MALAYSIAN ASSOCIATION OF ASSET MANAGERS

23rd Annual General Meeting of the Association held on Wednesday, 25 March 2020 at 10:30 a.m.

Committee’s Report on the Activities of the Association during the year 2019

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Good morning Members,

MAAM is a not-for-profit organization that represents the interests of SC-licensed fund management firms. Today, MAAM consists of 25 firms licensed to manage assets for a wide variety of institutional and individual clients, including pension plans, trusts, investment companies, endowments, foundations, and corporations.

MAAM fills a critical role as the only organisation dedicated to representing the interests of the fund management industry. MAAM serves as the industry’s spokesperson and advocate on issues that affect the industry, and ultimately all fund management firms. MAAM is constantly engaged with the Securities Commission, Bank Negara, Bursa Malaysia, the SIDC and the MASB regarding major initiatives affecting the fund management industry. Your Committee is pleased to report on 2019’s activities as follows:

Membership Changes 2019

MAAM’s membership count for its Ordinary class for 31 December 2019 is shown below.

Ordinary Category

1 In 2019, a total of 24 out of 27 members have renewed their subscription. Goldma Sachs (Malaysia) Sdn Bhd, Navis Management Sdn Bhd and VCAP Asset Managers Sdn Bhd have decided not to renew their memberships in 2019.

2 We welcome Value Partners Asset Management Malaysia Sdn Bhd as a new member in the first quarter of 2019.
3 We will continue to recruit new members to join us during the course of the year.

**Associate Category**

4 We will like to welcome HelloGold Sdn Bhd who has joined us as an associate member in May 2019.

**Advocacy**

**Digitization Working Sub-Committee**

5 Setup in 2018, the members of the sub-committee are:-

- Eastspring Investments Bhd
- Nomura Asset Management Sdn Bhd
- Franklin TempletonAsset Management (M) Sdn Bhd
- Kenanga Investors Bhd
- Singular Asset Management Sdn Bhd
- Principal Asset Management Bhd
- RHB Asset Management Sdn Bhd
- Opus Asset Management Sdn Bhd
- Aberdeen Standard Investments Sdn Bhd

The sub-committee will need to look into how this new infrastructure for digital onboarding will work for both large, mid and small asset management companies. In 2019 some members of this committee was involved in various committees set up by the SC to explore and recommend digitization proposals for the capital markets.

6 Securities Commission and Bank Negara are working together to setup a national e-KYC platform through the BRIDGe working group. The first discussion was very broker-centric. The reason for being broker-centric is that the regulators feel that our workflows are not as intensive. However, many of the processes may be replicated for asset managers and unit trust companies. The discussion revolved around 3 channels: digital onboarding, trade & settlement and corporate actions.
Industry Dialogue 2019

SC Dialogue 2019

7 The Committee attended a few engagement sessions with the SC in third quarter of 2019 and had a dialogue with SC on 16 October 2019. The theme is on market overview and key focus areas. The other industry associations present were MAAM, FIMM and ATCM.

8 MAAM highlighted the following issues based on the The Evolving Business of Asset Management - Malaysia’s Perspective Report released in June 2019 by Institute for Capital Market Research Malaysia (ICMR) in collaboration with Nomura Institute of Capital Markets Research (NICMR).

9 MAAM’s recommendations in creating classifying into 3 areas of strategic initiatives in response to the ICMR report:-

- Promoting inclusive capital markets:-
  i) Recommendation 1 - Facilitating market diversity for revitalization
  ii) Recommendation 6 - Widening product range
  iii) Recommendation 9 - Establishing a high-level task force to address regulatory and policy harmonization

- Strengthening intermediation role:-
  i) Recommendation 7 - Strengthening the value of distribution channels
  ii) Recommendation 8 - Embedding financial literacy

- Enhancing value creation:-
  i) Recommendation 3 - Developing talent through internationalization and reciprocal relationships
  ii) Recommendation 4 - Embracing the digital disruption

10 SC chairman has concern on market and growth, behaviours shaped by digitization, digital economy as an enabler for inclusion, principle-based and sustainable investments, aging economy by 2021 (7% of population are
greater than 65 years old; treated effort to prepare for silver economy), CAGR 24% in AUM past 10 years but signs of slowing down, the need to look at product innovation, need to invest in digital solution & strategy, investment managers should consider long term value creation & social economic factors for decision making.

11 En Kamarudin Hashim Executive Director, Market & Corporate Supervision presented the market overview and highlighted the following:-

- Challenging local equity performance
- Declining bond yield and slower global growth
- Concerns with unresolved trade disputes
- Good performance on mid and small-cap markets
- Net foreign buying in local bond markets
- Transparency and disclosure of digital assets, artificial intelligence and level of accountability

12 There are ASEAN initiatives such as sustainable finance initiatives (professional mobility – ACMF pass cross border movement of investment advisors & publication of research reports, infrastructure financing – accelerating financing & documentation).

13 Securities Commission highlighted the following:-

ACCESS

- Access to alternative fund raising avenues
- Successful ECF and P2P financing
- RM578 million funds raised
- Islamic blueprint to include ICMA standards
- Regional SRI centre – 5I strategies (SRI instruments, increase SRI investor base, strong SRI issuer base, instilling internal culture & governance, design information infrastructure in SRI ecosystem); tax exemption for management fees of SRI funds

AGILE

- Digitization – FMDG fund management digitization group steering committee (Chair – SC, member reps – SC, BNM, MAAM, FIMM, ATCM)
- Team in SC looking at economy, sustainability & landscape of retirement savings
- Focus on PRS as supplementing existing pension system in Malaysia as a 3rd pillar
COMMITTEE'S REPORT ON THE ACTIVITIES OF THE ASSOCIATION DURING THE YEAR 2019

- 3 prong approach:-
  i) Enhance value proposing
  ii) Strengthen key feature
  iii) Broadening investor understanding
- Look at alternative distribution channels, future of advisory business, empowering consumers

ACCOUNTABILITY

- Fostering long term sustainable growth, focus on corporate governance
- Management of cyber risk
- Guiding principles on business continuity
- Dynamic supervisions & surveillance
- Enforcement
- Investors education of raise awareness on scam & illegal activities
- Invest smart roadshow & campaigns
- SC part of FEN: Priorities – 1) nurture values from young 2) increase access to financial management information, tools & resources 3) inculcate positive behavior

14 SC’s feedback on MAAM’s presentation:-
- SC undertaking holistic review of derivatives market & their framework
- SC chairman wants us to discuss derivative issues offline with his team
- SC allows feeder funds – looking at guidelines to increase efficiency
- SC reviewing UT guidelines – looking at framework to allow registration within; too much mapping
- SC wants MAAM to engage with FIMM to discuss how to improve more transparency of fees
- SC is reviewing the aligning cycle of funds (may change from calendar to business day)

Education

International Institutional Investor Series (“IIIS”)

15 The latest IIIS event was held on 25 June 2019 at the EQ Hotel Kuala Lumpur. The theme was “Mapping the Future of Fund Management – Options & Challenges”.
16 Media such as Smart Investor, The Edge and The Star were present at the event. SC Chairman was impressed with the organization of this event. To summarize, we received sponsorships of RM84,000 (from Kenanga Investors, DTCC, CME Group, Refinitiv and Eurex). Paying delegates totalled to 150 pax. Special thanks to all members who paid for their clients to attend this event. Many were impressed by the venue and quality of the speakers on the panel as well as the low price of the tickets. Speaker costs are not borne by MAAM but by the members who invited them and the sponsors.

Knowledge Sharing Event

17 The Institutional Investors Council Malaysia (IIC) together with MAAM held their first event to introduce themselves to members of MAAM on 28 August 2019. The IIC will play an important role to represent the common interests of institutional investors in Malaysia. This industry-led initiative will be a platform to shape and influence a wider sphere of corporate governance culture through among others, the effective adoption of the Code. The establishment of the IIC is also in line with the recommendations of the Corporate Governance Blueprint 2011 launched by the SC in July 2011. The IIC was formally established under the Societies Act 1966 on 29 December 2017.

18 Their objectives are:

- to represent the interest of institutional investors
- to provide vision and strategic direction in relation to IIC and MCII
- to advocate, provide guidance and monitor the adoption of the MCII
- to be the platform to influence good corporate governance culture

CE Course

19 MAAM’s CE course, held on 24 July 2019, was titled “Fundamentals of Shariah Wealth Management for Investment Professionals”. The course will equip professionals in the fund and wealth management industry with the fundamental knowledge of Shariah in wealth management and the varieties of products and services available in Islamic wealth management industry. A total of 21 participants attended this course.
Industry Developments

Green Financing Task Force

20 SC, at the behest of the Ministry of Energy, Science, Technology, Environment & Climate Change (MESTECC), started this task force. The ministry wants SC to come out with a blueprint by July that involves taking all these small projects from biogas, biomass, hydro, home solar (renewable energy) and how to package them to the banking and capital markets. The average size of these projects is between RM5-10 million. Raymond had a second meeting with them and told them they need to bring in VCs at the initiation stage who may take on risks with a ratio of 15%. Fund managers are unable to take on this kind of risks. These are more for suitable for banks rather than capital markets (loan packages, structuring issues) as we are restricted by size and credit. This task force is setup to help these projects to advise funding. Bank Negara Malaysia Regional Conference on Climate Change

21 Bank Negara Malaysia invited members of MAAM to attend their conference themed “Climate Change Risk and Opportunities: Respond, Not React” and a series of technical workshops from 25-27 September 2019 at Sasana Kijang, Kuala Lumpur. This conference aimed to create awareness and understanding within the financial industry and call for action against climate-related risks. It also provides opportunities for financial institutions and investors to learn and share experiences in managing climate-related risks.

Joint Climate Change Committee

22 This is co-chaired by BNM and SC along with 1 representative from Bursa, 4 representatives from commercial banks, 3 representatives from Islamic banks, 1 representative from investment bank, 1 representative from development financial institution, 3 representatives from asset management companies (BNP Paribas Asset Management, RHB Asset Management, Bank Islam). The representatives are chosen by the regulators.

23 Main committee has to look at 4 areas:

- Risk management (taxonomy, transmission channel, stress testing) – to be led by BNM looking at banks first

- Governance & disclosure (reporting, TCFT recommendation) – to be led by industry player/Bursa, Nomura is interested to be part of this sub-committee handling this
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- Product & innovation (green capital market product development, banking & insurance products addressing this, advisory on transition to zero carbon economy) – to be led by SC/industry player

- Engagement & awareness (initiate awareness programs, connection with agencies

**Cyber Risk Working Group**

24 The cyber risk working group meets up on a quarterly basis in the SC. They share current industry cyber news. There have been a few presentations done by various associations on the issues and challenges faced by them regarding cyber risks. MAAM continues to share the minutes of these meetings to all members.

**CMSA Feedback Session**

25 There was a CMSA framework feedback session with the SC. They were seeking feedback on whether there should be enhancements to the current framework. This was a routine engagement with the industry.

**Association Operations**

**Committee Member Updates**

26 Amfunds Management Bhd represented by Pn Goh Wee Peng has decided to step down as a committee member due to her busy schedule.

27 We welcome PHEIM Asset Management Sdn Bhd represented by Dr Tan Chong Koay as a committee member in December 2019.

**Other Updates**

28 It is with regret that we received Mr Ng Chee Tiong’s resignation as an Executive Officer due to personal reasons.
Asset Under Management ("AUM") Survey

29 The Committee would like to encourage members to continue to contribute numbers to the data. Those who do not contribute input cannot access into the data provided.

Encik Raymond Tang
Chairman 2018 - 2020
Malaysian Association of Asset Managers