

GUIDANCE NOTE ON PROVISION OF INVESTMENT ADVICE

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Suruhanjaya Sekuriti
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Malaysia

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PART I

INTRODUCTION

Background and Purpose

- 1.1 In the past year, the Securities Commission Malaysia (**SC**) has received an increasing number of queries from the public seeking clarification regarding investment advice activities. Considering that this activity is gaining more attention, this Guidance Note on Provision of Investment Advice seeks to provide clarification as to when the activity of giving investment advice is likely to be considered as a regulated activity, for the purposes of licensing under the *Capital Markets and Services Act 2007* (**CMSA**).
- 1.2 This Guidance Note should be read together with the relevant laws and regulations, and guidelines issued by the SC.
- 1.3 This Guidance Note is not intended to be a legal advice provided by the SC and does not prevent the SC from taking an action should the need arise. Therefore, it is in your interest to seek appropriate legal advice as to whether your activity of giving investment advice, requires a license under the CMSA.

PART II

GUIDANCE NOTE ON PROVISION OF INVESTMENT ADVICE

General

2.1 When is a person required to hold a license for carrying on the regulated activity of providing investment advice?

A person is required to be licensed by the SC for providing investment advice under the Schedule 2 of the CMSA when the activity fulfils any one of the following:

- (a) carrying on a business of advising others concerning securities or derivatives; or
- (b) as part of a business, issues or promulgates analyses or reports concerning securities or derivatives.

2.2 What considerations will the SC take into account when determining whether a person is 'carrying on a business of advising others concerning securities or derivatives'?

The SC will take into account the overall circumstances of a person undertaking the activity in making such assessment. As such, the use of a disclaimer if any, does not, of itself, determine whether an activity amounts to carrying on a regulated activity of investment advice. For ease of understanding, the considerations are explained in two parts as shown below.

Any communication involving providing recommendations or opinions which are likely to induce a person to take any action or position (e.g. buy, sell or hold) regarding a particular class, sector, or instrument in relation to securities or derivatives, is likely to be considered as "**advising others concerning securities or derivatives**".

The SC is more likely to consider that a person is '**carrying on a business**' if the activity is undertaken in a structured manner with regularity, or where any of the following is in place:

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

The factors mentioned above are not intended to be exhaustive.

Illustrations

3.1 **If I discuss on specific stocks on blogs, forums or other social media, would I be required to be licensed to provide such investment advice?**

As discussed in paragraph 2.2, the SC will take into account the overall circumstances in making the assessment.

However, the SC is more likely to consider your discussion on specific stocks on blogs, forums or other social media as an investment advice if they involve the provision of recommendation or opinion which may induce your reader or audience to take an action (e.g. buy, sell or hold) regarding the specific stock.

Your activity of giving investment advice is likely to require a license under the CMSA, if that activity is considered as carrying on a business. Some of the factors that may be taken into consideration in determining whether an activity is carried on as a business are discussed in paragraph 2.2.

3.2 **If I conduct trainings or seminars on general stock trading techniques for a fee, do I need to be licensed as an investment adviser?**

Generally, conducting trainings or seminars on stock trading would not likely require a license from the SC. However, a license 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 (e.g. buy, sell or hold) regarding a particular class, sector, or instrument in relation to securities or derivatives.

3.3 **If I am a licensed representative for dealing in securities and/or derivatives (CMSRL holder), can I conduct stock or derivatives trading seminars on a personal basis?**

The CMSRL holder may only conduct stock or derivatives trading seminars if he is representing his Principal (CMSL) and it is incidental to his role as a CMSRL holder. Incidental in this regard means circumstances where the CMSRL holder is providing advice in his capacity as the commissioned or salaried representative of the CMSL and only to his clients. The CMSRL holder is not allowed to provide recommendations on specific stocks or derivatives beyond such scope, for example to the general public or non-clients.

3.4 **If I am invited as a radio or television guest to express my views on the stock market, is there any guidance or best practices I should observe?**

Whether on radio, television or any other manner of communication, if you are making any comment concerning securities or derivatives, you are strongly encouraged to disclose to your audience (including readers) in your communication:

- whether or not you are licensed by the SC for providing investment advice; and
- any interest that you may have in the securities or derivatives that you discuss about.

However, the making of such disclosure in itself, does not absolve you from the responsibility to assess your own circumstances before conducting the activity, as to whether you are required to hold a license under the CMSA, or if you are licensed, whether or not such activity is permitted within the scope of your license.

3.5 **Other than conducting a regulated activity without holding a valid license, what are examples of offences that an unlicensed person can be held liable for under the securities laws?**

Provisions under the securities laws which will apply to any person including an unlicensed person include:

- No person shall engage in any transaction which has or likely to have the effect of raising, lowering, or maintaining the price of securities or derivatives, for the purpose which may include inducing others to buy or sell the securities or derivatives;
- A person shall not make false or misleading statements that is likely to induce another person to buy or sell the securities or derivatives or is likely to have the effects of raising, lowering or maintaining the price of securities or derivatives;
- A person shall not recklessly make any statement, promise or forecast that is misleading, false or deceptive to induce or attempt to induce another person to deal in securities or derivatives.

A person who contravenes any of the abovementioned provisions commits an offence under the securities laws and can be punished with imprisonment for maximum 10 years and to a minimum fine of RM 1 million.

3.6 **I am licensed to provide investment advice, what standard of conduct should I observe as part of my fit and proper requirement?**

As a person licensed under the CMSA, you are required to adhere to certain standards in carrying out regulated activity so as not to cast doubt on your competency, sound judgement, and integrity.

For example, you should not make any false or misleading representation that is likely to induce a person to invest in securities or derivatives. Such representations may include stating that an investment is capital guaranteed when it is not, or promising an investment that will give high return with minimum risk of loss to the investor.

If these standards are not adhered to, it can affect your overall fitness and propriety as a licensed person and result in sanction being imposed against you.