with the FMUTM to enhance accountability and responsibility, and that they should adhere to certain minimum prescribed codes of conduct. Together with regulations that require any offer for sale of unit trusts to be accompanied by a prospectus, the regulatory provisions seek to protect investors by providing them with certain minimum information and adequate warning of risks so as to enable them to make informed investment decisions.

5. I would like to take this opportunity to highlight two matters. Firstly, I would like to strongly remind unit trust participants, particularly management companies, to have proper standards, practices and codes of conduct firmly in place. Such standards and practices should go beyond regulatory requirements to both promote and maintain unitholders' interests and to safeguard the reputation of the management company and, indeed, of the entire industry. Furthermore, such standards and practices should be sufficiently detailed and scrupulously observed. For example, as I have mentioned before, the investment management of a unit trust fund should be clearly based on proper and formalised policies and procedures so as to leave little room for doubt on what are the standards and practices. Those management companies with poor research capabilities will feel the heat now as their weak investment portfolios come under closer scrutiny in view of the current market conditions, as compared with those managers who had relied upon fundamental research and more more measured portfolio selection. Now more than ever, we are able to distinguish between the good fund managers and the bad, whereas during easier times everyone looked good.

S P E E C H E S

6. The second issue I wish to touch upon is the advent of disclosure-based regulation, a regulatory move that will pose numerous opportunities and challenges to players and participants in the Malaysian capital market, including the unit trust industry. Everyone - unit trust management companies, investors and agents alike - must move with this regulatory tide of disclosure. Management companies must come to terms with their duty to disclose all information fully and in a timely manner in the prospectus, annual and interim reports and other documents of a unit trust fund. Investors, on the other hand, must quickly realise that with greater freedom to choose as a result of disclosure-based regulation, there is greater responsibility for them to pick the right and individually most appropriate investment. Indeed, this duty of an investor to make an informed decision is crucial and cannot be overstated.
7. Unit trust marketing people and agents must be forthright and honest in the provision of accurate and appropriate information to investors. Sales agents, for example, should move forward to become "investment planners" - such planners should carefully examine and identify the objectives of an investor and provide him with the necessary information to make the right decision. Salespeople and agents must therefore equip themselves with the right training. The pre-registration examinations required under the Guidelines on Marketing and Distribution of Unit Trusts (which will soon begin to be conducted by the FMUTM) should be complemented by other continuing education programmes. In addition, as the current economic situation has demonstrated, salespeople and agents must provide continuous services to their investors (such as prompt response to queries) as opposed to leaving investors high and dry after the sale is made (in this case, perhaps management companies should also provide well-advertised toll-free numbers to investors having questions about their investments). In short, salespeople and agents must act with the highest degree of ethical and professional standards. The use of unauthorised promotional materials or the breach of other provisions of the code of ethics and standards of professional conduct, will not only attract punishment from the FMUTM and/or the Securities Commission, but would also result in the displeasure and anger of investors, the life support of the unit trust industry.
8. In closing, allow me to say that it is indeed a pleasure for me to be here this afternoon. I hope this marks the start of even greater collaboration between the industry and the Securities Commission, particularly in terms of investor awareness and the soon-to-come unit trust promotional campaign.

Thank you and wassalamualaikum wr. wb.