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4E Journal

Education | Examination | Experience | Ethics

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STAYING ONE STEP AHEAD

CAN WE TRUST THE FAMILY TRUST?

INDUSTRY VIEWS: THE SINGLE LICENSING REGIME

PIAM DRIVES AFFORDABLE AND ACCESSIBLE FLOOD COVER

CRYPTO: A 'CONTAGIOUS DISEASE' OR THE 'MOST USEFUL SYSTEM OF TRUST EVER DEVISED'?

BE WARNED OF UNLICENSED INVESTMENT ADVICE ACTIVITIES

4EJournal

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JANUARY – MARCH 2022

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Dear Members,

Advocating for environmental, social and governance (ESG) initiatives is becoming a key resolutions for industries across the board. This applies even to smaller firms which are still in their infancy when it comes to implementation while the larger ones are catching up fast. Although economists feel that ESG still has a long way to go, growing sustainably and responsibly is nonetheless vital as the country's economy recuperates from the pandemic.

However, with declining birth rates, debt-burdened millennials and a rapidly ageing population, there are some inevitabilities that will have profound implications on the asset management industry going forward. Especially now that Malaysia is already an ageing nation by the World Bank's standards, with 7.4% of its population being 65 years old and above; the fund industry has its work cut out for them to cater to incredibly different generations.

The younger generation of investors, especially Gen Z and millennials, are more tech-savvy than previous generations when it comes to investing. They are beginning to demand innovative investment solutions that offer more convenience, greater transparency and lower costs. However, they still lack knowledge and confidence when it comes to investing. Thus, financial education is pertinent to help millennials understand the benefits of starting to invest at a young age.

With digitalisation aside, firms are embedding sustainable investment values that are increasingly ingrained in the psyche of younger investors. Especially with the after-effect of the pandemic, which has led to more conscientious investors. The emphasis on ESG is much more pronounced now with investors baulking whenever a company is found to be guilty of bad practices. With instantly accessible information available at our fingertips and social problems abound, this will continue to drive interest in sustainable investing.

With the second quarter fast approaching and our country's start of its transition to endemicity, there are more activities lined up and organised by the Management Office together with the Board of Governance. We look forward to network with each member to have a better understanding on how we can assist them better in the future.

Stay Safe and Be Well.

PAUL LOW HONG CEONG *CFP CERT TM, IFP®*
President

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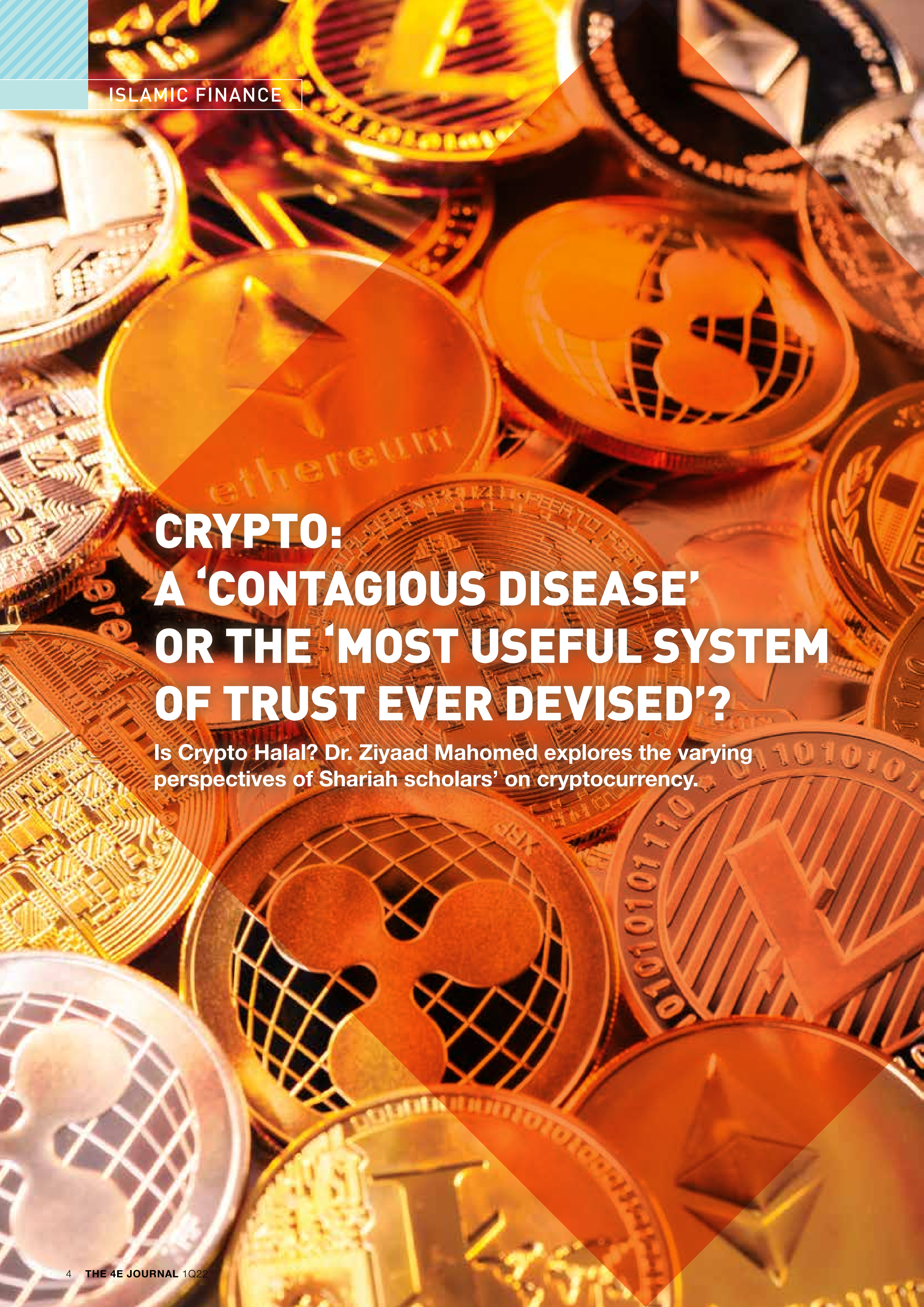


CRYPTO: A 'CONTAGIOUS DISEASE' OR THE 'MOST USEFUL SYSTEM OF TRUST EVER DEVISED'?

Is Crypto Halal? Dr. Ziyaad Mahomed explores the varying perspectives of Shariah scholars' on cryptocurrency.

Over the last century, few assets can claim a meteoric rise as cryptocurrency ('crypto') has. Crypto has taken several forms, with rapid innovation and uniquely linked value propositions, which include:

a) CBDCs (Central Bank Digital Currencies that are digital versions of local currency);
b) Stablecoins (that may be fiat-backed, commodity-backed or algorithm-based),
c) the more well-known Exchange Coins (e.g. Bitcoin, Ethereum and Cardano), and
d) tokens (security tokens that provide rights, utility tokens that can be redeemed for access to products and services and social impact tokens that provide sustainable or social impact).

Crypto is not for the faint-hearted. If we believe Thiel, the co-founder of PayPal, "Bitcoin has the potential to do something like change the world". But you've got to wonder, is it for the better?

Except for CBDCs, other cryptocurrencies have had limited applicability or validity as mediums of exchange. They are in fact digital assets based on a version of blockchain protocol, pioneered by Nakamoto in 2009 and offered first through Bitcoin, the 'father' of cryptos.

"There are 3 eras of currency: commodity-based, politically-based and now math-based," claims Chris Dixon, the co-founder of SiteAdvisor on crypto. Math-based cryptocurrency is hailed by its supporters with the ability to move the power of creating money back to the populace, decentralising money with little to no central bank intervention, disrupting superpower currency hegemony and providing a medium for transferring assets across borders safe from prying eyes.

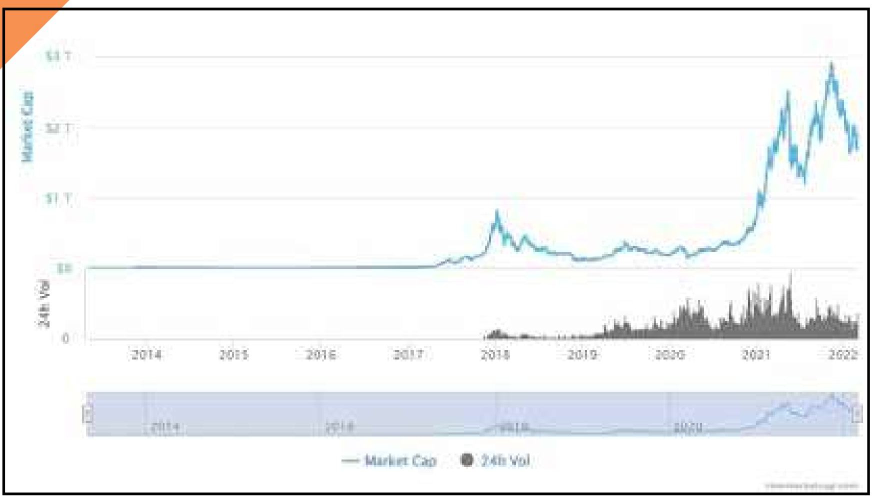
However, from hopes of a free and fair medium of exchange, investors have really made their fortunes on crypto trading. Countless investors have regretted missing the upside of new, strange and complex financial assets, often promising surreptitiously to catch the next wave. Nassim Taleb (author of 'The Black Swan') calls it "maximal fragility" and a "contagious disease" but other blockchain developers like Arif Naseem believe it is the "most useful system of trust ever devised".

Crypto market capitalisation remained subdued until late 2017 when the total value reached almost US$1 trillion before retreating until late 2020, when funds poured in from 'whales' (very large investors, often manipulating the market) and public firms like MicroStrategy (the company reported that it held 124,391 bitcoins at a total acquisition cost of US$3.752 billion as of end of 2021), Square, Tesla and even Morgan Stanley.

Nassim Taleb has famously stated that "almost nothing in financial history has been more fragile than Bitcoin". For short-term investors, crypto is notoriously volatile, swinging like a palm tree in a hurricane, sharing its fruit with just a few fortunate individuals who manage to climb the tree, grab the coconut and get off just in time. For most investors unable to time the swings, they thrive on hope (or pure chance) that they will profit from the next wild swing, often exposing more of their hard-earned cash.

For example, a typical volatility calculation based on the variance of price over time indicates that the largest crypto, Bitcoin, had an average 30-day volatility of 4.56% in 2021 and 5.17% in 2020. Comparatively, gold had a volatility of just 1.2% and major currencies range between 0.5 and 1% in the same period. Daily volatility of Bitcoin is even worse, and can range from 10% to 120%, with no real floor or ceiling. Instant millionaires in the cryptoverse are common, giving opportunities to the tech savvy to gain windfalls if like-minded individuals invest at the same time. Over 100,000 Bitcoin addresses had over US$1 million in February 2021, reducing by 30,000 in one fell swoop, exactly a year later.

Figure 1: Total Crypto Market Capitalisation from 01 April 2013 to 01 March 2022



Source: Coinmarketcap.com

IS CRYPTO HALAL?

It depends on who you ask. The International Islamic Fiqh Academy reviewed electronic currencies and recommended (Resolution No 237 (8/24)) in November 2019 that more research is required in defining if cryptocurrency is a product, a benefit, an investment asset, digital asset, or if it has real value and if it is tradable.

Based on research and *ijtihad* (legal reasoning), Islamic jurists have provided differing opinions on the permissibility of trading or storing crypto, ranging from permissibility to caution and outright prohibition.

Muslims are generally concerned about the Shariah compliance of their financing and investment. Such sentiment has been a primary driver of the global US$2.5 trillion Islamic finance sector. Islamic jurists assess crypto using several screening criteria, beginning with *riba* (interest), uncertainty, gambling and testing the legitimacy of the underlying assets. They also evaluate if crypto classifies as *maal mutaqawwam* (valuable wealth in Islam), achieves the broader objectives of protecting wealth, ensures circulation and is earned or used responsibly. Scholarly opinions must be objective, based on fact and inference derived off historical data where possible, to determined the impact on public good (maslahah mursalah). Since the crypto sector is rapidly evolving, so too will Shariah opinion.

For instance, an early *fatwa* (Islamic verdict) from a distinguished seminary in India had ruled prohibition but based their assessment on a single crypto that was classified as a Ponzi scheme.

Other opinions have been based solely on Bitcoin (see opinions of Karan, Al-Hakeem, Allam, and Diyanet amongst others in Mahomed & Mohamed, 2017) whilst others have given opinions based on their categorisation of cryptos into exchange, security, stable and utility tokens. For those that allow crypto, they base their opinion on the underlying rule of permissibility, *istilah* (social concurrence) or *ta'amul* (common usage) and mutual consent in trading assets that are not explicitly prohibited.

The scholars that declare prohibition argue that cryptocurrency is not a legal tender, that validation is based on gambling and that crypto easily facilitates unlawful activity due to its characteristic anonymity. In fact, the Grand Mufti of Egypt, Shaikh Shawki Allam stated that crypto was susceptible to "fraud, ignorance and cheating", and "Bitcoin is forbidden in the Shariah law as it causes harm to individuals, groups and institutions" (Al Ahram).

More recently, the Indonesian Ulema Council (MUI) issued a verdict declaring cryptocurrencies as unlawful, whether as currency or digital assets for trading. This is due to their excessively speculative nature which do not meet the Shariah requirements of a tradable asset (*sil'ah*). However, they allow cryptos to be traded that can qualify as commodities (*sil'ah*) with underlying assets and have identifiable benefits.

But if crypto is dealt with as digital assets rather than currency, then a legal tender is no longer an argument. And since the validation of crypto transactions requires proof of work, proof of stake or more complex

With over 16,000 different types of cryptocurrencies available by February 2022, the diversity of crypto's underlying structures makes blanket opinions of permissibility or prohibition questionable.

technology requiring skills and processing power, earning through mining is not based on chance but effort. As for illegal trades, regulators have clamped down on completely anonymous trades, restraining illicit activities through crypto.

The biggest contention, however, is its volatility. Most crypto trades are purely speculative, creating little to no real economic value. However, the *thamaniyya* (monetary value) remains intact even if crypto may not create real market value.

Shariah scholars strive to guide concerned investors in making sense of a complex sector. However, the fluidity of the cryptoverse may require a more nuanced and intensive examination. With over 16,000 different types of cryptocurrencies available by February 2022, and possibly many more by the time you read this, the diversity of crypto's underlying structures makes blanket opinions of permissibility or prohibition questionable. Besides structures, investors must also consider yield farming, staking and liquidity mining, using their crypto to earn rewards from locking them in or committing them to a crypto pool. Also, crypto is the de facto currency for virtual gaming players and metaverse avatars, strengthening its use case argument.

Fatwa/Opinion Issued by	Verdict	Reasons for Verdict
Taha Karaan [Mufti] [South Africa] Darul Iftaa, DUZ [South Africa] Monzer Kahf [Professor] Siraj Desai *[Mufti]* [South Africa]	Permissible [Mubah]	Based on *istilah* [social concurrence] and *ta'amul* [common usage] that it is *maal*, allowing owning, trading, etc. However, not necessarily currency.
Darul Ihsan [South Africa]	Abstain until further clarification acquired [Mamnoo']	May be linked to a pyramid scheme; Even if determined as currency, should not be a means of one's livelihood as jurists allow trade of currency as necessity only.
A S Abu Ghuddah [Shaikh] [Syria]	Abstain/impermissible [Mamnoo'] but not outright prohibition	Excessive uncertainty [gharar]; Security risk [khatar]; It is unlike currency which is regulated, legal tender.
Diyanet [Turkey]	Un-Islamic at this time [Mamnoo']	Excessive gharar; Can easily be used in illegal activity.
Majlis al Ulama [South Africa] Wifaqul Ulama [UK] [8 Scholars of the United Kingdom] Haitham al Haddad [Shaikh][UK] Darul Iftaa, Deoband [India] Shawki Allam [Mufti] [Egypt] Magdy Ashour [Egypt] Assim al Hakeem [Saudi Arabia]	Prohibited [Haram/Tahreem]	Not currency since it is not legal tender; Current decentralized validation [mining] based on gambling [Wifaqul]; Highly unstable, making it too risky; Trading digital currency is like trading trades [Deoband]; Funds terrorists [Ashour].

Summary of Shariah verdicts by end January 2018

The table is extracted from CIAWM Bulletin, 3 (2017), *Crypto mania: the Shariah verdict*, by Mahomed, Ziyaad and Ramadili Mohd, Shamsher Mohamad.

HOW SHOULD INVESTORS SEARCHING FOR SHARIAH COMPLIANCE NAVIGATE THROUGH THE CRYPTO MINEFIELD?

This is not an easy task. Financial planners and investors alike are constantly in search of diversification to ensure that portfolios are balanced and stable through rough times. The market has barely emerged from the economic turmoil caused by Covid-19 and has been cast headlong into instability due to the war in Ukraine. Crypto, like the equity market, struggled to maintain composure and declined almost 50% from its highs a few months before, defeating any image of a safe-haven asset or digital gold.

It seems crypto is extremely sensitive to market movements and being able to trade on 24-hour platforms means that global news from unlimited avenues is rapidly integrated in its pricing. Sudden regulatory restrictions in India caused a major decline, only to be propped up with a statement from Elon Musk on Tesla's foray into Bitcoin, before dropping again due to inflation concerns in the United States. Market manipulators are probably the biggest winners where 'pump and dump' schemes, PR gimmicks, security risks and popular sentiment have all created a see-saw in crypto pricing.

For value investors in for the long-term, projects that offer use cases with proven track records have been the focus, only represented by cryptos as a channel of investment and not the reason for investment themselves. These projects are based on blockchains that are scalable and facilitate fast transactions and can be integrated into company processes using smart contracts. A prudent approach would be to do your research and work with experienced experts in screening crypto for Shariah compliance before exposing your hard-earned wealth. There may be much to gain for the savvy investor willing to do the research and understand the major variables that impact crypto pricing.

Crypto is not for the faint-hearted. If we believe Thiel, the co-founder of PayPal, "Bitcoin has the potential to do something like change the world". But you've got to wonder, is it for the better?

ABOUT THE AUTHOR:

Asst. Prof. Dr. Ziyaad Mahomed is an Associate Dean/Director for INCEIF's Executive Education & E-Learning. He is also the Chairman of the Shariah Board of HSBC Amanah Malaysia and serves on a number of Shariah boards internationally. He is a multi-award-winning Scholar with almost 20 years of global experience as an executive, consultant and Islamic Scholar in Islamic finance and capital markets.

Footnote: Blockchain is a shared ledger that allows for the recording of data, transactions, assets and financial rights that are stored on blocks which are apparently secure from alteration due to its encryption.

INDUSTRY VIEWS: THE SINGLE LICENSING REGIME

FPAM supports the regulation of the protection and capital market into an integrated licensing framework which will guide the industry forward. A roundtable discussion was held recently with its industry members to deliberate on a wish list for the new guidelines.

Desired outcomes and targets for 2026

Three broad themes

Finance for all
- Diverse choices for customers, including 'digital first' solutions
- Strengthened financial safety nets
- Confident and capable financial consumers

Finance for transformation
- Growth in alternative finance
- Deeper global integration, with continued leadership as an international gateway for Islamic finance
- Vibrant and dynamic financial landscape

Finance for sustainability
- Wider adoption of value-based intermediation (VBI) to serve the economy, community and environment
- Steady progress in greening finance and financing green

Key targets and milestones[1]

- Narrowing of gap between Malaysia's **OECD/INFE[2] financial literacy scores** and the average score of OECD members
- Increase in **e-payment per capita** at CAGR[3] of higher than 15%
- **Insurance/takaful penetration** rate of 4.8-5.0% (as % of GDP[4])
- Doubling of number of individuals subscribed to **microinsurance/microtakaful**
- Enactment of **consumer credit law and oversight body**
- Single **licensing regime** for financial advisors and financial planners
- Steady growth in **alternative finance** channelled to new, innovative enterprises
- Faster, cheaper, more accessible **cross-border payments**
- More than 50% of new financing is for **green and transitioning activities**
- Steady growth in **VBI-aligned assets**

1 Selected areas, not representative of the Blueprint as a whole
2 OECD International Network on Financial Education
3 Compounded annual growth rate
4 Gross domestic product

Source: Bank Negara Malaysia: Financial Sector Blueprint 2022-2026

Growing an industry and expanding the professions within it will undoubtedly encounter growing pains. With every intention to advance, the financial planning and advisory industry is set to attract more talent to thrive and progress as well as educating the public with this service. Nonetheless, the industry must untangle the web of confusion – firstly within the industry itself, mired in multiple certification and licensing requirements and having to comply with more than one regulator. Secondly, to the public and prospective clients, the role of a financial planner is also not entirely straightforward and understood due to the interchangeable use of titles of a financial advisor and financial planner.

For the industry practitioners, protection products and advisory services are regulated by Bank Negara Malaysia (BNM), while capital market products and financial planning services fall under the Securities Commission of Malaysia (SC)'s purview. Thus, most of the financial planners would need to maintain both licenses from respective regulators to offer a full range of advisory and planning services to their customers.

Recognising that financial advisors (FAs) and financial planners (FPs) play an important role in providing quality financial and investment advice to facilitate informed decisions by consumers, the government strives to further "elevate the professionalism and integrity of intermediaries in dispensing their roles to better support informed financial decisions by consumers.

With that, the two regulators – BNM and the SC have since begun talks to address these matters. Last September, they announced a joint review towards consolidating the licensing regime between FPs and FAs. This is in line with the objective of the Financial Blueprint 2022-2026, which is to strengthen professional standards, incentive frameworks and disclosure practices in the financial industry.

In addition to disentangling the regulation requirements with the aim of helping the industry advance and grow, a single licensing framework would be an easier entry barrier for individuals looking to become financial planners. This, however, is not a one-size fits all solution. Financial planning and financial advising, and the clients who engage in this service would need to be on the same page in order to meet the right expectations for all parties involved.

Although the notion of having one entity to regulate the financial planning and advisory is simple, there are many nuances and details within the practice of financial planning that need to be differentiated within it.

FPAM welcomes the move to consolidate the regulation for financial advisors and financial planners and look forward to engaging with regulators in planning for this single license regime.

In March 2022, FPAM held a virtual roundtable discussion with Licensed Financial Planners, Rajen Devadason (RD WealthCreation Sdn Bhd), Idham Idris (Wealth Vantage Advisory Sdn Bhd), Lim Hooi Hooi (Coreplus Advisory Sdn Bhd), Kevin Neoh (VKA Wealth Planners Sdn Bhd) and Gunaseelan Kannan (Blueprint Planning Sdn Bhd). Moderated by Linnet Lee, CEO of FPAM, with Board members, Alvin Tan (UOB Kay Hian Wealth Advisors Sdn Bhd) and Demi Chan (iFast Capital Sdn Bhd). The practitioners shared their thoughts on what they would like to see in a single licensing framework.

THE IDENTITY OF A LICENSED FINANCIAL PLANNER

It begins with determining the identity of a Licensed Financial Planner (LFP). The common misconstrued understanding of a financial planner and financial advisor on one hand unfairly diminishes the all-inclusive work an FP does. This roundtable has solidified that most LFPs take the considerable effort to understand the context and nuance of a client's circumstance before modelling a plan for them.

While a title is just a title – it is what the title of a 'certified financial planner' signifies. This definition is imperative, as it dictates meeting the clients' expectations of what the financial planners will be able to deliver.

Rajen Devadason:

"When it comes to unifying the understanding of the public between advisors and planners, there is no doubt that people are very, very confused. Streamlining would be beneficial because it will help the members of the public."

"I do think that we need to figure out a way to protect our identities as financial planners. If they give us a new licensing regime and the license is titled 'financial advisor', I have no problems with that. But there needs to be something within that framework that says, 'I'm a financial planner, I specialise in putting together holistic financial plans.'"

Idham Idris:

"How do you differentiate yourself from someone who gives investment advice? Or product advice, whether it's insurance or investment? The biggest issue right now is anyone can say they provide advice which is what causes the confusion. What we do as financial planners, and the work that goes into the needs (of the client), with an analysis and providing a basis of recommendation – that is from a holistic financial planning point of view."

"If we give product advice, it must be in alignment with the financial plan. The advice we give clients in a holistic and comprehensive manner could sometimes be interrelated, and that zooms into more specific areas like Unit Trust investments or insurance. It's not as straightforward as one plan versus another plan, because it depends on other factors within the financial plan itself."

Kevin Neoh:

"It's important to maintain our identity as a financial planner, because what we do as planners is not something everyone does or knows how to do well. The first step is understanding the role we play as financial planners, as it is unique. As a financial planner, we don't talk about products first. We understand their circumstances starting with their income and net worth, their future potential income, determining their expectations and then we formulate a model or a plan. Based on that, we identify their weak spots then only (possibly, if the plan requires it) will we explore products. We can't treat everyone the same as a product advisor, then it'll be unfair to us who do an all-inclusive job."

Lim Hooi Hooi:

"What financial planners do is more than just advising on money matters to clients. We are also advising a life.

Linnet Lee
CEO of FPAM

Alvin Tan
Deputy President of FPAM

Gunaseelan Kannan

It's what looks different from product service or promotion and this process is very important."

Gunaseelan Kannan:

"I'm a financial planner first, before I would give any advice. That being said, we already have a lot of competition with unlicensed 'planners'."

"You cannot advise a client without a plan. Plan first, advice next. How do we determine the quality of the advice? If we need to educate the clients first, even before modelling a financial plan, there is no value for that price."

The LFPs unanimously agree that the role of a financial planner profession must be protected. "What differentiates professionals from the rest – well, it's an adherence to a code of conduct, and the ability to make money. If you can't have both then you don't have a profession. We've got a solid code of conduct," adds Rajen.

NOT A ONE-SIZE FITS ALL; MULTIPLE MODELS TO CO-EXIST

While the certification requirements to become a certified financial planner (CFP) has not changed, it is still a considerable amount of effort to become one – it requires time, money and commitment. A single licensing framework is intended to simplify entry requirements for those seeking a career in this industry. Nonetheless, not everyone has the aptitude to approach the career progression in one singular way.

For example, some may prefer to remain as a tied agent, deepening their knowledge for the products while being able to dispense some advice to how these products would meet the client's needs. Some may want to become an LFP with specialisation in a certain areas such as estate planning or retirement planning. If entry barriers into the industry are simplified, more advice would be made available to the public, but there also needs to be a safeguarding on the quality of advice given. Given these considerations, it is recognised that with a single-entry into the industry and a defined career path and specialisation would support the growth of the planning and advice space. Would the single-licensing framework consolidate all of these entry points into one?

As to whether there need to have a defined guideline on the firms' business structure, Alvin Tan, Deputy President of FPAM provides his views:

"We should allow different business models to co-exist in the marketplace. We can't just have one business model because we know that not many are ready to become full-fledged LFPs. Many will start off as agents and later come in with piecemeal advice. The whole industry should allow for different types of business models to come in. I think this will give a lot of vibrancy to the industry. Otherwise, if we are looking for a perfect solution, no one else will want to join us."

"For those looking to come in, we would need them to get certified whether it is through the CFP or IFP certifications. We encourage them to start with something they are comfortable with, such as starting with the protection or unit trust industry. If those are the areas they are familiar with, they can start with those products. If they were previously insurance agents, they only have one product to offer customers. Now as they expand, they will have more choices to offer clients. That's already a good start, as they will slowly build their confidence and will want to move onto something like, investments. Perhaps at a later stage they can progress towards offering holistic plans and services, but we cannot expect them to become financial planners immediately. That is not realistic."

"We always talk about a one-person, one-firm representation. Let's say they come into the industry as an insurance agent and want to remain an agent, but do not want to become a LFP. They want to expand into becoming an investment advisor. Are we able to allow them to practice within this model?"

A TIERED STRUCTURE

The diversity of financial product offerings is expected as no one client is the same and each client would have different objectives, goals and needs. The concept of product promotion is not at all wrong, but it may pose a conflict against holistic planning for an all-inclusive financial plan. Sometimes, a financial plan may not include any products at that point in time, but the client still has nonetheless sought out valuable information and advice from the FP. It would be a conflict of interest to push products if that is not the right advice given to the client at the time.

To be inclusive to those who are not financial planners but would like to work their way towards becoming one, they could all be grouped under the single licensing framework, but have an extension of service in accordance to acquired competency and certification(s) stipulated by regulators. This also brings the added point of giving FPs an edge and for the public to understand why it would justify their consultation fees.

As Rajen puts it succinctly: "The need for regulation, as well as the inclusivity of all the professions involved, would need to exist on a tiered structure – something that resembles the 'rungs on a ladder.'"

Rajen Devadason:

"At the end of the day, people need to make a living. And we want to disseminate decent advice to as many people as possible; streamlining the license is to facilitate that. What might help could be a 'super license' where additional qualifications can be collected under the license, on top of the base single licensing framework. For anyone looking to join the industry, the real issue is – can they make money? We want to create rungs on the ladder for career advancement."

FINANCIAL PLANNING PROCESS

The Financial Planning Process is a collaborative, iterative approach that financial planning professionals use to consider all aspects of a client's financial situation when formulating financial planning strategies and making recommendations.

Source: Financial Planning Standards Board

Financial Planning & Advisory Professionals

TYPES OF FINANCIAL PROFESSIONALS	ROLE	REGULATED BY	REPRESENTS
Financial Planning Companies & Licensed Financial Planners (LFPs)	• LFPs coach & guide you on your financial goals an draw up a detailed financial plan. • A detailed financial plan provides you with direction on each area of your personal financial plan with appropriate solutions suitable to your needs. • LFPs will review your financial plan from time to time to ensure you're still on track to attain your financial goals.	Financial planning companies & their LFPs are licensed by Securities Commission (SC)	Consumers
Financial Advisers (FAs) & Financial Adviser's Representatives (FARs)	• FAs provide financial advisory services on insurance products & other services related to financial advisory business based on your financial needs & circumstances. • FAs are independent & are able to advise you on a wide range of insurance products and/or takaful plans from various insurance companies/takaful operators to best suit your needs.	FAs are companies approved by BNM to provide financial advisory services whilst FARs are their appointed representatives	Consumers

Idham Idris:

"We would like for those joining us to be able to progress in terms of their career. Whether they would like to start with becoming a FP first or otherwise. Now, even fresh graduates can come out fully certified because of certain courses offered at university. But the experience is not yet there. For them to begin earning money, they may start under a lower-tier license, where they can pick and choose the type of service they can provide, and then have a clear progression path to the ultimate Financial Planner license. This progression path right now is not clearly defined and steps over numerous regulatory bodies and organisations."

FINAL THOUGHTS

Demi Chan, FPAM Vice President and industry representative shares: "From the regulator's objective, to combine the licenses from BNM and SC will streamline a lot of things like the costs of running a business and compliance efforts and reporting, etc. I think it will not affect the professionalism of CFPs. Ultimately, you need to be a CFP to be an independent financial planner which will benefit the industry itself."

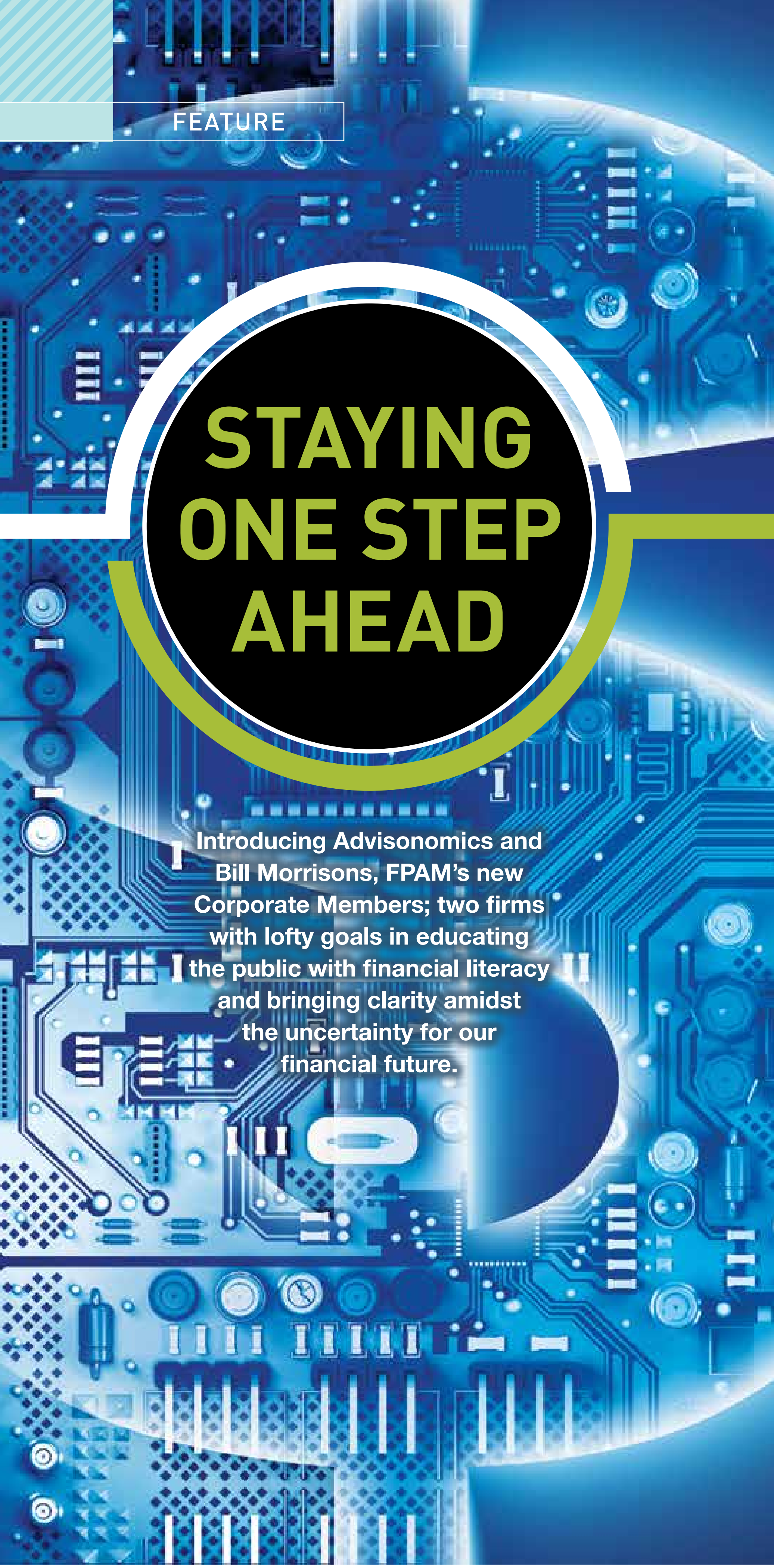
Kevin Neoh:

"Lowering the entry barrier into the industry comes at a cost. Since 2015, we have had more new advisors, but where can we regulate their experience and quality? We cannot because it is just different. Some may not have completed their modules but are claiming that they can offer the same advice as the rest of us who are fully certified do."

"The single licensing may make it really easy for anyone who would want to become a FA. But they should reserve a part for those who really want to be a FP. They can all be under the same regulatory licensing body but should be clearly restricted to only selling products, not give advice. Perhaps prospective financial planners would need to submit a real financial plan to be recognised as an LFP, which would be a fair filter for us all."

Wrapping up the discussion, Linnet distils the focus group discussion into three salient points that the group would like the new single licensing framework to include:

1. To protect the FP profession and its identity, distinguishing its difference from FAs and tied-agents,
2. To embed a tiered system like 'rungs on a ladder' within the single licensing framework to be inclusive for those who would like to join the industry at different levels, and;
3. To allow financial planning firms to structure their own businesses (including their employees and their trajectory) as they deem fit as long as their respective structures meet the basic requirement of all regulators.



STAYING ONE STEP AHEAD

Introducing Advisonomics and Bill Morrisons, FPAM's new Corporate Members; two firms with lofty goals in educating the public with financial literacy and bringing clarity amidst the uncertainty for our financial future.

The general need for a financial planner in Malaysia spans a wide spectrum. And just like any service, helping someone plan for their financial future is not a one size fits all approach. It ranges from those who are fairly well-informed on their options but will want a more comprehensive approach on what else is available to them, to those who are not remotely aware of the service and how this could help them.

Throw in the discomfort most Malaysians (or Asians for that matter) have when it comes to disclosing their financial status and concerns, and you have a pretty varied amount of blind spots. Thus, it is up to pairing the right financial planner with those seeking specific financial advice. For the Financial Planning Association of Malaysia (FPAM), this comes in the form of having a variety of firms represented as Corporate Members. After all, meeting the right demands requires having the right supply.

This quarter, we welcome two new Corporate Members: Bill Morrissons, a wealth management company, established since 2014 and Advisonomics, a licensed financial planning firm which opened their doors in 2019.

A RADICAL CHANGE DRIVEN BY TECHNOLOGY

Being in the industry for the past eight years, Bill Morrisons has witnessed the changes over time. "While the world stood still due to the pandemic and government lockdowns, the Industrial Revolution 4.0 started. Technology has taken centre stage in social aspects, education, transportation, healthcare and inevitably, the financial industry," shares Idi Irwan bin Zainail Abidin, the executive director of Bill Morrisons Wealth Management Sdn Bhd in an email interview with *4E Journal*.

He adds: "The leap in technology has gone on a speed we have not seen before, and the advent of super computers have made this possible. In the finance sphere, for example, we have seen decentralised finance managing alternative assets. Hard assets such as properties and intellectual properties such as art, images and creative digital art (termed as Non Fungible Tokens (NFT)) are now seen as an alternative asset class for new generation of wealth. But the question we need to ask is: how are regulators going to cope with this development? The wave is coming sooner than we think, but are we ready to embrace it?"

The sentiments of change that digitalisation and technology is bringing is also a perspective shared by Asgari Stephens and Raevendren Ramachandran, the co-founders of Advisonomics. "Technology will be greatly integrated into the financial planning process to improve efficiency," they opine, also via an email interview with *4E Journal*. They add: "Digitalisation will play a huge role in bridging the gap between clients and advisors. Clients are already actively looking for high-tech and high touch financial planning solutions."

The pandemic has already kickstarted the move towards utilising technology to connect clients with advisors. Although this was a move that was championed before the lockdowns, what has stayed the same is the importance for Malaysians to become more financially literate. The swift changes and uncertainty in the global economy has brought to fore more interest in understanding our finances and how we can be in control of the life we intend to build.

This would require all financial planners and practitioners to arm themselves with the right knowledge to avoid inadvertently providing misinformed advice or biased opinions when it comes to digital assets, says Bill Morrisons.

WAVES OF UNCERTAINTY

The past two years has caused major waves of uncertainty, both in Malaysia and globally – with global changes also affecting our local spaces. It is during this time where financial planners are put to the test by their clients.

"We have not seen volatility as high as this in the market. And this is the time when clients will assess you in terms of your capabilities as a financial planner and the respective advisory roles to navigate through these turbulent times," says Idi Irwan. Like almost every other aspect of life that has invariably changed in the past two years, whatever that worked before the pandemic, is likely to demand a certain change now. This would be relevant for those who coasted, such as asset managers who have been sitting on their laurels without considering their clients' investments. Idi Irwan also adds that this would filter out aforementioned financial professionals, forcing investors to look for other alternatives which would then provide more stable returns.

Both firms believe that early engagement will help clients to create a bigger impact on growing their savings. This time of volatility has caused the Malaysian public to have a more vested interest in becoming more financially literate, and thus the knowledge will translate into making better financial decisions.

The Advisonomics team adds that, as clients or the general Malaysian public becomes more knowledgeable in this field, it is up to advisors to play a diverse set of roles in order to be able to dispense a more holistic advice. This ranges from giving their clients a patient ear in order to really understand their needs to researching a variety of other investment vehicles they could restructure their savings or investments into. Further,

Idi Irwan bin Zainal Abidin
Executive Director
Bill Morrisons Wealth Management Sdn Bhd

BILL MORRISONS

Established in July 2014, Bill Morrisons was first known as Bill & Morrisons starting off as an insurance broker licensed by the Labuan Financial Services Authorities (LFSA) distributing International Life Insurance products. In 2017, the firm expanded by applying for a Financial Advisory (FA) and Financial Planning (FP) license marking the beginning of Bill Morrisons Wealth Management Sdn Bhd. Since then, with more than 1,000 clients and over 50 licensed advisors and 12 permanent employees, their AUM has grown leaps and bounds. With Billy Hii, Kenny Suen and Idi Irwan Zainal at the helm, the firm is quickly becoming one of the fastest growing companies in the wealth management industry.

Advisonomics believes that financial planning services and avenues need to be democratised, starting with more access to investment solutions given to more people. Currently, a lot of these solutions are only available to institutions and ultra-high net worth individuals.

A NEW ECONOMY OF SIDE HUSTLES, GIGS AND ONLINE SHOPPING

Idi Irwan opines,"2020 has changed Malaysian lifestyles, and this is both good and bad. It has changed how we think regardless of age. Our Malaysian survival instinct has advanced so much that most Malaysians have progressed in their livelihood from reliant on their day job to a full-fledged entrepreneur. There is no data to back this hunch, but I am willing to bet that we have produced more entrepreneurs (be it digital or physical) over the past year as compared to 10 years ago. This is the new economy. The new generation (and old) have embraced the change and made digital transformation as a part of their lives. Those who have been laid off from a cushy job in Kuala Lumpur are now making sales via selling traditional *kuih* to their regulars via marketplace and social media. The new economy does not rely on government initiatives to increase spending on infrastructure. The new economy relies on their skills in making unique sales propositions digitally and these are the skills that have been developed at lightning speed since 2020."

The boom of online shopping and e-commerce has also really taken flight in 2020, despite being around for close to a decade. As millions of consumers migrated to shopping online, it really highlighted the staying power of e-commerce. According to Idi Irwan, in Q1 2021, Mastercard reported one billion extra contactless transactions compared to Q1 2020.

"We have also yet to take into consideration how Buy Now Pay Later facilities have taken shape, but one thing is very apparent is that saving habits has now taken a back seat," he adds. He emphasises the importance for financial planners to view these changes as an opportunity to understand how this will impact new and existing clients – ultimately providing the coveted holistic service for their clients.

CULTIVATING TALENT

With all this increasing demand for financial advisory, wealth management and financial planning, there will also need to be an increase in the supply of financial planning and advisory professionals. A job in this industry can range from long-standing financial institutions to a scrappy start-up looking to disrupt and change the industry from within. Whatever it is, the Advisonomics team advises to, "Keep an open mind when looking for the next opportunity to elevate your career, and that the future is in digital."

With Bill Morrisons, Idi Irwan says that a career in financial planning is rewarding if you can see beyond the current scope. "If you limit yourself within your scope of services, you will find it a deadening job," he adds. There is a silver lining, though: "Financial planning is more dynamic now than ever, but we need to ensure that the speed of financial planners accumulating knowledge of where the future of money is, is faster than that of your client's. In short, if your client is sophisticated in current financial trends, you would need to be more technically competent, knowledgeable and savvy for them to want and need your services."

ADVISONOMICS

Advisonomics focuses on providing financial literacy training and democratising financial advisory for Malaysians. Democratising financial advisory for Malaysians translates to creating more access to investment solutions that are currently only available to institutions or High Net Worth Individuals (HNWIs). With a focus on working professionals, they also intend to work closely with FPAM to increase the number of financial planning talent, provide employment opportunities for CFPs and IPFs and also enable job and/or experience placement for financial planning undergraduates. On top of that, as a Corporate Member of FPAM, they hope to participate in FPAM working committees to promote financial planning and co-host financial literacy programmes to the public.

Founded by Asgari Stephens and Raevendren Ramachandran in 2019, both of the co-founders come with extensive experience, with Stephens in public and private investing and Raevendren Ramachandran in fund management and wealth advisory.

Asgari Stephens
Co-Founder, Advisonomics

Raevendren Ramachandran
Co-Founder, Advisonomics

CAN WE TRUST THE FAMILY TRUST?

The importance and convenience of a family trust for your wealth planning.

High Net Worth Individuals (HNWIs) in Asia are increasingly opting to set up Family Trusts to achieve various life goals, whereas their European and American counterparts have been using the estate/tax planning tool for centuries.

Since the 15th Century, the British "Use" system emerged for tax planning and later evolved as "Trust" under the equity law system. Back then in the United Kingdom, there were two legal systems which existed in parallel - common law and equity law. Upon enactment of the Judicature Acts 1873-5, it provided that the principles of common law and equity should be applied in all courts but where common law and equity conflicted, the rule of equity would prevail. Equity developed certain remedies such as specific performance and injunction which were not available at the common law courts.

At the time, the Law of the Land was able to distinguish between the legal title (ownership of assets) and the benefits from the ownership (beneficial or equitable title). The person owning the legal title is the Trustee carrying all the responsibilities and burdens of ownership such as maintenance, liabilities and the payments or taxes, whereas the beneficiary has an equitable interest which means receiving all the benefits such as the enjoyment of the income or occupation of the property.

Since 1986 I have acted as a Trustee and subsequently, a private banker for HNWIs, where I have been using Family Trusts to help structure business holding, family assets control, tax planning and legacy creation for Asian families.

At present day, the Trust has been put to many uses. There are 16 common uses that allow HNWIs plan for their families, assets and businesses.

16 COMMON USES OF FAMILY TRUSTS

1. Provide for family members in case of unforeseen circumstances
2. Look after incapacitated/vulnerable family members or minors
3. Control devolution of assets in countries with forced heirship rules
4. Ensure orderly distribution of family assets to family members (beneficiaries) at a specified time or over a period designed by the Settlor
5. Avoid family squabbles or conflicts in case of unequal or perceived unfair transfer of family assets to certain family members
6. Set aside funds for education or business ventures for next generations
7. Set up family charities to serve the under-privileged
8. Keep family history and archives intact
9. Keep family information and issues away from the public
10. Avoid cumbersome Probate Process in certain countries upon death of the Settlor
11. Mitigate estate duty in certain jurisdictions
12. Shield family assets and businesses against wasteful descendants, ugly divorces, creditors, scams or unprecedent risks
13. Hold significant listed company shares or certain important memorial assets intact within the control of the family
14. Hold life assurance policies and receive the pay-out from the policies upon demise of the life insured
15. Manage and invest the family assets and funds through professionals maximising potential growth and income
16. Carry out tax planning for family assets and businesses

Though many HNWIs might be using Family Trusts to serve their individual purposes, they may not be aware of the legality to optimise the usage of the structures they chose. These are the four main features of a Family Trust:

1. Shield or protect Trust Assets against risks
2. Minimise taxes

3. Plan for inheritance
4. Keep information confidential

IS A FAMILY TRUST STRUCTURE REALLY CONFIDENTIAL?

The Trustee keeps the family information private without disclosure under normal circumstances. However, this is no longer that easy or can be even considered invalid nowadays.

Before the Common Reporting Standard (CRS) was approved by the Organisation of Economic Co-operation and Development (OECD) in July 2014, a Family Trust serves well in protecting family information and is confidential against surveillance by the government and public.

After the CRS was gradually implemented among the participating countries, information in a Family Trust(s) is included in the Reporting Standard and becomes transparent to the scrutiny of the government agencies in the country of tax residence of the Settlor, the Protector and the Beneficiaries. That means a Family Trust is only considered confidential in the eyes of the public, not the government.

WHAT IS A PRIVATE FAMILY TRUST?

A private Family Trust is an expressed private legal arrangement allowing the Settlor to transfer or give away his assets (tangible and intangible) to the Trustee for the benefit of the named Beneficiaries, over a specified period or upon occurrence of a stipulated incident such as death of the Settlor.

To make a Family Trust effective and valid under the law, the Settlor must have legal capacity to create the Trust. There needs to be 3 certainties present simultaneously:

1. Intention of the Settlor – the real desire to create a Trust
2. Subject Matter – the assets to be entrusted to the Trustee, or Trust Assets
3. Object – the named beneficiaries

WHAT ARE THE TYPES OF A FAMILY TRUST?

In general, we can differentiate the nature of a Family Trust from 3 perspectives:

1 Time of creation

a. Living (Inter-vivos) – set up during the lifetime of the Settlor
b. Testamentary Trust – set up via a Will written by the Settlor which becomes effective upon his death

2 Power of revocation

a. Revocable – the Settlor can revoke the Family Trust anytime during his lifetime
b. Irrevocable Trust – the Settlor has no power to revoke the Family Trust

3 Power of management

a. Non-discretionary (Fixed) – the Trustee has no discretion but to follow the terms of the Trust Deed
b. Discretionary Trust – the Trustee has wide power to make distribution to the Beneficiaries, manage the Trust Assets and adhere to the legislative fiduciary duties.

WHAT IS THE SET-UP PROCESS?

1. The Settlor chooses a Trustee (usually a licensed trust company) in the perspectives of political stability, legal efficacy, tax efficiency and availability of professionals in the country of establishment.
2. The Settlor pre-determines the assets he wants to entrust with the chosen Trustee.
3. The Settlor pre-determines the Beneficiaries to be named in the Family Trust.
4. The Settlor executes a Trust Deed with the Trustee on agreed terms, subject to the onboarding and compliance approval as a client of the Trustee.
5. The Settlor transfers his assets, by way of a Gift or a Sale, to the Trustee and relinquish all his rights pertaining to the assets.
6. The Trustee becomes the legal owner of the Trust Assets entrusted by the Settlor after the execution and legal completion of the transfer.
7. The Settlor would give a Letter of Wishes to the Trustee, expressly stating his wishes how the Trustee would handle the Trust Assets. However, this Letter of Wishes has no legally binding effect on the Trustee, but rather, it acts like an unofficial guideline.
8. The Trustee will hold the Trust Assets for the benefit of the named Beneficiaries, with responsibilities stated in the Trust Deed and the statutory legislations in the country of establishment.
9. The Beneficiaries have the beneficial ownership of the Trust Assets. They will only acquire the relevant legal ownership when the Trust Assets are distributed to them, upon the arrival of the stipulated time or incident stated in the Trust Deed and/or the Letter of Wishes.

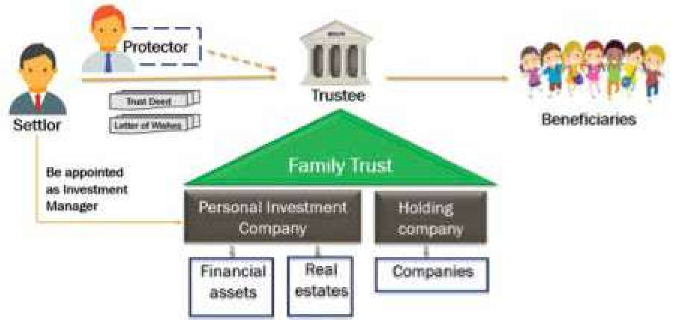
HOW MANY STAKEHOLDERS ARE THERE IN A FAMILY TRUST?

Under general circumstances, there are 3 stakeholders in a Family Trust:

1 Settlor

a. The person setting up a Family Trust and transfers his assets to the Trustee
b. Must be careful when reserving powers as too much power reserved might lead to a 'sham' in the eyes of the law

HOW DOES THE STRUCTURE OF A FAMILY TRUST LOOK LIKE?



2 Trustee

a. A legal entity undertaking the trusteeship under the Trust Deed and receiving the legal title to the Trust Assets transferred from the Settlor
b. Assumes the fiduciary duties owed to the Beneficiaries, failing which, it could be sued for breach of trust

3 Beneficiaries

a. The persons for whose benefit the Family Trust is created
b. Have personal rights to enforce the terms of the Family Trust and ensure the Trustee carries out its provisions and duties
c. Have equitable (beneficial) interests in the Trust Assets allowing them to enjoy the Trust Assets in accordance to the terms of the Family Trust
d. Have no authority to influence how the Family Trust is administered by the Trustee unless they are given specific provision in the Trust Deed

However, to place a mechanism to protect the Trust Assets and the Beneficiaries, the Settlor can appoint a 4th party into a Family Trust.

4 Protector

a. Is not a party to the Trust Deed and has no legal title vested in his name
b. Cannot be a named Beneficiary in the Family Trust
c. Has reactive powers against the actions of the Trustee
d. Has proactive powers and may initiate an action such as payment to Beneficiaries, remove / appoint Beneficiaries, remove the Trustee and appoint another appropriate Trustee

HOW TO TERMINATE A FAMILY TRUST?

A Family Trust can be terminated in these circumstances:

1. Full distribution of all the capital and income to the named Beneficiaries by the Trustee according to the terms in the Trust Deed
2. The Court decides in its circumstantial merits and orders the Trust Assets be divided for the Beneficiaries
3. The Court intervenes to set aside a Family Trust when it was set up to avoid creditors or it was a sham

CAN WE TRUST THE TRUSTEE?

Under the Trust Law, the Trustee has a fiduciary duty to act in good faith in relation to the Beneficiaries. The Trustee must not place itself in conflict with duties and cannot make an undisclosed profit from its position. This fiduciary duty is governed by the terms of the Trust Deed, the common law, the rules of equity and statutory provisions in the country of establishment.

Beneficiaries are able to bring personal claims against the Trustee for breach of trust of the fiduciary or other duties owed to them. The common law rule of causation, remoteness of damage and the amount of damages should be applied to equitable claims for breach of trust.

When we choose Trustee, we should be aware of the financial strength and experience of the professionals in the trust company. Ask the Trustee these questions with one rule of thumb – the more, the merrier:

1. How long was it established?
2. Where are the offices and administration centers in the world?
3. What is the percentage of trust administrators, apart from the business development frontline?
4. How many clients have set up trusts through it?
5. What is the total Trust Asset Under Management?
6. How much is the professional indemnity?

WHAT ARE THE DUTIES OF THE TRUSTEE?

The duties imposed on the Trustee arise by virtue of the general obligation as a fiduciary. The Trustee:

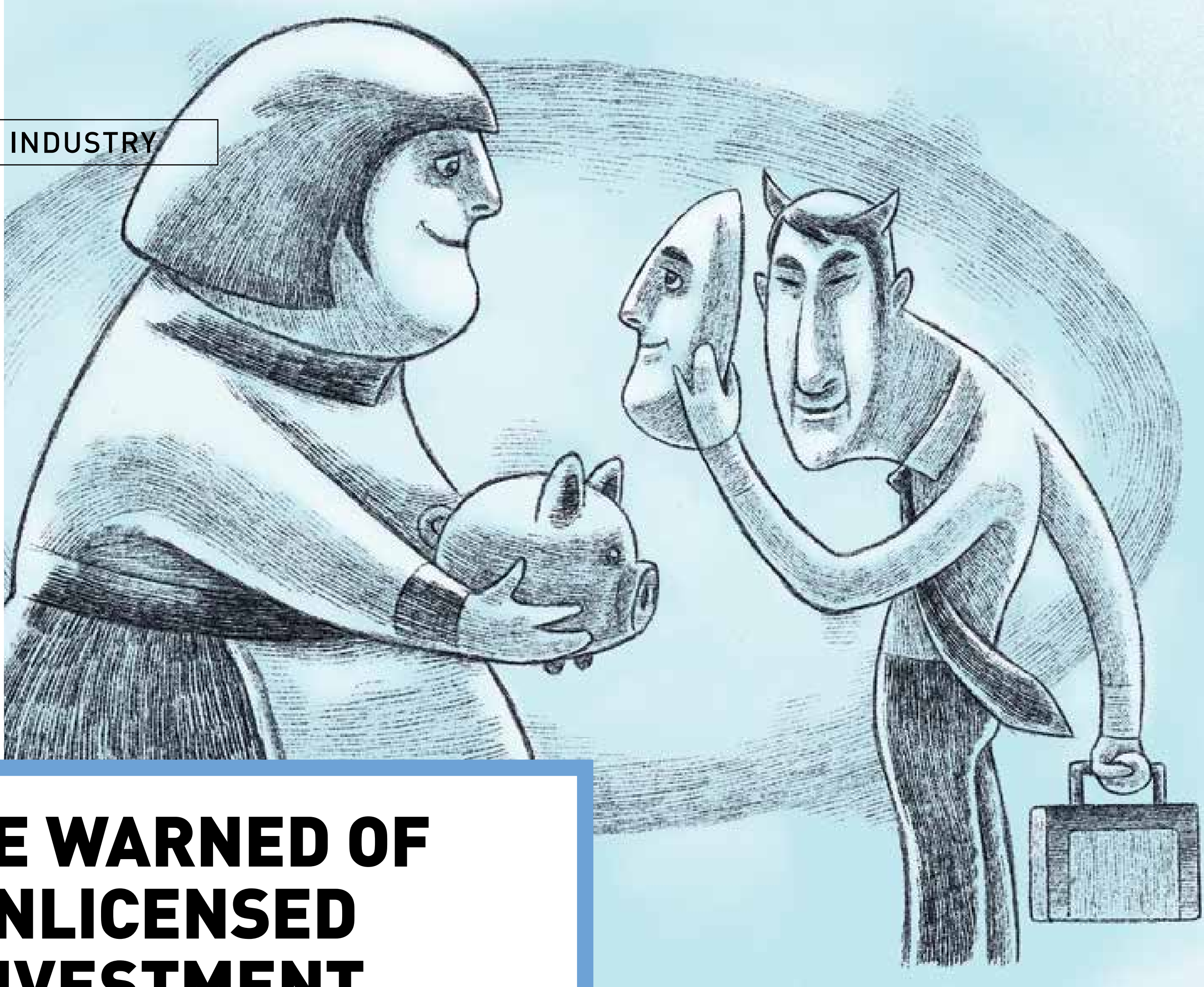
1. Should not normally delegate its Trust functions except its administrative ones and certain asset management functions
2. Should exercise a duty of care when dealing with a Family Trust
3. Must act in good faith and make the interests of the Beneficiaries a paramount concern
4. Should not normally purchase the Trust Assets, as it is the rule against self-dealing
5. Should not benefit or keep profits from the Family Trust
6. Cannot charge for its services unless properly authorised or has the statutory authority (a professional Trustee)
7. Must comply with the terms of the Trust Deed
8. Should take control of the Trust Assets, preserve the value of the capital and invest them prudently under the advice of professionals to provide income for the Beneficiaries
9. Should act impartially among all the Beneficiaries and provide timely information when required by the Beneficiaries
10. Must provide for the education, maintenance or benefit of a minor Beneficiary, and pay capital sums of the advancement or benefit to a Beneficiary
11. Should keep accurate accounts of the Trust Assets

ABOUT THE AUTHOR:

Kimmis Pun, *CFP*
Kimmis Pun, is the Managing Director, Family Office, Shenning Investments Pte Ltd in Singapore. A veteran banker with more than 35 years of experience in Asia, she has broadened her horizons to head a multi-family-office and help ultra-high net worth individuals structure and plan their wealth, investment and succession.

She was appointed to the Board of Director of Financial Planning Standards Board Ltd (FPSB) in 2016, after her 4-year presidency in Financial Planning Association of Singapore (FPAS).

Pun has an MBA from Manchester Business School, University of Manchester, and holds the professional qualifications of CFP, ChFC, CWMA, CLI, AIF, AEPP and IBFA. She is also the IBF Fellow awarded by IBF Singapore. She is presently studying her DBA.



BE WARNED OF UNLICENSED INVESTMENT ADVICE ACTIVITIES

In recent years, the SC has seen a sharp increase of complaints and enquiries received against individuals conducting businesses of investment advice without a license.

In 2020, the Securities Commission of Malaysia (SC) received complaints and enquiries against 19 possible unlicensed investment advisers compared to 10 in 2019, which represents a 90% increase. This increasing trend continued in 2021 where at June 2021, complaints were received against 65 possible unlicensed investment advisers, a 242% increase compared to the prior year.

On the other hand, 2020 saw a 236% increase in retail participation on Bursa Malaysia Securities Bhd (Bursa Malaysia) compared to 2019 with a 167% increase in the number of new CDS accounts opened.[1]

The growing interest by retail investors as well as the prevailing economic and investment environment related to the pandemic created a fertile ground for these unlicensed investment advisers to mushroom and thrive.

Based on samplings conducted by the SC in August 2020, from the 19,329 most active CDS accounts that were sampled, 14,118 were retail investors.[2] The increased interest could be contributed by factors relating to the Covid-19 pandemic where investors were actively seeking opportunities that would give them good returns on their investments, given the low interest rate environment.

The increase in cases of unlicensed investment advice from the beginning of 2020 coincides with the surge in interest from retail investors' and their participation in the stock market that year. The sharp increase of complaints and enquiries received in 2021 may have been attributed by the continued interest by retail investors and as a response to the issuance of the Guidance Note on the Provision of Investment Advice (Guidance Note) and the subsequent regulatory actions taken and published by the SC against unlicensed investment advisers.

The issue of unlicensed investment advisers also gained media attention in 2020 where concerns were raised on the proliferation of such unlicensed "investment gurus".

WHAT CONSTITUTES AS INVESTMENT ADVICE?

Under the Capital Markets and Services Act (CMSA), a person is required to hold a license to carry on any regulated activity, failing which such person could, on conviction, be liable to a fine not exceeding RM10 million or imprisonment for a term not exceeding 10 years or both.

Providing investment advice is a regulated activity for the purposes of the CMSA if it fulfils the description of "carrying on a business of advising others concerning securities or derivatives or as part of a business, issues or promulgates analyses or reports concerning securities or derivatives".

As mentioned earlier, the SC had issued the Guidance Note to clarify when an activity of giving investment advice is likely to be considered as a regulated activity. In general, the Guidance Note provides that any communication which involves providing recommendations or opinions which is likely to induce a person to take any action or position regarding a particular class, sector or instrument in relation to securities or derivatives, is likely to be considered an investment advice.

This may be considered alongside the element of "carrying on a business" for the purposes of assessing whether it constitutes a regulated activity. The Guidance Note clarified this by stating that the SC is more likely to consider a person to be "carrying on a business" if the activity is undertaken in a structured manner with regularity, or where any of the following is in place:

- Pay-for-advice arrangements;
- Offering a fee-based subscription to a channel or group, including those on social media, which offers investment advice; or
- Expectation of benefits or gratification, direct or indirectly, from the provision of investment advice.

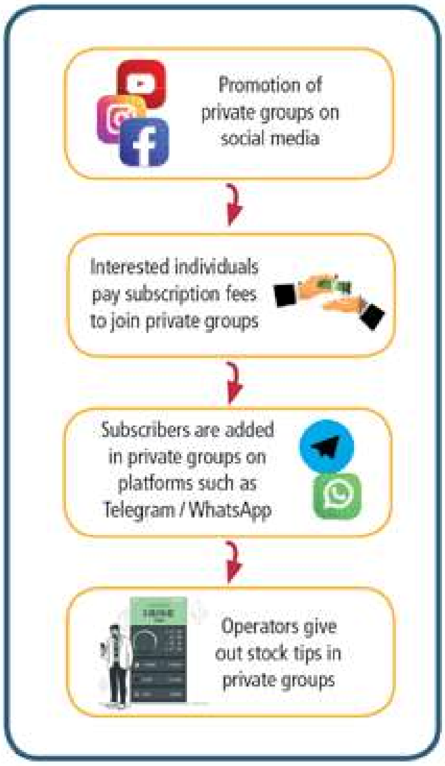
MODUS OPERANDI OF UNLICENSED ADVISERS

The typical modus operandi employed by the unlicensed investment advisers begin with them advertising their services through websites and/or public social media platforms like Facebook, Twitter and Telegram. On these public platforms, which are accessible to all, they will promote their "private channels" e.g. private Facebook, private Telegram, private WhatsApp group, etc. that requires a fee to join.

Investment advice will then be provided in these private subscription-based groups. Typically, these paid groups are often titled as VIP Group, Exclusive Membership, Gold Club, Platinum Club or Premium Group.

The type of investment advice ordinarily given in these paid groups would be buy and sell calls with target price or the cut loss price of specific counters. The content of the private group would be by way of regular postings or even "live" sessions. As

MODUS OPERANDI OF UNLICENSED ADVISER



SC REGULATORY RESPONSE

In an effort to address these concerns, the SC has taken various actions, as follows:

i. Issuance of Guidance Note on the Provision of Investment Advice The Guidance Note was issued on 30 December 2020 following an increasing number of queries from the public seeking clarification regarding investment advice activities.

ii. Issuance of Press Release From time to time, press releases were issued to the public in order to highlight the regulatory steps taken by the SC to address the issue as well as to remind the public on this issue.

iii. Placement on the Investor Alert List From January to June 2021, a total of 28 individuals / entities were placed on the SC's Investor Alert List for providing investment advice without a license. This will serve as a warning to the public against subscribing to the services of these unlicensed parties.

iv. Issuance of Cease and Desist Directive During the first six months of 2021, the SC has also issued Notices of Cease and Desist to 19 individuals and entities, collectively directing them to cease their unlicensed investment advice operations.

v. Blocking of Website In addition to the inclusion onto the SC's Investor Alert List and the issuance of the Notices of Cease and Desist, the SC also concurrently sought the assistance of the Malaysian Communication and Multimedia Commission to block the websites of where such unlicensed investment advice operations were taking place.

vi. Continuous Investor Education Initiatives The SC through its InvestSmart® platform continues to educate the public on the risk of engaging with an unlicensed person.

vii. Enforcement Action The SC is in the midst of reviewing a few cases with a view of potentially taking enforcement action.

these private channels require a fee to join, such activities would likely fulfill the element of "carrying on a business" as defined in the Capital Markets and Services Act.

Sometimes the invitation to these private groups are preceded by a free seminar or training on stock trading where participants will later be urged to subscribe to the private groups. The fee payable will be inclusive of the seminar as well as access to the private groups.

It was also observed that some of these operators would post "testimonials" of their existing subscribers who have purportedly made a profit by subscribing to their private groups, on their public website and social media platforms.

REGULATORY CONCERNS

Any investment advice rendered needs to be underpinned by cogent and sound reasoning based on research carried out by experts in the field.

The SC imposes strict requirements on those who wish to obtain an investment advice license. They will be required to possess certain qualifications, pass stringent examinations, and must be assessed to be fit and proper before they can be considered to be issued with a license. These objectives would likely not be met by an unlicensed investment adviser, and this would consequently be detrimental to the investing public.

The proliferation of unlicensed investment advisers raises a number of concerns, the obvious one being that the investing public would be receiving investment advice from unqualified individuals.

Investors who deal with these unlicensed investment advisers would also have limited access to legal recourse in the event of a dispute.

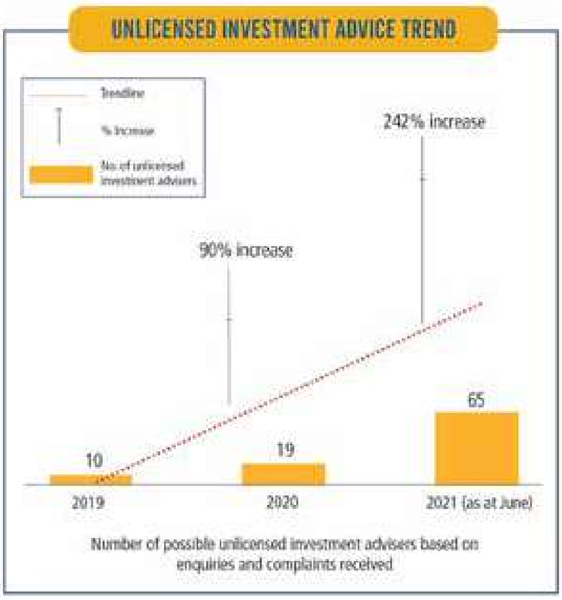
In addition, certain unlicensed investment advisers may use their influence to carry out a 'pump and dump' scheme. They would urge their followers to trade in a particular counter in order to create an illusion of an interest in the said counter so as to manipulate the market for their benefit. This way, unsuspecting investors may unwittingly be made victims to a market manipulation scheme or securities fraud.

CONCLUSION

The SC is continuously reviewing all information received and will take swift and decisive action against those found to be in breach.

Entities and/or individuals carrying on unlicensed investment advice are to immediately cease their activities. Those who are unsure of whether their activities would be regarded as regulated activities are urged to refer to the CMSA and the Guidance Note, and if necessary, to seek legal advice.

Investors should always conduct their own assessment before buying or selling any stocks. They should only deal with those that are licensed by the SC in order to avoid receiving advice from unqualified individuals and being exposed to potential 'pump and dump' schemes or possible securities fraud. Refer to the SC website or utilise the InvestSmart®'s mobile application to verify if an individual and/ or entity is licensed by the SC to carry out regulated activities.



KEY MESSAGE TO UNLICENSED INTERMEDIARIES

1. Entities / individuals carrying on unlicensed investment advice have to immediately cease their activities.
2. If you are unsure whether your activity constitutes as providing investment advice, you should refer to the CMSA and the Guidance Note, and if necessary, to seek legal advice.
3. The act of providing investment advice without a licence is an offence under securities laws. Upon conviction, it carries the punishment of a fine not exceeding RM10 million or imprisonment not exceeding 10 years or both.

KEY MESSAGE TO INVESTORS

1. Deal only with individuals or entities that are licensed by the SC. Refer to the SC website or utilise the InvestSmart®'s mobile application to verify if an individual and/ or entity is licensed by the SC to carry out regulated activities.
   https://www.sc.com.my/regulation/licensing/licensed-and-registered-persons.
2. Be forewarned that dealing with unlicensed investment advisors may result in investors being exposed to potential 'pump and dump' schemes or possible securities fraud.
3. Always conduct your own assessment before buying or selling any stocks.
4. Always check the SC's Investor Alert List before investing in order to avoid dealing with unauthorised websites, investment products, companies and individuals.
   https://www.sc.com.my/regulation/enforcement/investor-alerts/sc-investor-alerts/investor-alert-list.
5. Reach out to the SC by calling us at 03-62048999 or send us an email at aduan@seccom.com.my.

This article is courtesy of The Reporter, Issue 1 2021 | July 2020 – June 2021, a publication of The Securities Commission of Malaysia.

Footnote:

1. ICMR: Background Paper Retail Investor Behaviour in 2020: Data Insights- https://www.icmr.my/wp-content/uploads/2021/04/Data-Insights-Retail-Investor-Behaviour-Final.pdf.
2. SC Annual Report 2020 https://www.sc.com.my/resources/publications-and-research/sc-annual-report-2020.

PIAM DRIVES AFFORDABLE AND ACCESSIBLE FLOOD COVER

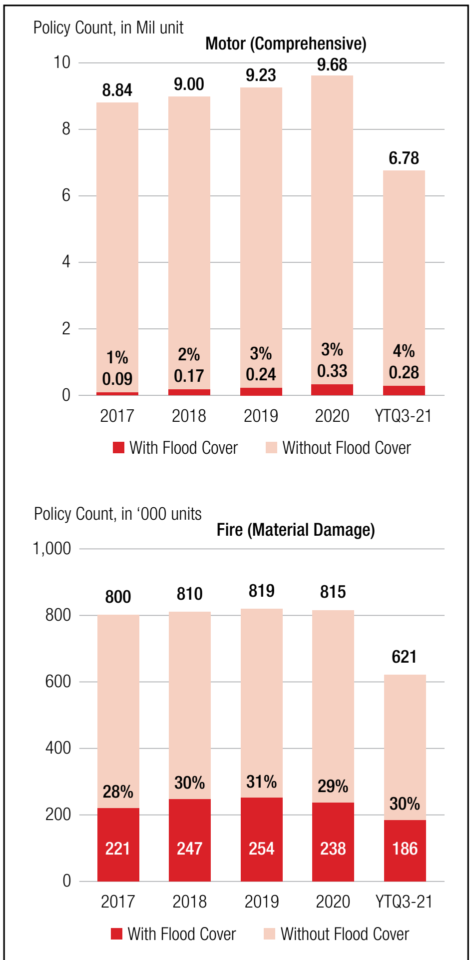
The recent flash floods that have inundated various parts of Malaysia caused significant damages and losses to individuals, families and businesses.

Flooding is not a new phenomenon and will happen as a result of climate change, global warming and infrastructure development bottlenecks. With this, comes the question of preparedness when facing losses and the resources to restore personal belongings and businesses. However, the recent floods bear evidence that catastrophes and natural disasters can strike at any moment, anywhere.

FLOOD INSURANCE A PRE-REQUISITE

Amidst this, many Malaysians are uninsured against floods and other natural disasters. Only 4% of motor (comprehensive) policies and 30% of fire (Material Damage) policies have been found to have purchased flood cover in 2021 (Year-To Q3 of 2021), from 1% in 2017 to 4% in 2021 (Year-To Q3)[1].

Graph 1



Source: Based on data collected by Insurance Services Malaysia (ISM) dated 5 Jan 2022

Table 1: Additional flood cover premiums payable based on 3 different car models

Car Model	Proton Saga 1332CC	Toyota Camry 1998CC	Mercedez Benz AvantGarde 1991CC
Insurance Coverage	NCD 45%, Year Make: 2015 Sum Insured: RM19,000 With Special Perils	NCD 45%, Year Make: 2015 Sum Insured: RM77,000 With Special Perils	NCD 45%, Year Make: 2015 Sum Insured: RM127,000 With Special Perils
Premiums	approx. RM400 – RM500 p.a.	approx. RM1,300 – RM1,500 p.a.	approx. RM1,900 – RM2,300 p.a.
Flood Cover Premium (Add-On)	approx. RM50 – RM100 p.a.	approx. RM 220 – RM400 p.a.	approx. RM300 – RM650 p.a.
Flood Cover Premium (Add-On per/day)	approx. 14sen – 27sen p/day	approx. 60sen – RM1.10 p/day	approx. 82sen – RM1.78 p/day

Although many Malaysians have had the foresight to acquire flood cover, with numbers increasing from 1% in 2017 to 4% in 2021 (Year-To Q3), the take-up rate for flood cover under motor (comprehensive) policy is still very low. Flood cover under Fire (Material Damage) policies purchased have remained flat at circa 30% between 2017 and 2021 (Year-To Q3)[2].

AFFORDABLE, EASILY ACCESSIBLE FLOOD COVERAGE

Recognising the hardships of Malaysians affected by recent floods, Persatuan Insurance Am Malaysia (PIAM) advises all its member insurance companies to offer an extension of flood coverage insurance under the motor (comprehensive) and fire policies. Under these policies, customers have the option to include flood coverage, subject to an additional premium and at the individual insurer's underwriting discretion. Additionally, consumers are advised to purchase or extend their insurance coverage to include Special Perils extension (covering floods).

Generally, the premium for an extension of flood cover for motorcycle (comprehensive) non-tariff policy is available from as low as RM10 per annum. (Note: This is an estimate for motorcycles below 599cc.)

FLOOD COVER: MOTOR VEHICLES

Since flood is an optional cover under the standard tariff fire and motor policies certificates, the additional premium that it would cost to include Flood in the coverage are as follows:

TARIFF FIRE POLICY: RM0.86 for every RM1,000 sum insured (0.086%)

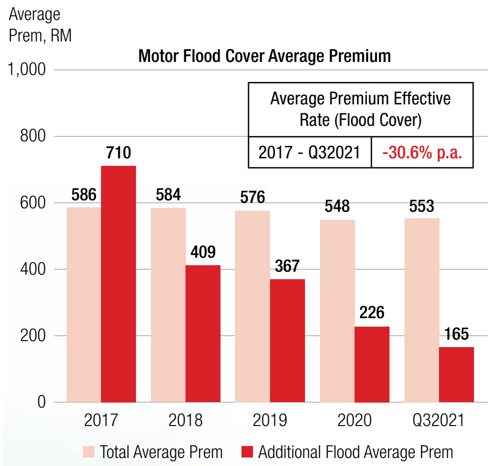
TARIFF MOTOR POLICY: RM5 for every RM1,000 sum insured (0.5%)

NON-TARIFF POLICIES: varies from one policy to another

As an illustration in Table 1, based on three different types of car models (on non-tariff motor products), the additional flood cover premiums payable ranges from approximately 14 sen to RM1.78 per day.[3]

Furthermore, over the past five years, as shown in Graph 2, the motor flood cover average premium has also decreased by 30.6% per annum (2017 to Q3 2021)[4], making it much more affordable now. (Note: The graph excludes motor trade class and sub motor products.)[5]

Graph 2: Motor Flood Cover Average Premium (2017 to Q3 2021)



Source: Based on data collected by Insurance Services Malaysia (ISM) dated 5 Jan 2022

Table 2: Tariff fire policy for residential property: Additional premiums payable for flood cover.

	FIRE TARIFF POLICY	
Type of Policy	**Fire (Dwelling)**	**Houseowner**
	Single storey terrace (in the city)	Single storey terrace (rural area)
Sum Insured	RM 218,000	RM 152,000
Premium	RM 113.36	RM 161.12
Flood premium	RM 187.48	included
Total premium	**RM 300.84**	**RM 161.12**
	Double storey terrace (in the city)	Single storey detached (rural area)
Sum Insured	RM340,000	RM 225,000
Premium	RM 176.80	RM 238.50
Flood premium	RM 292.40	included
Total premium	**RM 469.20**	**RM 238.50**
	Three storey detached (in the city)	Single storey detached (rural area)
Sum Insured	RM 1,492,000	RM 514,000
Premium	RM 775.84	RM 544.84
Flood premium	RM 1,283.12	included
Total premium	**RM 2,058.96**	**RM 544.84**

Table 2 provides some illustrations on the additional premiums payable for flood cover, calculated based on assumptions only.[6]

In normal circumstances, midway inclusion for an extension of cover is an allowable subject to additional premiums and the individual insurance company's underwriting discretion. Policyholders are advised to check with their agent or insurer for further details and assistance.

SAFEGUARD OUR FUTURE

Antony Lee, Chairman of PIAM, drew an interesting analogy between wearing a face mask and purchasing flood insurance during a recent media interview. He reiterated:

"We never wore a face mask in our daily lives, and now everyone is required to wear one due to the pandemic because it is for our protection. It is the right thing to do. We should have the same mindset for flood insurance. The cost of flood insurance is probably no more than the cost of the mask one wears every day, over a period of time. Think of flood insurance as giving you full cover and a peace of mind."

Malaysians are advised to ensure that their vehicles, assets and interests are adequately protected from natural calamities like floods which is occurring on a more frequent basis due to the effects and fallout from the global climate crisis.

CSR FLOOD RELIEF FUND: HELPING MOTORISTS

On 15 January 2022, PIAM rolled out a CSR Flood Relief Fund of RM2.43 million to support eligible policyholders who were adversely affected by flood. This relief is in the form of capped subsidies for mechanical clean-up cost (excluding repair) for motorcycles, private vehicles and commercial vehicles at any competent workshop.

The CSR Flood Relief Fund was set up with contributions from PIAM and its member companies providing capped subsidies to all types of policyholders including comprehensive with or without flood cover, Third Party Fire and Theft and Third Party. Policyholders can visit MyCSR-Flood.my for further details.

This article is contributed by Persatuan Insurans Am Malaysia (PIAM)

[1] Based on data collected by Insurance Services Malaysia (ISM) dated 5 Jan 2022

[2] Based on data collected by Insurance Services Malaysia (ISM) dated 5 Jan 2022

[3] Notes:
(i) NCD = No Claims Discount
(ii) The illustration is for general reference only and cannot be taken to be absolute rates provided across the market.
(iii) The illustration demonstrates an estimate/ range you may be expected to pay for Special Peril (which includes flood coverage) extension.
(iv) Lower Premium rate does not mean lower Special Peril rate as it differs from one insurer to another
(v) The Premium and consequentially the Special Peril Premium will vary according to Sum Insured which is dependent on underwriting criteria
(vi) The illustrated premium is based on Gross Premium EXCLUDING applicable tax & stamp duty
(vii) Please check with your agents/brokers/insurance companies for further details.

[4] Based on data collected by Insurance Services Malaysia (ISM) dated 5 Jan 2022

[5] Notes:
(i) The definition of motor trade is an insurance policy that provides cover to people who work in the motor trade such as motor traders and vehicle recovery agents. It covers businesses to work on and drive their customers' vehicle and vehicles the company owns.
(ii) Sub-motor products are motor products which fall under code 6 to 14 as shown below.

Motor Product	Description	Code
Tariff Rated	Tariff rated motor policy issued as per tariff wordings	1
Non-Tariff Rated	Non-tariff rated motor policy issued as per tariff wordings	2
Enhanced Motorcycle	Motor product with variation in wordings as compared to tariff	3
Enhanced Private Car		4
Enhanced Commercial Vehicles		5
Personal Accident	Other liberalised motor related product	6
Guaranteed Asset Protection		7
E-Hailing		8
Motor - Additional Perils		9
Motor - Additional Policy Features		10
Motor Accident Related Expenses		11
Motor Non-Accident Related Expenses		12
Motor Extended Warranty		13
Tow Truck		14

[6] Notes:
(i) Illustrations are based on basic tariff rates for flood cover which is 0.086% of Sum Insured.
(ii) The above illustrations are sample calculations based on ASSUMPTIONS ONLY
(iii) For fire, the assumptions are based on basic tariff rate inclusive of flood cover
(iv) The actual premium will vary according to the Sum Insured
(v) The Illustrated premium is based on Gross Premium EXCLUDING applicable tax & stamp duty
(vi) Rates may vary according to individual company's underwriting policy and risk assessment.
(vii) Consumers are advised to consult their agents and/or insurance companies for actual premium charged

HOW TO ACHIEVE AND MAINTAIN FINANCIAL INDEPENDENCE

Money lessons from 'The Next Millionaire Next Door: Enduring Strategies for Building Wealth'.

If you listen to a few famous success stories, you might get the idea that the best way to achieve financial independence is to start a tech company out of your garage. Who doesn't like a good rags-to-riches story? Markets have been strong and as a result more companies have gone public in 2021 than in recent years. As is usually the case, many of these Initial Public Offerings (IPOs) were underwhelming. But the price of the stock of a few did well and those companies garnered a lot of media attention.

But before you cash in your savings and pension funds to start a business or load up on the stock of one of these media darlings, you must realise a couple of things.

First, the reason stories of meteoric wealth creation make the news is because they are highly unusual. For every company that succeeds, there are many more that fail and such failures are often catastrophic to stockholders.

Second, you simply don't have to take on so much risk to become financially independent. Fact is there are more millionaires today than ever before and the vast majority did not get to that level of wealth through some big 'score', by playing the markets, or some other speculation. They built wealth over time by doing simple, almost clichéd things.

Financial independence is available to most anyone willing to engage in the behaviours which pay off. If you save diligently and exercise enough patience and discipline to stick to a well-designed financial plan which addresses all aspects of your finances, you could amass enough money so that working becomes truly optional.

> Keeping proper confidence involves not mistaking the noise of the day's news for important information requiring action. Prudent, long-term investors don't follow the news for trading ideas.

So which behaviours pay off?

In *The Next Millionaire Next Door: Enduring Strategies for Building Wealth*, Dr. Sarah Stanley Fallaw and her late father Dr. Thomas Stanley survey more than 600 millionaires in America. They detailed six behaviours, which she calls 'wealth factors', that are related to net worth potential, regardless of age or income. They are:

- **FRUGALITY** – a commitment to living within one's means and saving
- **RESPONSIBILITY** – believing financial security comes from one's behavior, not luck
- **PLANNING** – setting realistic goals and establishing strategies to achieve them
- **FOCUS** – completing tasks despite distraction
- **SOCIAL INDIFFERENCE** – resisting pressure to buy the latest thing or to 'keep up with the Joneses'
- **CONFIDENCE** – taking the reins of household leadership and believing you can achieve financial independence

These factors are not surprising. It makes perfect sense that if you set a realistic goal, understand how to get there, implement the means of achieving it with discipline, do not procrastinate and stay focused on what is important to you, your odds of success will be better even if some bad luck comes your way.

Fallaw and Stanley approach the behaviours they describe as wealth creation tools, which they are. But they are also wealth preservation tools. Maintaining financial independence comes from continuing to live within one's means. Successful retirees don't rely on luck to stay secure. Their goals are different, but they still have realistic objectives and implement strategies to achieve those goals with help from truly independent experts. They don't chase shiny objects and they don't get so full of themselves that they tie their self-worth to their net worth.

In short, they have a plan that is followed, monitored, and adjusted as things change.

2022 is right around the corner along with New Year's resolutions. Gyms are notoriously more crowded in January with those who resolve to get into better shape. The crowd dissipates in the next few months because the work is hard and must be done independently. Achieving the goal of creating an excellent, custom-tailored financial plan is a far more likely goal than getting into better shape because much of the work can be delegated.

We've lost count of the number of times new clients have told us, "I wish we had found you when we were younger." No one will ever have more time than they do right now to put their finances in good order and develop the mindset and behaviors that pay off. 4EJ

ABOUT THE AUTHOR:

Dan Moisand, *CFP®*, is principal and financial planner of Moisand Fitzgerald Tamayo LLC in Melbourne, Florida and has more than three decades of financial planning and investment experience. He currently serving as a member of the Board of Directors of CFP Board from 2020-2023 and will be the Board's Chairman in 2023.

THE CONFIDENCE FACTOR TO BE A MILLIONAIRE

Confidence, as described in the book, is essential to success. You must believe you can do what is needed to become financially independent. You must also be able to keep the many competing interests in your household and outside forces beyond your control from causing you to make emotionally driven decisions which could knock you off course instead of making evidence-based and plan-based decisions.

However, too much confidence or misplaced confidence can lead to destructive behaviours or even disaster. Academic studies are very clear that overconfidence adversely affects many aspects of personal finance. Studies warning against overconfidence are plenty but here are a few recent examples from 2020:

a) In the research paper by Sunwoo Tessa Lee and Sherman D. Hanna of Ohio State University, "Financial knowledge overconfidence and early withdrawals from retirement accounts" (2020), it found that those with 'financial knowledge overconfidence were more likely to take early withdrawals (from retirement plans).'

b) According to *"Propensity to Plan, Financial Knowledge, Overconfidence, and Credit Card Management Behaviors of Millennials" (2020)*, a research by Sunwoo Tessa Lee and Kyoung Tae Kim from the University of Alabama, it noted that, "Millennials who are overconfident about their financial knowledge are more likely to engage in costly (debt) management behaviours."

c) Finally, from "Investor confidence: Are you your own worst enemy?" (2020) by Colleen Tokar Asaad of Baldwin Wallace University: "overconfident individuals are more likely to be overoptimistic about their individual performance …; less likely to seek the advice of an adviser; more likely to trade on margin; more likely to trade commodities, futures, and options; … Overconfidence may help explain why investor returns are consistently lower than investment returns."

Overconfidence encourages people to speculate and sometimes with devastating consequences. Overconfident investors trade too much and to their detriment. Instead of being wiped out in a large speculation gone bad, they get an inferior result a little at a time while thinking they are doing well.

The good news about all these studies is that overconfidence can be tamed, and positive wealth factors can be employed by just about anyone.

Keeping proper confidence involves not mistaking the noise of the day's news for important information requiring action. Prudent, long-term investors don't follow the news for trading ideas. They always remember they cannot buy unless someone is willing to sell, and they cannot sell unless someone is willing to buy. There is always – ALWAYS – someone who thinks whatever trade you are placing is an inferior move.

BETTER LATE THAN NEVER

The pandemic has caught everyone off guard. Salary cuts and job losses have become so prevalent which makes it almost impossible to save and hence, the unconventional EPF withdrawal schemes were introduced.

The pandemic shocks which had reverberated for a couple of years have left us with a scar. It sank the economy into recession and displaced workers as restrictions on human mobility was the necessary step to contain the deadly disease. The choice was never easy and while it may seem less optimal economically, the main objective was to stop the fatality rate.

The economic and social disruption caused many to be at risk of losing their livelihoods. As income increasingly became deficient, tapping into one's savings appeared to be a lifeline for those suffering from income loss.

Encroaching into the retirement nest egg emerged as a hallmark of policy responses from the government. Many have lauded the option to enable one to withdraw their money from the Employees Provident Fund (EPF) to bridge the financial gap despite the number of members that can meet the minimum savings for retirement is only 3%. Those members that cannot meet their retirement fund will further fall behind in their retirement plan and lose the compounding factor advantage should they decide to withdraw.

PROTECTING THE NEST EGG

Nonetheless, it raises the pertinent question on how best citizens, especially those already falling behind on savings, could replenish their nest egg for retirement.

Honestly, there are no straightforward answers to this problem. Typically, the financial pundits would say that EPF would need to come up with a better strategy to improve their investment returns and perhaps, separating the members' account according to their risk appetite. It makes sense to a degree but operationally, it can be an extremely excruciating task as each individual would have different levels of risks tolerance. Another suggestion involves some element of philanthropy whereby the top 20% income earners should forgo some of their dividends to be given out to the low-income members. That's somewhat far-fetched but it could be worth to be explored.

However, those badly affected by the pandemic could consider other alternatives before dipping into their EPF savings. Firstly, they would need to explore and exhaust every single government aid available. The available cash assistance programmes, business grants and soft loans from the government agencies are the first places to look into.

Secondly, depending on their credit history, they may search for tailor-made financial assistance. Banks are open for discussion provided that their credit history is decent and customers are transparent in disclosing their financial predicament. Obviously, it's also in the interest of the banks to ensure that every financing account continues to perform.

Another source of financial assistance could be borrowings from friends and close relatives to help one to temporarily tide through the difficult period. Perhaps, providing them with some kind of collateral in the form of high value assets such as jewellery, as a pledge to the sum borrowed can provide better trust and confidence. However, make sure there is a written agreement, stamped to ensure that the agreement can be enforced through the court of law should there be any dispute. Having said that, borrowings from friends and relatives can be very dicey, thus must be made in full transparency and honesty. Borrowers must also have the discipline to pay back the debts on a timely basis.

Be that as it may, the onus lies with the individual to ensure that they would be financially comfortable when they retire. This would mean they need to be able to earn the money, get a job that pays the bills and be able to save. In Malaysia, EPF acts as an institution that enforces Malaysians working in the private sector to save for their golden years. In addition, such an employee would need to set aside their income for voluntary savings for various purposes, be it for down payment for cars and houses, or even for leisure.

For the past 37 years, the Compound Annual Growth Rate (CAGR) for inflation rate is 2.4 percent per annum. In other words, we stand to lose 2.4% of our money value every year if we keep in a closet. So save and invest wisely. It's better late than never. Come to think of it, that's pretty much the most foundational basic advice.

A MURKY MARKET OUTLOOK

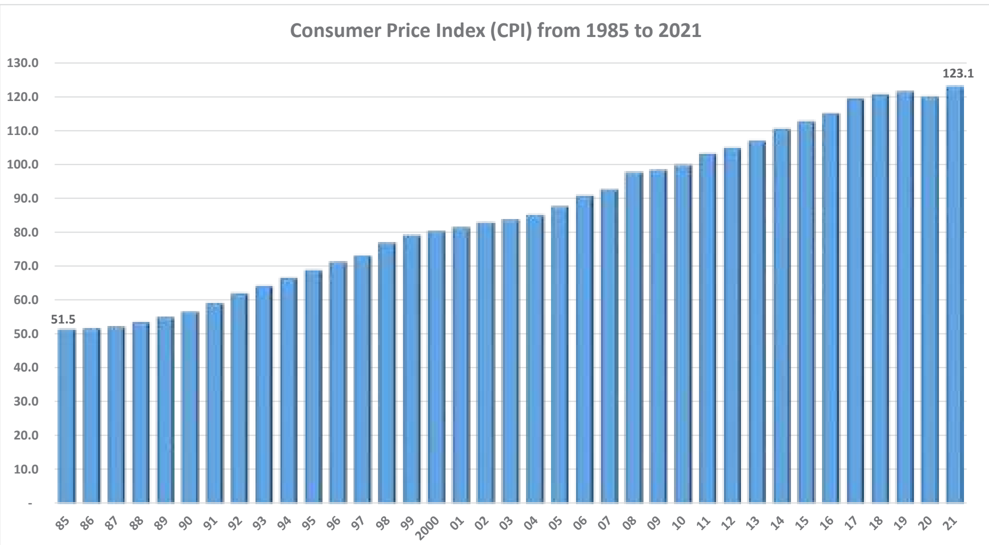
While having higher investment returns may seem as one of the key solutions, the prevailing market conditions have been excessively volatile. We are facing an eventual interest rate hike in the US which can rattle the markets as what has normally happened in the past. There is also rising inflationary pressures which could undermine the global recovery as business sentiments would easily sway, compromising their expansion plans.

As for equities, it is a bear market, and the main reason is none other than the war in Ukraine. There are greater uncertainties over how the war would evolve and alter the global economy. While the Russians are adamant to invade Ukraine, the Western allies continue to put pressure on the Russians through sanctions. This has significantly affected the commodities market especially in the oil and gas space simply because Russia is one of the top producers of fossil fuel and gas and the European continents have been heavily relying on the gas supplies from Russia. Given this scenario, the money managers are shifting their portfolios from equities to bonds and money markets in order to preserve their capital investment.

However, institutional investors would have the skill and the economies of scale to move their funds from one asset class to the other as opposed to personal investments as they may not have the flexibility to shift compared to the individual investors.

On one hand, having more exposures in the fixed income market can be a dangerous place to be, given the impending increase in the benchmark interest rate. This is given the fact that bond prices and interest rates are inversely related.

Yet, given the uncertain growth prospects, going long on bond markets could be a smart move. Not only it will preserve the capital but also provide a chance to record a decent capital gain. It will be a dilemma for money managers. In short, the risks trajectory has gone up and therefore, one will need to be reasonable with respect to their investment returns expectations. What's more, the demarcation line between excessive risk taking and gambling can be blurry and certainly such behavior should not be encouraged among our EPF's fund managers.



Sources: Department of Statistics Malaysia (DOSM) and Bank Islam Malaysia Berhad

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Your Eyes' Health
COMMON EYE DISEASES IN ADULTS

Dr Palanyraj Naicker, Consultant Ophthalmologist Columbia Asia Hospital – Cheras

Adults may be affected with many different types of eye problems. The more common ophthalmic problems are cataracts, dry eyes, age-related macular degeneration (AMD), glaucoma, and diabetic retinopathy. It is important to be aware of these conditions and to seek treatment early as timely intervention and preventive measures may help prevent loss of sight and the associated negative impact on quality of life that the visual impairment brings.

CATARACT

A cataract is a clouding of the eye's natural lens. Although it is common to have cataracts as we age, it is also more often seen in people who smoke, those who do not protect their eyes from the sun, diabetics and those with family history of cataracts. Trauma to the eyes and head may also cause cataracts.

Symptoms:
- Blurry or dim vision
- Glare
- Difficulty in night vision
- Seeing halos around lights
- Need for frequent changes in glasses

As the cataract worsens it severely affects the vision and surgery would be necessary to remove the cloudy lens and replace it with a new one, and mostly are daycare surgeries performed under local anaesthesia. With modern techniques, the end results are usually excellent.

DRY EYES

Tears function to lubricate our eyes and stops the surface from drying. Dry eyes occur if tears are not produced in the correct amounts or if it does not stay on the surface of the eye long enough. Dryness can range from mild afflictions to sometimes severe dryness that can damage the surface of the eyeball. Dry eye can affect anyone of any age but is more common as we get older. Dry eye is common in postmenopausal women and in people with systemic conditions such as certain types of arthritis.

There is no cure for dry eye, but its symptoms can be alleviated with the use of artificial tears, punctal plugs, warm compresses and newer treatment such as thermal pulsations and intense-pulsed light therapy.

Symptoms:
- Grittiness or itchiness of the eyes
- Pain and tearing in more severe cases
- Increased sensitivity to light
- Redness
- Discharge or stringy mucous
- Blurring of vision

AGE-RELATED MACULAR DEGENERATION (AMD)

Globally, ARMD ranks third as a cause of blindness after cataract and glaucoma. A condition affecting older people, it involves the loss of the person's central field of vision. Age is the biggest risk factor along with family history, high blood pressure and smoking. People with macular degenerations can be treated with supplements, photodynamic therapy and anti-angiogenic drug injections.

Symptoms:
- May be asymptomatic in the early stages
- Gradual or sudden blurring of vision
- Visual distortion especially straight lines
- Difficulty in recognising faces or central scotomas

DIABETIC RETINOPATHY

A specific complication of diabetes mellitus, diabetic retinopathy develops with time and is associated with poor control of blood sugar, blood pressure, and blood lipids. It causes abnormal changes in the retinal blood vessels causing leakages, swelling of the retina and bleeding.

Treatment consists of strict control of blood sugars, laser photocoagulation, anti-vascular endothelial growth factors (anti-VEGF), injections and surgery.

Symptoms:
- May be asymptomatic in the early stages
- Blurring of vision that may be gradual or rapidly worsening
- Fluctuation in visual acuity
- Distortion of central vision
- Floaters
- Flashes of light

GLAUCOMA

Also known as the 'silent thief of sight', glaucoma refers to a group of diseases that causes damage to the optic nerve with associated visual field loss and it is one of the leading causes of irreversible blindness. An elevated intraocular pressure is one of the primary risk factors for glaucoma. Advanced glaucoma leads to severe vision impairment and even blindness. Risk factors for glaucoma include age, family history of glaucoma, chronic usage of steroid medications, diabetes, hypertension and short-sightedness.

Although there are different types of medication that are used in the treatment of glaucoma, surgery maybe indicated in the cases which deteriorate despite optimal medical treatment. Early diagnosis and treatment can help to prevent worsening of the condition.

Symptoms:
- Most people with open angle glaucoma usually do not have any symptoms until the disease is at an advanced stage. The disease starts affecting the peripheral vision and then progresses gradually to involve the central vision.
- Acute angle closure causes sudden eye pain, blurring of vision, eye redness, haloes, headaches, nausea and vomiting.

GET YOUR EYES CHECKED

If you have any of the symptoms mentioned above it is important to consult an ophthalmologist as soon as possible.

Stopping by and getting your eyes checked at eye screening booths in malls and events can also help to detect eye problems early. If you have significant medical or family history such as diabetes or glaucoma, it is advisable to see an ophthalmologist at least yearly.

SIMPLE PRACTICES TO KEEP YOUR EYES HEALTHY

Nurul Faleeza, Optometrist from Optimax Eye Specialist Centre shares some simple tips to take care of your eyes.

Here are a few simple practices or routines we can do, which do not require much time or effort. Do note that these are not substitutes for your routine eye examination. I've listed a few quick tips and tricks that I usually tell my patients to take care of their eyes:

FEED YOUR EYES WELL

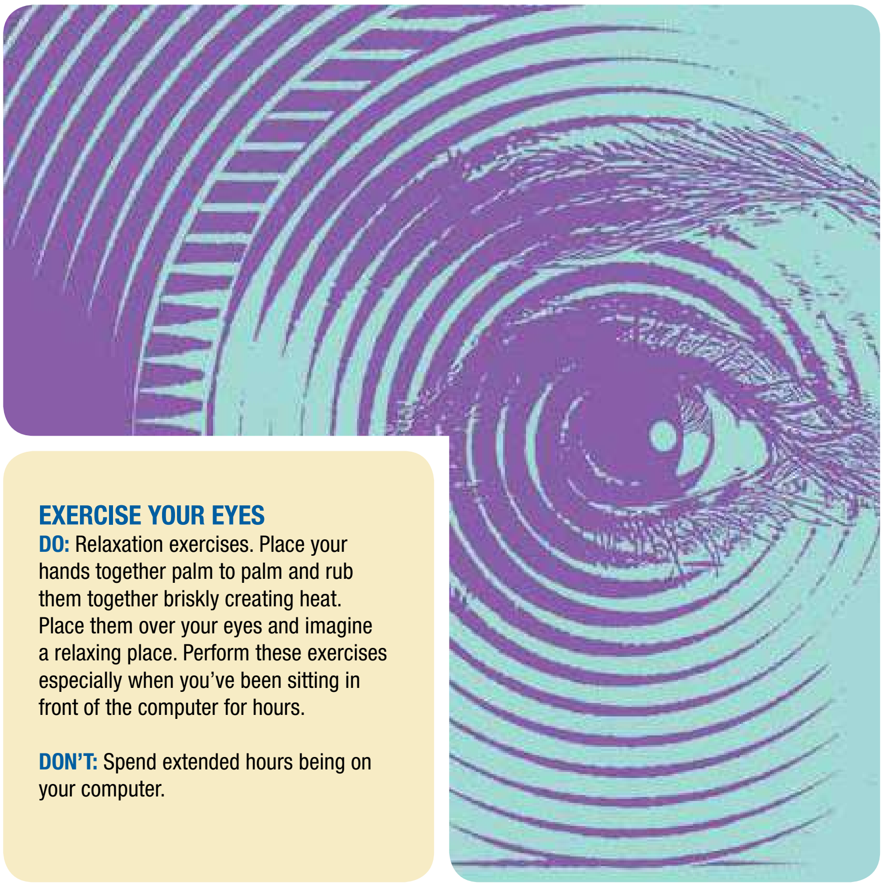
DO: Add powerful vitamins, antioxidants and minerals to your diet to sustain your overall eye health. Eat food rich in vitamin A, vitamin C, lutein, astaxanthin and beta-carotene as they help nourish the eyes. Examples of such food are cod liver oil, papaya, blueberries, apricot and grapes. They are also available in the form of supplements too.

DON'T: Say no to greens, kids! Treat them like snacks! Eat lots of them.

GET SOME REST

DO: Get enough rest since sleep allows overworked eye muscles to relax completely.

DON'T: Stay engaged on one activity for long. Take short, regular breaks of about 5 minutes to rest your eyes between long hours on the computer.



STAY HYDRATED

DO: Drink plenty of water. If you are dehydrated, all of your organs suffer – including your eyes. Symptoms of dehydration include headache, and light-headedness, while your eyes might experience a burning or stinging sensation, blurry vision, or a scratchy feeling, all of which suggest that there isn't enough moisture in your eyes.

DON'T: Ignore these sensations. Seek help on how to combat dry eyes. On top of increasing your water intake, try using artificial tears to keep your eyes hydrated.

EXERCISE YOUR EYES

DO: Relaxation exercises. Place your hands together palm to palm and rub them together briskly creating heat. Place them over your eyes and imagine a relaxing place. Perform these exercises especially when you've been sitting in front of the computer for hours.

DON'T: Spend extended hours being on your computer.

SAY NO

DO: Avoid sugary foods as they are bad news for your eyes. The more sugar you eat, the worse your eyesight can become.

DON'T: Smoke. It has been linked to an increased risk of developing age-related macular degeneration, cataract, and optic nerve damage.

PRACTICE GOOD VISUAL HYGIENE

DO: Focus on an object that's at least 20 feet away, for 20 seconds, every 20 minutes. You'll be surprised at how much better your eyes feel; this is good to prevent eye strain.

DON'T: Stare at gadgets for too long. Lower the brightness level of your computer screen and phone as it reduces eye strain.

GET YOUR EYES TESTED REGULARLY

DO: Get comprehensive dilated eye exams annually. It is important because some eye diseases may not have warning signs. Eye exams are the only way to detect these diseases in their early stages, when they are easier to treat.

DON'T: Assume our eyes are healthy just because our vision is clear.

These tips are only a fragment of how we can properly care for our eyes. It is also very important to note that they can't repair eye diseases or conditions like myopia, hyperopia or astigmatism. It is still advisable to have your own prescription, customised to your visual requirement.

Calling for LFPs Wanting to be Speakers or Writers

Want to promote your visibility and showcase your capability on a public stage? FPAM's financial literacy programmes are growing and it seeks suitable LFP members who love to write and can articulate their ideas clearly. The article should be as follows:

1. Words written and charts created must be of their own original material and not plagiarised from other sources.
2. Financial literacy topics of interest can be on investment, personal protection, personal finance, taxation or other relevant topics.
3. The length of the articles can range from 500 to 800 words.
4. Publications we work with are in English, Bahasa Melayu and Mandarin language.
5. Target audience for written articles and media interviews will be the general public.
6. For radio, TV and social media interviews, the speaker must be able to speak fluently in either English, Bahasa Melayu and Mandarin.

Interested members are required to email the following to financialliteracy@fpam.org.my:

a. 120-word profile of yourself
b. Sample articles or videos done
c. Choice of media and language.

Successful LFPs will be notified.

LFPs members are encouraged to contribute articles for SmartFinance.my blog through this programme.

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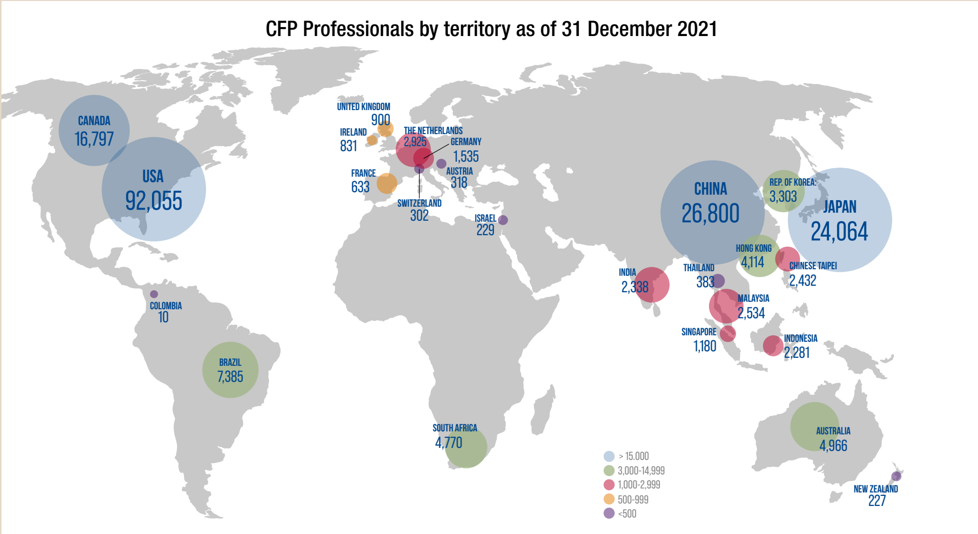
CERTIFIED FINANCIAL PLANNER PROFESSIONALS WORLDWIDE TOPS 203,000

Financial Planning Standards Board Ltd. (FPSB) and its global network of organisations announced that the number of CFP professionals worldwide has grown by 5.5% to a total of 203,312, as of 31 December 2021.

"We're pleased to report that, despite the Covid-19 pandemic, momentum in the global growth of CFP professionals remains strong, and is increasing," says FPSB CEO Noel Maye. "Last year, the number of CFP professionals reached the highest ever, with growth from emerging, developing and mature markets demonstrating the broad appeal of financial planning and CFP certification worldwide."

CFP Board, owner of the longest-running CFP certification program, finished 2021 with 92,055 CFP professionals in the U.S., an increase of 3,329. FPSB China, with the second-largest CFP professional community in the world, ended the year with 26,800 CFP professionals, up 3,221 from the previous year.

Top seven growth markets for CFP professionals were:



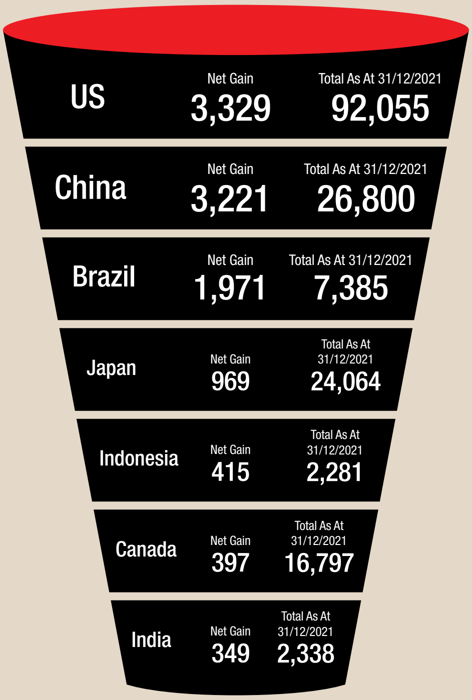
+10,550
Net increase in the number of CFP professionals around the world in 2021

5.5%
Growth in the number of CFP professionals worldwide in 2021

203K+
CFP professionals driving excellence in financial planning

The six territories with double-digit growth rates in the number of CFP professionals in 2021 were Brazil (36.4%), Indonesia (22.2%), India (17.6%), the People's Republic of China (13.7%), Chinese Taipei (12.9%) and Israel (11.7%).

"Doubling the number of CFP professionals globally since FPSB's creation in 2004 and increasing the number of CFP professionals ten-fold since CFP certification first went international in 1990 is a tremendous accomplishment," added Maye. "This effort is thanks to FPSB's global network of certification bodies and the hundreds of thousands of CFP professionals worldwide who commit to rigorous standards of competency, ethics and practice, and to delivering financial planning in their clients' interests."



INDIA RENEWS THE ACCREDITATION OF CFP CERTIFICATION PROGRAMME

The National Institute of Securities Markets (NISM), a body established by the Securities and Exchange Board of India to promote market quality through educational initiatives, has renewed the accreditation of Financial Planning Standards Board Ltd (FPSB)'s CERTIFIED FINANCIAL PLANNER certification for another two years from March 2022 to February 2024. This recognition means that CFP professionals in India will be eligible to use their CFP certification to register as investment advisers under Securities and Exchange Board of India regulations (without having to sit for additional education or exam requirements).

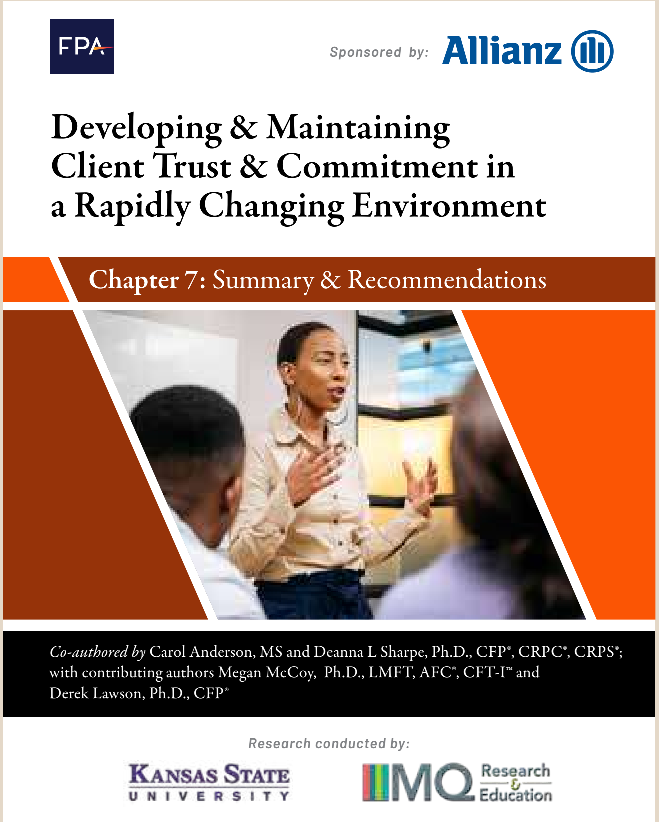
"FPSB and the community of over 2,300 CFP professionals in India are committed to benefiting the Indian public by establishing, upholding and promoting competency, ethics and practice standards and certification requirements for CFP professionals and for the financial planning profession in India. The accreditation by NISM strengthens our efforts to attract a new pool of talent into the financial planning profession in India," informs FPSB CEO Noel Maye.

EXPLORING HOW FINANCIAL PLANNER/CLIENT COMMUNICATION AND TRUST HAVE EVOLVED

There is a major shift in communication and trust between financial planners and their clients, according to researchers from the MQ Research Consortium and the Kansas State University Personal Financial Planning Program, with the support of the Financial Planning Association (FPA) and Allianz Life Insurance Company of North America.

This was an update of a 2006 study survey carried out in the US, primarily to identify and statistically validate specific communication topics, tasks, and skills that contribute to building client trust and commitment in the context of a professional financial planning relationship.

In the 2021 research to follow up on the communication best practices and how they impact the trust and commitment clients have in their planners, it sought to evaluate the findings from the original 2006 study and to gain insight into the development of successful financial planner/client relationships in light of need for virtual engagements, the prevalence of financial anxiety, and current demographic, economic, and equity issues in the US.



Among the findings:

#1 Clients want at least some virtual engagements with their planners, even post-pandemic.
Over half of the clients expressed preference for virtual meetings even after pandemic restrictions, while planners too expressed a significant preference shift for virtual meetings.

#2 Planners need to reevaluate their methods for getting to know and understand their clients—a critical component of building client trust and commitment.
In four key areas of qualitative data gathering – understanding clients' cultural values, personality type/traits, money attitudes and beliefs and family history/value – financial planners rated their effectiveness much higher than their clients.

"Because financial planning is a highly individualised process, a primary goal for financial planners must be conducting a qualitative data gathering process that allows and encourages clients to communicate their values, priorities, hopes, and concerns," says Carol Anderson, president of the MQ Research & Education. "This study confirms that financial planners who make this type of inquiry a priority will be richly rewarded with successful and satisfying long-term client relationships."

#3 Planners need more training on recognising and managing client financial anxiety.
Planners greatly underestimated clients' financial anxiety. Training in recognition and management of client financial anxiety could help planners facilitate productive meetings and identify when a referral to counselling services is appropriate. Incorporating a brief financial anxiety scale into the client intake process could be beneficial.

In the 2021 research, financial planners generally rated themselves higher than what their clients rated them. Ironically, the original 2006 study was a complete reversal where clients rated their planners higher than planners had rated themselves. Do planners have a false sense of overconfidence, or have clients become more critical of planners' communication skills? More work is needed to understand why this shift has occurred, but these results remind us that a real connection with clients cannot be assumed, the study remarked.

The research and analysis have resulted in an in-depth whitepaper, *Developing and Maintaining Client Trust & Commitment in a Rapidly Changing Environment.* For more details, visit https://www.financialplanningassociation.org/learning/research/client-communication

Life Insurance Industry Registers Double-digit Growth

The life insurance industry in Malaysia has recorded a growth in 2021 – with a 12.4% increase in new business total premium of RM12.8 billion (RM11.4 billion in 2020) and 5.4% rise in the overall new business sum assured of RM461.1 billion (RM437.2 billion in 2020).

In terms of new policies issued in 2021, a total of 1.9 million policies was issued compared to 1.2 million in 2020, registering a strong growth of 53.5%. This was mainly due to traditional policies which charted a huge increase of 99.7% to reach 1.2 million policies in 2021, according to Life Insurance Association of Malaysia (LIAM) President, Loh Guat Lan.

She added that the industry's healthier performance is driven by the strong rebound of investment-linked policies despite the challenging business environment due to the pandemic. Group policies recorded a moderate growth but traditional policies charted a decline during the year.

Loh informed that one of the factors contributing to the exponential growth was the encouraging take-up of *Perlindungan Tenang* (PT) policies under the *Perlindungan Tenang* Voucher programme, available to eligible *Bantuan Prihatin Rakyat* (BPR) recipients from end-September until end-December 2021. For the life insurance sector, a total of 784,496 vouchers worth RM39.2 million were redeemed by BPR recipients as of end-December 2021.

New Business – Total Premium 2021 vs 2020

RM Million	January to December		
Type	2020	2021	Growth
Traditional	2,592	2,145	-17.3
Investment-Linked	5,013	6,574	31.2
Group	3,781	4,073	7.7
Total	11,386	12,792	12.4

Source: The Life Insurance Association of Malaysia (LIAM)

New Business – Total Sum Assured

RM Million	January to December		
Type	2020	2021	Growth
Traditional	22,978	22,752	-1.0
Investment-Linked	107,711	123,218	14.4
Group	306,558	315,091	2.8
Total	437,247	461,061	5.4

Source: The Life Insurance Association of Malaysia (LIAM)

New Business – New Policies

RM Million	January to December		
Type	2020	2021	Growth
Traditional	583,657	1,165,423	99.7
Investment-Linked	618,884	691,327	11.7
Group	19,505	19,502	0.0
Total	1,222,046	1,876,252	53.5

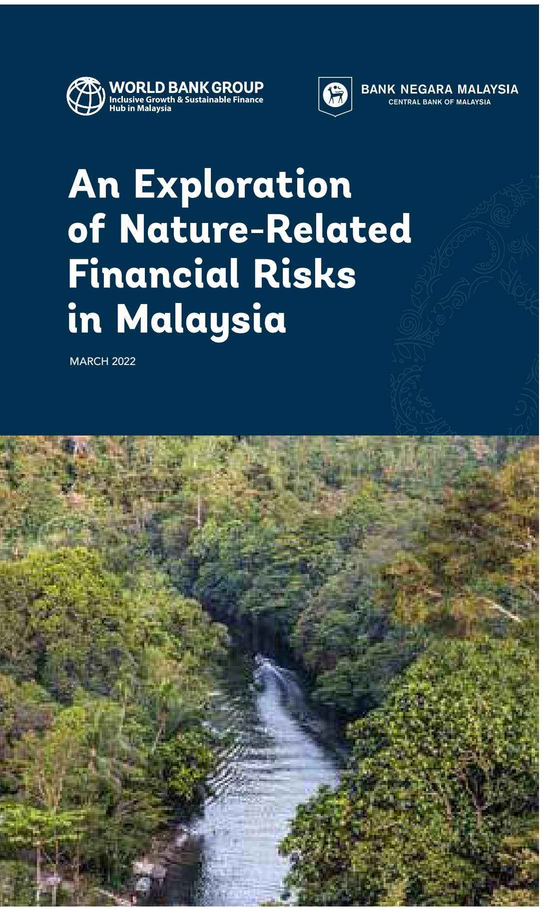
Source: The Life Insurance Association of Malaysia (LIAM)

AN EXPLORATION OF NATURE-RELATED FINANCIAL RISKS IN MALAYSIA

An Exploration of Nature-related Financial Risks in Malaysia, is a study by Bank Negara Malaysia (BNM) and World Bank on the relationship between the Malaysian financial sector and nature, as well as potential exposures to nature-related risks via banks' financing activities.

According to BNM, the report provides a launchpad for further study of nature-related risks and highlights the importance of tackling nature loss and climate change in a coherent manner.

"In the Financial Sector Blueprint 2022-2026 recently released by Bank Negara Malaysia, we further reiterated our vision, and expectations, for the financial system to facilitate an orderly transition, towards a greener economy. The financial sector has a crucial role to play in this," said BNM governor Tan Sri Nor Shamsiah Mohd Yunus.



While the primary responsibility for addressing these priorities rests with governments, the financial industry and authorities have a critical interest in deepening the of the interactions between climate and nature-related risks – because how these risks evolve both affect and are affected by the actions of financial institutions, she said.

The study follows the report by the World Bank last year, *The Economic Case for Nature*, which conservatively estimates that the collapse of select ecosystem services provided by nature – such as wild pollination, provision of food from marine fisheries and timber from native forests – could result in a decline in global GDP of US$2.7 trillion annually by 2030, and for the low-income and lower-middle-income countries, the impact will likely be more pronounced, As for Malaysia, it estimates that a partial ecosystem collapse could result in a 6% drop in its annual GDP by 2030.

"Malaysia is one of the world's megadiverse countries. Our livelihoods and economic activities are supported by natural ecosystems. The tourism sector for instance benefits from the existence and maintenance of lush rainforests and marine life. The manufacturing, agriculture and construction sectors depend on land, soil, plants, animals, water and minerals as inputs and enablers of production.

"Our economy is fundamentally embedded in this web of natural systems that provide, support, maintain and regulate our activities. Thus, the collapse of these systems, could pose a serious threat to society and the economy.

"The relationship between nature and the economy is, however, complex. There remain significant challenges in tracing how nature loss transmits to the economy and financial sector. Knowledge, data, methods, and models in this area are still largely evolving, even compared to that of climate risks.

"The findings of this report lend impetus to the need to strengthen capacity in this area. The scientific community continues to issue the 'code red for humanity', and with recent events, including the pandemic, floods and bushfires, the message could not be clearer. Ecosystem and planetary health matters to economic and financial stability," the Governor said at the launch of the joint report on *Nature-Related Financial Risks in Malaysia*.

NEW IEOS TO PROMOTE DIGITAL ASSET

Two Initial Exchange Offering (IEO) operators – Kapital DX Sdn Bhd and Pitch Platforms Sdn Bhd – have been registered in March 2022 to promote responsible innovation in the digital assets space, the Securities Commission Malaysia (SC) informed.

The registered IEO operators will provide an alternative avenue for eligible companies to raise funds via the issuance of digital tokens in Malaysia. The IEO operators will be required to carry out the necessary assessments, among others, to verify the issuer's digital value proposition, review the issuer's proposal and disclosures in its Whitepaper, and undertake a comprehensive due diligence on the issuer and its token offering, prior to hosting the issuer's digital token on their platform.

An issuer may raise funds up to RM100 million from retail, sophisticated, as well as angel investors, subject to the investment limits provided in the SC's Guidelines on Digital Assets.

Members of the public are also advised to be mindful of the risks related to investing in digital assets, including risks of investing on platforms not registered with the SC. The registration status of an IEO platform operator can be verified at www.sc.com.my/development/digital/digitalassets.

Summary of Events: January to March 2022

Date	Event	Location
13 January 2022	CE WORKSHOP	Selangor / KL
27 January 2022	CE WORKSHOP	Selangor / KL
16 February 2022	CE WORKSHOP (CHARTER MEMBER IN-HOUSE TRAINING)	Selangor / KL
17 February 2022	FPAM ANNUAL EVENT : ANNUAL CHAPTER MEEETING 2022	Selangor / KL
24 February 2022	CE WORKSHOP	Selangor / KL
07 March 2022	CE WORKSHOP (CHARTER MEMBER IN-HOUSE TRAINING)	Selangor / KL
08 March 2022	CE WORKSHOP (CHARTER MEMBER IN-HOUSE TRAINING)	Selangor / KL
09 March 2022	CE WORKSHOP (CHARTER MEMBER IN-HOUSE TRAINING)	Selangor / KL
10 March 2022	CE WORKSHOP (CHARTER MEMBER IN-HOUSE TRAINING)	Selangor / KL
17 March 2022	CE WORKSHOP	Selangor / KL
24 March 2022	CE WORKSHOP	Selangor / KL
26 March 2022	CE WORKSHOP	Melaka
29 March 2022	CE WORKSHOP (CHARTER MEMBER IN-HOUSE TRAINING)	Selangor / KL

To:
Certified Members and Charter Members,

PROVISIONAL NOTICE

22nd ANNUAL GENERAL MEETING

OF THE FINANCIAL PLANNING ASSOCIATION OF MALAYSIA

NOTICE IS HEREBY GIVEN that the twenty-second Annual General Meeting of the Financial Planning Association of Malaysia will be held on **Saturday, 25 June at 10.00 am.**

The AGM will be conducted virtually, in line with safety practices amid the ongoing efforts to mitigate the spread of Covid-19.

By Order of the Board
Husaini bin Hussin
Honorary Secretary
25 April 2022

Note: Only Certified Members who have fully paid all fees payable in respect of their membership as well as fullfed the CE Points Requirement for year 2021 before the date of the Annual General Meeting are entitled to attend. Registration is required to attend. Registration link will be emailed to all FPAM Certified Members.

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b) A high-resolution photo of yourself

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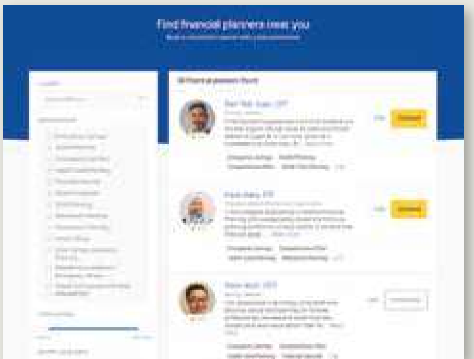

- Smartfinance.my is a platform to encourage members of the public to easily find a licensed financial planner to assist them in their financial management and growth. They are able to search, communicate and match their needs to suitable licensed financial planners using the website.

- In addition, Smartfinance.my also offers financial content and tools from reliable sources to educate them on financial planning matters.

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