

MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No. 200001022382 (524989-M))

The Star, Starbiz – Thursday, 31st December, 2020 (C)

Unlicensed stock gurus on SC radar

Commission issues guidance on provision of investment advice

By GANESHWARAN KANA
ganeshwaran@thestar.com.my

PETALING JAYA: A quick check on social media platforms and blogs would reveal that unlicensed “investment gurus” have mushroomed, especially after the stock market boomed earlier this year.

By offering stock ideas and “buy” calls, these unlicensed investment gurus are taking advantage of the new and inexperienced retail investors who have flooded the market in search of higher profits as fixed deposit returns decline due to lower interest rates.

The Securities Commission (SC), which is

aware about the increase of such individuals, has issued a clarification yesterday on what constitutes a legal and licensed investment advice.

The capital market regulator also cautioned investors against dealing with unlicensed investment advisers to avoid being defrauded or used as part of a market manipulation scheme.

Industry experts have welcomed the guidance note from the SC, citing the need to raise awareness among the public and those currently involved in giving unlicensed investment advice.

Minority Shareholders Watch Group chief

executive officer Devanesan Evanson said the issuance of the guidance note is timely, considering that there has been a proliferation of activity on the Internet which may cross the line between investment guidance (an unlicensed activity) and the regulated activity of investment advice.

“It is good that the SC has provided granular details on the considerations that the SC will take into account when determining whether a person is ‘carrying on a business of advising others’ namely the regulated activity.

> TURN TO PAGE 2

Guidance note to give further clarity on regulated investment advice

> FROM PAGE 1

“The guidance note will be effective as the ‘investment gurus’ have now been put on notice as to what constitutes the regulated activity of investment advice, the ‘investment gurus’ cannot now feign ignorance,” he told *StarBiz*.

Devanesan also said that the current proliferation of unlicensed investment advisers is a worrying trend.

“Many individuals and organisations, either ignorantly or purposely, may be offering investment advice which is a licensed regulated activity.

“For the ignorant, the guidance note is timely education and for those who knowingly offer investment advice without a licence, it is a timely reminder,” he added.

Concurring with Devanesan, Financial Planning Association of Malaysia chief executive officer Linnet Lee welcomes the issuance of the guidance note by the SC.

She said it would provide further clarity on regulated investment advice, not only for investors but also to those currently involved in providing unlicensed investment advice.

“This is an additional move by the SC on regulating the activity of giving investment

advice, in addition to its continued monitoring and enforcement in the market.

“I believe the guidance note may encourage the unlicensed investment gurus to either register themselves under the SC or to ensure that they do not go against the regulations while they conduct trainings or seminars,” she said.

Lee pointed out the importance of investors seeking assistance from licensed advisers, given the fact that they would have proper channels to voice their complaints against the advisers in the event of any problem or grievances.

In its Guidance Note on Provision of

Investment Advice, the SC however said that not all investment-related activities require a licence.

“Generally, conducting trainings or seminars on stock trading would not likely require a licence from the SC.

“However, a licence is required if your training or seminar includes any material, content or if any of your trainers or speakers makes a statement that amounts to a recommendation or inducement to take action or position (for example, buy, sell or hold) regarding a particular class, sector, or instrument in relation to securities or derivatives,” it said.