

Protection through Education

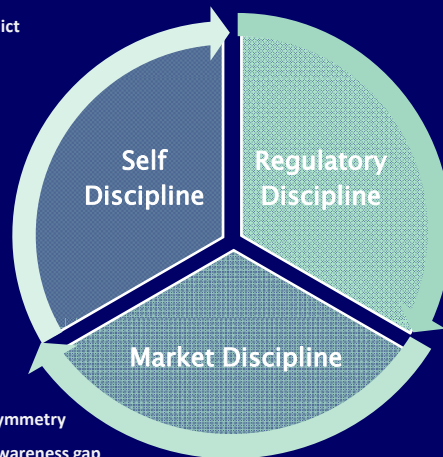
Towards a More Inclusive and Secure Financial World

Sujatha Sekhar Naik
 Securities Commission Malaysia

SEBI – OECD INTERNATIONAL CONFERENCE ON INVESTOR EDUCATION
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Post-Global Financial Crisis: Breakdown Of Key Pillars Of Investor Protection

- Poor corporate governance
- Unethical conduct/conflict
- Poor risk management
- Lack of transparency
- Poor disclosure & sales practices



- Inadequate oversight
- Regulatory gaps – arbitrage, reach, structural impediments
- Regulatory capacity & resource
- Inadequate Education & Awareness

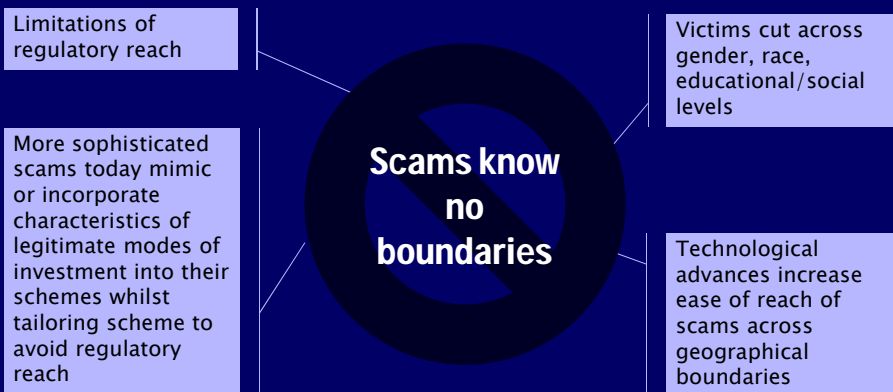
- Information asymmetry
- Education & Awareness gap
- Failure of gatekeepers – Advisers, Auditors
- Conflict issues undermined role of watchdogs- analysts, investor associations, media etc.

Tools of market discipline have failed investors

- Ineffective disclosure-based regulation
 - Lack of transparency
 - Ineffective disclosure
 - Poor sales practices
 - KYC in form not substance
- Poor corporate governance
- Poor risk management
- Failure of gatekeepers/watchdogs
- Failure to address conflicts of interest

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Scams – A continuous challenge



Challenge in ensuring reach of investor education cuts across uneven and diverse (multi cultural/multilingual) population distribution

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Investors themselves are also partly to blame

Increased access to complex products	→	Not matched by requisite understanding
Due diligence	→	Inadequate level of due diligence and unwillingness to access information
Product suitability assessment	→	Indifference/apathy in matching product to investment objective and risk profile at point of sale
Human nature	→	unacceptable levels of greed, apathy and naiveté
Accountability	→	Unwillingness to take responsibility/accountability for investments

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From the Regulatory Perspective.....

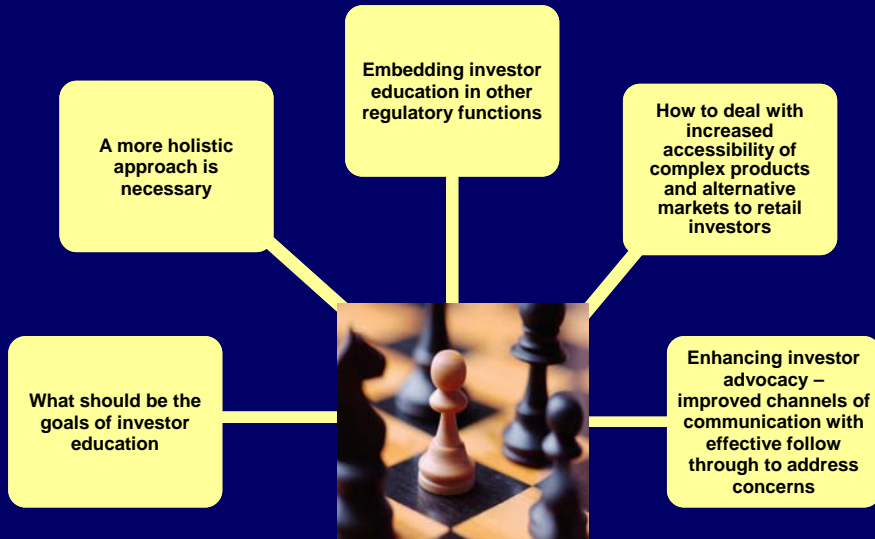
In a continuously evolving market there will always be :-



A sound regulatory framework is not in itself sufficient

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Approach to protecting investors through investor education needs rethinking

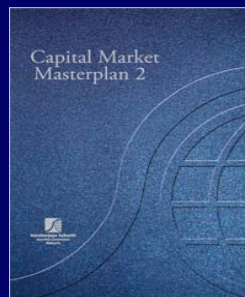


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Malaysia: Strategic Focus In Investor Education as a key Component of Protection

Investor education continues to play a key role in SC's statutory mandate of ensuring adequate investor protection

This is reflected in the continued strategic focus given to investor education in the governance strategies set out in the SC's Capital Market Master Plan 2 (Issued in April 2011)

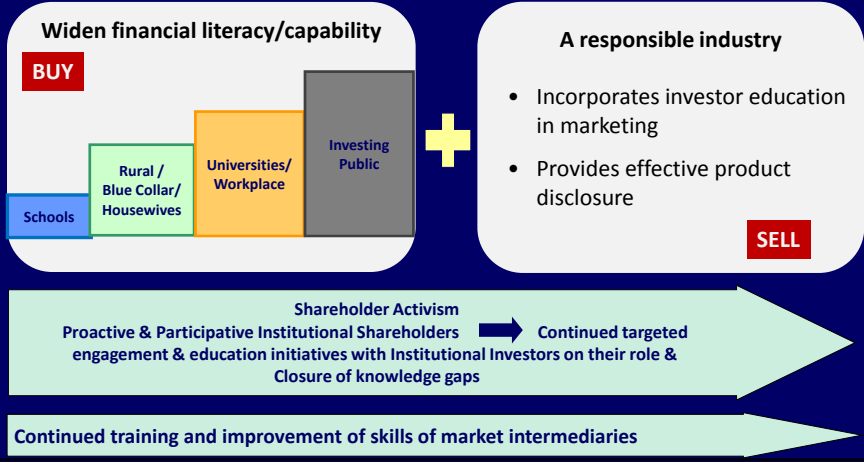


CMP 2 recognises the strategic importance of promoting investor education initiatives to *enhance investor sophistication and awareness* of the capital market as well as *exerting market discipline*

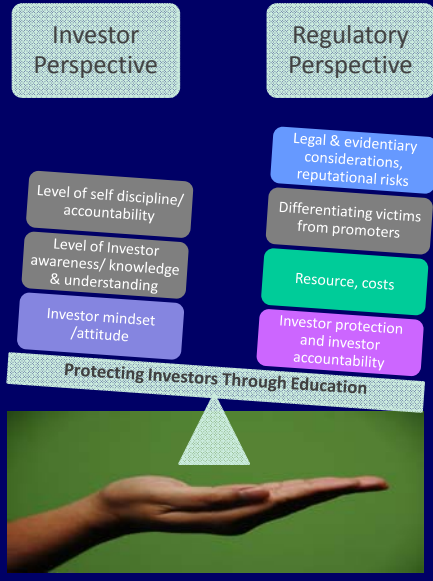
SC's Investor Education Strategy

Objective: Knowledgeable and Vigilant Investors

Increase Investor Awareness



Challenges faced – managing investors' expectations



Investor education approach needs paradigm shift

Traditional Approach	What needs to change	Strategy moving forward
<ul style="list-style-type: none"> Investor education pursued independently of other regulatory goals Paternalistic Regulators take primary responsibility – moral hazard Intermediaries have little or no role Focus on retail investors Insufficient focus on behavioral risk <p>Traditional approach focuses on the 'buy side' of the investment value chain</p>	<ul style="list-style-type: none"> Education must be viewed widely, not as isolated function Pursue investor education as a key component of regulatory function Leverage on opportunities for investor education when carrying out other regulatory function Establish meaningful KPIs to measure success and effectiveness 	<ul style="list-style-type: none"> Targeted approach to investor education; Complement 'buy-side' initiatives with sell-side efforts; Collaborative & coordinated efforts with industry; Embedding investor education across the investment chain. Continuing to build the IE trajectory from financial literacy to financial capability across the investor segments - starting from children as future investors

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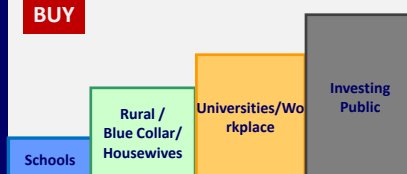
SC's Investor Education Strategy Remains Relevant

Objective: Knowledgeable and Vigilant Investors

Increase Investor Awareness

Widen financial literacy/capability

BUY



A responsible industry

- Incorporates investor education in marketing
- Provides effective product disclosure

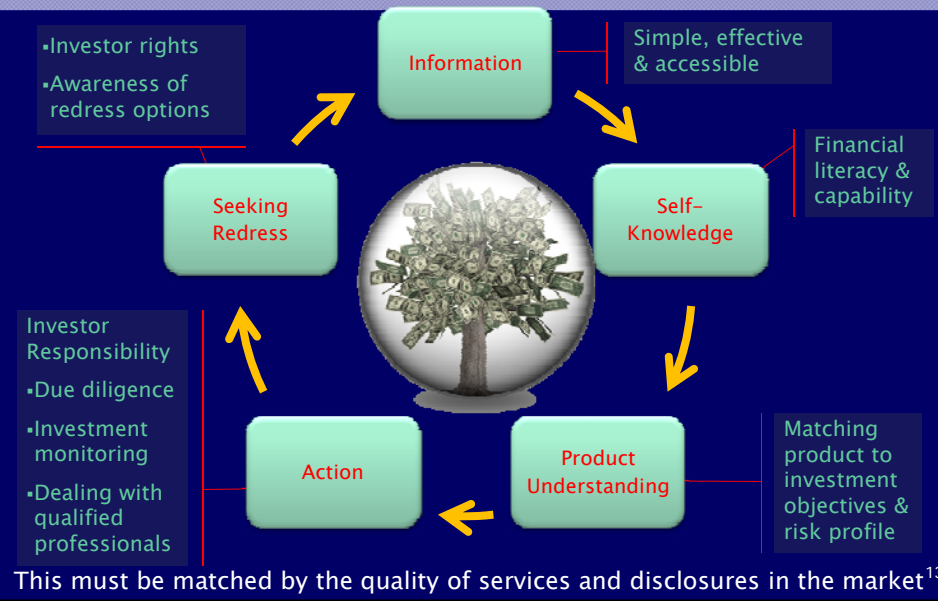
SELL

Shareholder Activism
Proactive & Participative Institutional Shareholders → Continued targeted engagement & education initiatives with Institutional Investors on their role & Closure of knowledge gaps

Continued training and improvement of skills of market intermediaries

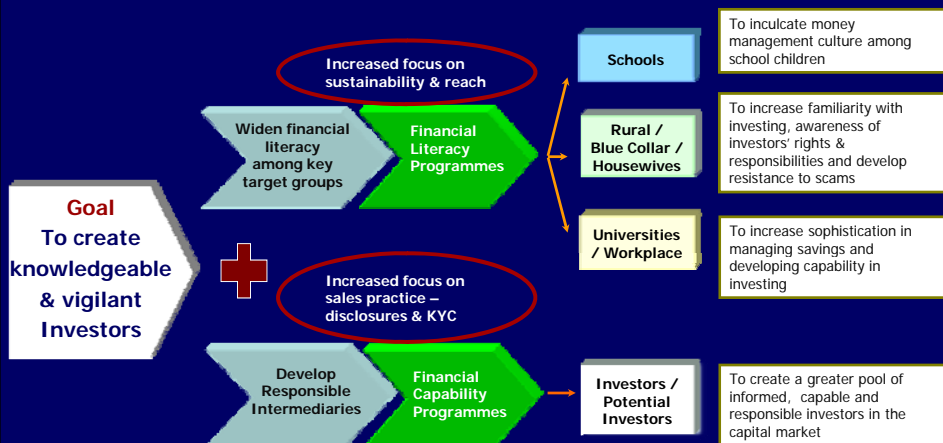
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SC's Investor Education Strategy in Practice. . .

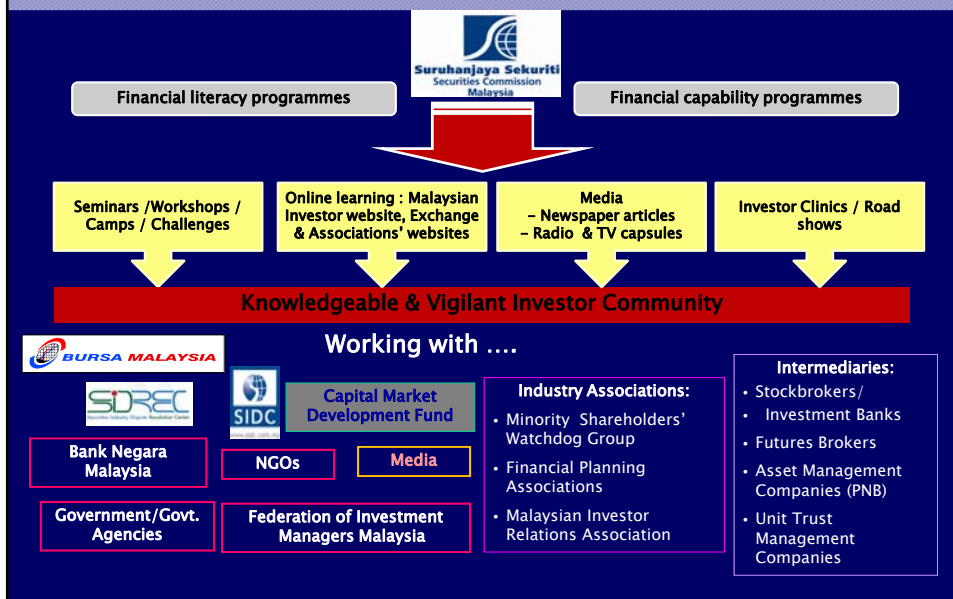


SC's Investor Education Strategy – Focus Areas

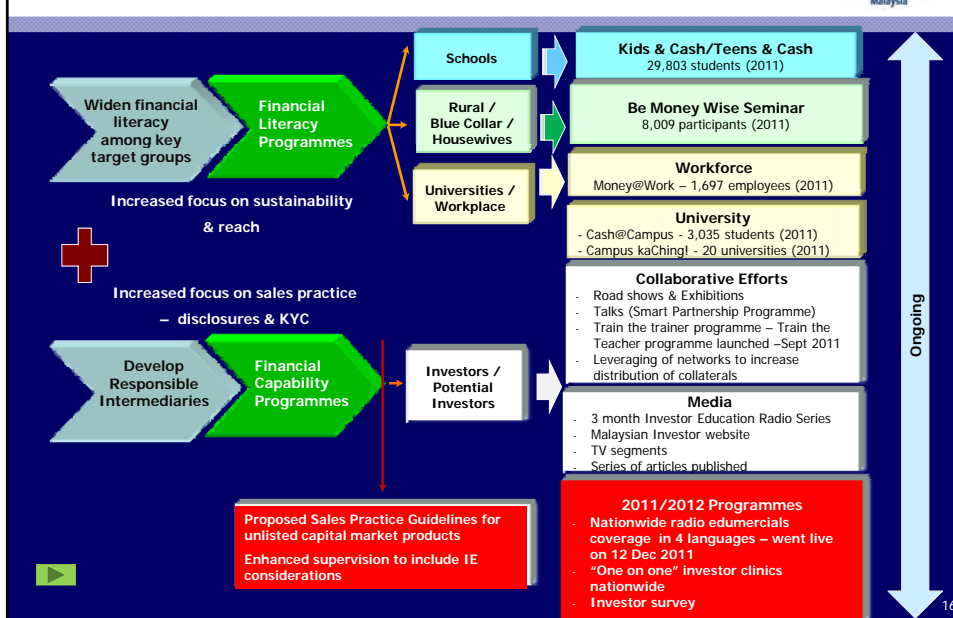
Enhancing investor protection by ensuring investors are knowledgeable and vigilant of their rights



Strategic Partnerships in Delivering Investor Education Programmes



SC's Investor Education Strategy – Focus Areas



Investor education - not a cure all but a necessary vaccine



Embedding investor education across the investment chain



Contributes to effective risk management



Results in a responsible, informed investor



Strengthens market discipline & acts as catalyst for self discipline



Accelerates the correction of imbalance in the 3 market disciplines



Rebuilds investor confidence & trust in the market

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Investor Education does have a Positive Impact

An impact survey was conducted among 800 random participants, gauging the effectiveness of our Be Money Wise (B.M.W.) programme

Post-Programme Knowledge Application

More vigilant when considering an investment.

87.3%

Started implementing a personal budget.

85.8%

Started setting financial goals using S.M.A.R.T.

84.4%

Post-programme Adopted Behaviours

Setting aside an amount of money for saving/investing.

88%

Legal & Illegal Scheme Differentiations

Able to differentiate between legal and illegal investment schemes.

87%

Contact for Checking Legality of Investment Product

More aware to contact SC.

65.2%

Knowledge Application & Its Duration

Applied the knowledge from the programme in less than 12 months.

88%

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Investor Education does have a Positive Impact

Increase in enquiries pre-investment as opposed to post investment

Enquiries made regarding legality and status of various investment schemes offered to the public prior to investment decision

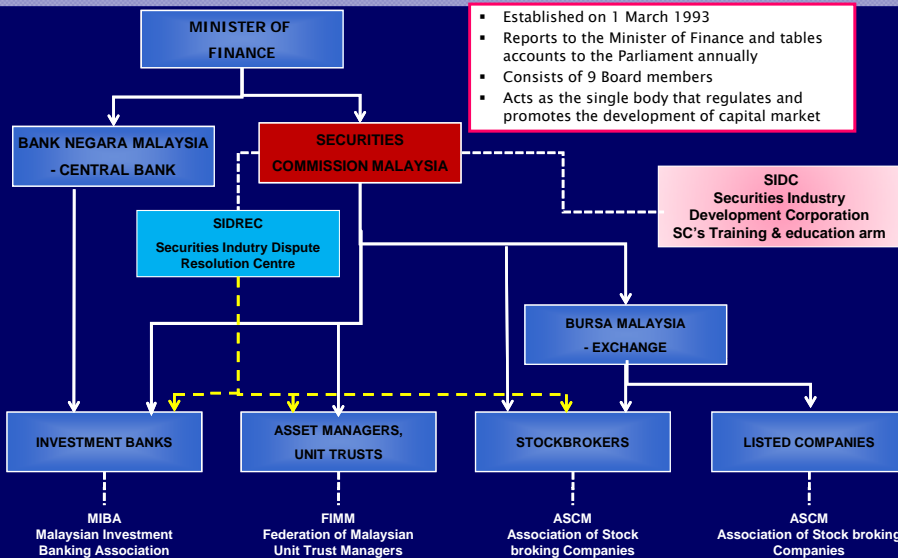
Improvement in quality of complaints

Quality of complaints received reflect investors' higher level of understanding of rights and avenues for redress, as well as the capital market & products/services

Increase in investor activism

Increase in level of shareholder activism through participation and exercise of rights at general meetings as well as in highlighting issues to regulators, Minority Shareholders Watchdog Group and the media

Malaysian Capital Market Institutional Framework



Thank You