

ANNUAL REPORT

2015



**SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER (SIDREC)**

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## VISION

To be the preferred one stop independent dispute resolution avenue for disputes involving monetary claims relating to capital market products and services.

## MISSION

To provide the investing public and our Members, with a quality, specialised capital market dispute resolution service, through a trusted independent and impartial platform that contributes to enhancing investor confidence in participating in the capital market.

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# CHAIRMAN'S STATEMENT



**DATO' RANITA  
MOHD HUSSEIN**  
CHAIRMAN

Since its incorporation five years ago, SIDREC's focus has been to build a platform that provides an impartial, efficient and effective dispute resolution service to handle disputes between our Members and the investing public. Essential to this focus is the creation of a strong team of people with the required expertise. SIDREC's internal team of mediators and case managers are specifically trained in dispute resolution and capital market operations. Our Panel of Mediators and Adjudicators, are experts with experience in both dispute resolution as well as the capital market.

## CONTINUED COMMITMENT TO STAYING RELEVANT AND ENHANCING OUR SERVICE

SIDREC's effort to remain relevant to industry development requires that it is informed of international best practices, and in this respect it is facilitated by its membership in the International Network of Financial Services Ombudsman Schemes (INFO Network). Taking into account the development within the international network, SIDREC has undertaken an in-depth review of its own rules and processes and amended them to provide for greater clarity of its powers, process and accountabilities.

One significant amendment is the increase in SIDREC's claim limit from RM100,000 to RM250,000. As clarified under SIDREC's Rules, this does not prevent parties to a claim for an amount of over RM250,000, from availing themselves to SIDREC's mediation services by way of mutual agreement. The only difference is that the adjudication process is not available to such parties if the mediation fails.

The amendments also provide for the establishment of an Appeal Committee to hear appeals on very specific grounds of serious error of law or fact, or where there is submission of new information that could not reasonably have been obtained at adjudication stage, and in each case, would have a material impact on the findings of the Adjudicator. Members of this Appeal Committee are appointed by the Securities Commission Malaysia (SC), and comprise independent members and representatives from the SC, SIDREC, and the industry.

# CHAIRMAN'S STATEMENT

## SCOPE

The SC has increased SIDREC's scope of Members by the inclusion of market intermediaries who are providers or distributors of Private Retirement Schemes (PRS).

Furthermore, to address overlaps between the Financial Mediation Bureau (FMB) and SIDREC and ensure a consistency of approach for matters relating to capital market products and services, a special Working Group on Improving the Effectiveness of Dispute Resolution Mechanisms (DR Working Group) comprising representatives of the SC, Bank Negara Malaysia (BNM), SIDREC and FMB, was established following the SC-BNM Bilateral Meeting in 2012. Constructive and fruitful discussions within the DR Working Group have led to positive recommendations that will bring commercial banks with disputes involving capital market products or services under SIDREC's purview, once the necessary amendments to the Capital Markets and Services (Dispute Resolution) Regulations 2010 (Regulations) have been effected. We hope to be able to share with you more practical developments in this regard, in the course of this year.

The output of the DR Working Group is reflective of a very strong and effective level of engagement and collaboration between

the regulators and the respective alternate dispute resolution (ADR) bodies, in assessing and addressing areas of overlap, as well as the needs of the overall financial markets and its consumers.

We have also reached out to our other peers in the dispute resolution industry and furthered our discussions for collaboration on awareness and capacity building with the Kuala Lumpur Regional Centre for Arbitration (KLRC). We have in this regard entered into a Memorandum of Understanding (MoU) to support each other's respective objectives to build awareness and capacity; and SIDREC's specific objective of building specialised expertise in ADR for the capital market. Such efforts would benefit not just SIDREC's specific needs but the capital market industry as a whole. We hope that the capital market professionals, ADR and legal fraternity, will see this as a definite area of interest to explore.

With its extended reach, SIDREC is well positioned to play an effective role in helping both investors and our Members resolve their monetary disputes, and concurrently provide valuable feed-through to its Members and the industry regulators, of gaps that may be of concern, and of challenges faced by investors, enabling Members and regulators to take timely measures where appropriate.

## FOCUS GOING FORWARD AND CMDF GRANT

Over the next three years, SIDREC's developmental initiatives will centre on the following two integral components:

- First - the dissemination of an adequate and sustained level of awareness and understanding of SIDREC's services. In short, the investing public must readily recognise and identify SIDREC as the logical impartial recourse to which they can turn for assistance in disputes; and
- Secondly - a structured training and developmental approach to ensure that the knowledge and expertise of our case managers, mediators and adjudicators remain at a high standard and relevant to developments and regulatory expectations. It is important for SIDREC to also have a continuing source of expertise to tap on. The combination of expertise required i.e. that of ADR knowledge and skills together with strong capital market knowledge and experience, is not an easy one to find and retain. So this is an area that must be prioritised to ensure SIDREC can continue to provide a quality and effective service on a sustainable basis.

An analysis of the activities and necessary expenses involved in meeting the two components clearly showed that external funding was needed to supplement SIDREC's limited resources.

We applied for funding from the Capital Market Development Fund (CMDf) and succeeded in getting a grant of RM3.096 million to help us achieve the objectives of our developmental initiatives. The CMDf's grant is tied to very clear key performance indicators and regular reporting of progress. The grant is an expression of tremendous support and faith in SIDREC's work. We look forward to the challenge and will work with our stakeholders to move this agenda forward.

# CHAIRMAN'S STATEMENT

## COOPERATION, COLLABORATION AND ACTIVE ENGAGEMENT

2015 has been a busy year for SIDREC. Apart from the review and amendment of its Rules and enhancements to process and operations, considerable effort was made to engage with Members, to ensure that Members and their representatives are kept adequately informed of what SIDREC does and how its role is to help not just investors but its Members. We have held briefing sessions with Members, embarked on a Newsletter for Members and introduced a Member's Portal on our website. These initiatives serve as an added avenue for Members and SIDREC to communicate at all levels, and also to provide access to useful information.

SIDREC views its function as part and parcel of the consumer related process in the capital market industry. Capital market intermediaries, who are Members of SIDREC are the front line players in this process. There is a compelling reason why in-house complaints resolution frameworks within Member companies are required to be exhausted before SIDREC steps into the picture. It is to encourage trust between the investor and the Member. If and when a case proceeds to SIDREC, it does not

necessarily impute wrongdoing on the part of the Member. In many cases it takes the form of a continuation of the consultation and problem resolution process. Through our processes, effort is made to educate investors in respect of any area where their own action or inattentiveness may have contributed to losses in the market. We also make it a point to share any areas of concern or challenges faced by investors with our Members, to be fed into their own internal review and control systems. Nonetheless, it bears mention that weakness in risk management and operational control do not fully account for misconduct in the industry. There are deeper issues of a de-personalised relationship between the company and the investor, which hinders the growth of client confidence and trust. There is sometimes a tendency to favour short-term profit over long-term prudence, and building long-term relationships. SIDREC offers its Members an opportunity to pause, take stock, interact with clients in a neutral environment, and collaborate in promoting knowledge among investors and industry representatives and building trust within the industry.

## APPRECIATION

We thank our Members for their support in our awareness efforts and hope that our efforts to engage everyone over the course of the year have helped form a connection that we can continue to strengthen and mutually benefit from.

On behalf of the Board, I would also like to record my sincere appreciation to SC for their continued support and guidance. I would also like to thank our panel of Mediators and Adjudicators, both in-house and external, for their commitment and passion and high expertise that they bring to the table.

SIDREC's agenda promises a very interesting and productive year ahead. I take this opportunity to thank my fellow members of the Board, and the management and staff of SIDREC for their commitment and hard work over the past year, and their continuing effort towards achieving SIDREC's vision.

DATO' RANITA MOHD HUSSEIN  
CHAIRMAN



SUJATHA  
SEKHAR NAIK  
*CHIEF  
EXECUTIVE  
OFFICER*

When SIDREC started out just almost 5 years ago, it was with the vision of filling the gap in redress avenues for investors in the capital market, by building a specialist, independent and impartial avenue to help resolve disputes involving monetary claims between investors and capital market intermediaries, and to do so in a timely and affordable manner with the benefit of a confidential and informal environment. This is what the Board, with the first CEO, set out to do and what we have continued to build. Indeed supported by a strong team of case managers and our Panel of Mediators and Adjudicators, we have seen considerable value add to both parties in the process and valuable feed through to the regulator and the market, in terms of issues that arise in a dispute.

The question is then, what an avenue such as ours brings to the table? A mandated specialised dispute resolution body, like SIDREC and our counterparts, play an important role in the capital market. Through this mandate, we are able to draw together our understanding of regulatory expectations, of industry best practices together with an insight on challenges faced by both investors and our Members, to provide an informed dispute resolution service. A service that is without an attachment to the outcome, and as such both independent and impartial, and sufficiently informal in process to allow our team to get to the heart of the matter and try to resolve the dispute focusing on the interests of the parties and what is fair and reasonable. Where a mediated resolution is not possible, we will adjudicate the matter and issue a decision that where the claimant accepts it, is binding on our Members, providing closure and a clear outcome. And we do this with a team with the requisite expertise.

But however complete or strong a framework one might build, it is only effective when:

- the people who need the service know it exists and understand how we can help;
- the infrastructure and capacity of our operations facilitates the sustainability of the quality of service and expertise we bring to the table; and
- the scope of our remit remains relevant to effectively meet the needs of the market not just within our current remit but where needed for higher claims and with a broader membership.

This is what we are working to ensure. We have over the last 3 years had the opportunity to undertake a comprehensive internal review of our operations and revisit our objectives, and in this process, to hone our rules and processes to better meet the challenges and needs of a developing market. This also involved a review of our Rules, our scope and effectiveness, and engagement with the regulator, Securities Commission Malaysia (SC), to effect any necessary changes. This was done concurrently with the continued provision of a quality service, and in line with our areas of strategic focus.

## AREAS OF STRATEGIC FOCUS



## SOME PRACTICAL OUTCOMES OF OUR REVIEW

### • Increased scope and purview

- An increase in the maximum claim limit from RM100,000 to RM250,000 – this applies to the mandatory component of our service.
- The introduction of a voluntary component – for disputes involving claims exceeding SIDREC's claim limit, where both parties to a dispute agree, they may avail themselves of SIDREC's services for mediation only.
- Inclusion of the regulated activity of dealing in Private Retirement Schemes (PRS) within SIDREC's purview.
- Concrete discussions with the Working Group on Improving Effectiveness of Dispute Resolution Mechanism (DR Working Group), formed in 2012 with SC, Bank Negara Malaysia (BNM) and Financial Mediation Bureau (FMB) to effectively address areas of overlap.

An area of priority for SIDREC was to ensure disputes relating to capital market products or services come under SIDREC's purview, regardless of entity. In this context, on the recommendation of the DR Working Group, the SC and BNM have recently agreed to extend the scope of SIDREC's membership to include commercial banks for disputes involving capital market products and services. Work is underway to amend the Capital Markets and Services (Dispute Resolution) Regulations 2010 (Regulations) to facilitate this inclusion.

The DR Working Group is continuing its efforts to look at ways for SIDREC and FMB to cooperate and collaborate more closely in the provision of dispute resolution services to the market as a whole.

These changes are a significant increase in our scope and make SIDREC's reach and ability to help, that much more meaningful, both from the investors and market's perspective.

Whilst SIDREC's adjudication decisions are final, as part of our internal due process, we have now introduced a limited appeal avenue for Members and investor claimants, for specific grounds where it may materially affect the Adjudicator's finding.

### • Supporting the Capital Market Compensation Fund (the Fund)

With the consolidation of the various compensation funds under the Fund in 2012, disputes with monetary claims involving fraud by a participating organisation (stock broker) or trading participant (derivatives broker), also came under SIDREC's purview. The Capital Market Compensation Fund Corporation (CMC) which is responsible for the Fund, has announced that effective 23rd November 2015, it will, in relation to such claims, continue to provide access to the Fund for awards issued by SIDREC. This is subject to the CMC's rights of subrogation from the Member, should they be culpable for the act or omission of their representative found to have caused the loss. SIDREC will in this regard, work with the CMC to facilitate the process.

### • Amendment to SIDREC's Terms of Reference

Over the last 2 years, we have worked with SC on the amendments to our Terms of Reference to :

- reflect enhancements made to our processes and provide greater detail and clarity on our dispute resolution process and approach.
- reflect the increase in our scope and claim limit as well as the inclusion of a limited appeal avenue.

We have benefited from valuable input from our counterparts in the INFO Network community as well as other stakeholders.

### • Amendments to the Regulations

SIDREC's Regulations are currently being amended to reflect among others, a broadening of SIDREC's scope.



## FUNDING

### • Awareness and capacity building initiatives

Together with our increased scope comes the need to ensure our service can be easily and readily accessed by those who need help, and that the expertise required in our operations, be a sustainable commodity that remains relevant to regulatory and market developments. In order to achieve this, two components are integral, first, an adequate and sustained level of awareness and understanding of SIDREC's services; and secondly, a structured plan for training and developmental needs, to ensure the necessary level of sustainable capacity and relevant expertise that enables us to consistently deliver the quality service required.

The awareness levels on SIDREC's services, as reflected in the feedback we have received from our participation in events and workshops, remain unsatisfactory. Our focus going ahead as such, is to increase awareness and build up specialised capital market dispute resolution expertise. We will work with our stakeholders to move this agenda forward.

SIDREC has in this regard, successfully obtained much needed funding from the Capital Market Development Fund (CMDf) to put to our awareness and capacity building efforts (Developmental Initiatives). We have been fortunate to obtain RM3.096 million over the next 2 years for this purpose and are really looking forward to putting the funds to good use.

### • SIDREC's Funding Structure

SIDREC's funding structure was intended to have been finalised and implemented this year. We have indeed reached out to our Members for input and information to include into our review and formulation of funding options based on contributions by Members, for our discussions with the SC. In the course of our engagement, it was felt that as the SC was undertaking a holistic review of regulatory costs to market, it would be important for SIDREC's proposed funding structure to be informed by and consistent with the outcome of the SC's holistic review. To this end, the SC has extended their funding of SIDREC for a further year. We are actively working with the SC to finalise the funding approach and will update Members on progress at the coming Annual General Meeting.

We very much appreciate the SC's continued support of SIDREC and particularly all the work that has gone into the review of our funding structure, our scope and the amendment of our Rules, as well as in the level of engagement that has permitted SIDREC to remain in step with regulatory expectations.

## STATUS OF ON-GOING JUDICIAL REVIEW

As reported last year, SIDREC's awards in two of our cases in 2013, were challenged by a Member by way of judicial review applications. The grounds were two fold, the first relating to due process and the second relating to the adjudicator's finding that the Member was liable as a 'principal', for the loss incurred by the misconduct of its representative. It was important to SIDREC that both points of challenge were positively and effectively responded to. With regard to our processes, we are confident that due process was accorded to both parties, and SIDREC will continuously ensure that our processes will remain relevant and effective. The challenge on the 'principal - agent' relationship, was on a point that we felt was important as it impacted the capital market framework, and is an important component of investor protection and market accountability. The SC had also intervened in the judicial

review proceedings on the point of the 'principal - agent' relationship.

The High Court issued its decision in favour of SIDREC in August 2015, dismissing the Judicial Review applications with costs. The Member, however, has filed an appeal to the Court of Appeal, which is still pending.

The case provided valuable feed to the SC's policy making process and tested the established policy of principal-agent relationship. Given the input received from SIDREC and taking into account the issues raised in the case, the SC amended the law through the recent Capital Markets and Services (Amendment) Act 2015 to reinforce the regulatory and industry expectations on the principal-agent relationship. The amendment to the law makes clear that the accountability of a principal over its representatives is maintained.

## AWARENESS AND COLLABORATIVE EFFORTS

### - Investors

We have continued our awareness efforts within the constraints of our resources through our participation in the SC's InvestSmart campaign as well as Bursa Malaysia's MarketPlace campaign and other seminars and events. We have also worked to improve our website and collaterals. Those of you who have visited our website, will find it to be more user friendly, in structure and content. The information in our Frequently Asked Questions, has been updated and our animated process flow can now be accessed both in print and video in 4 languages (English, Malay, Mandarin and Tamil). We will continue to enhance the website to provide value to both the public and our Members. I hope the awareness initiatives we undertake with the CMDF funding will enable us to increase the scope and effectiveness of our efforts and significantly increase awareness levels.

### - Members

Our specific focus this year was to better engage our Members, and we have done this through the introduction of our Member's Portal on our website, a newsletter for Members, 'Starting Conversations' and Member Briefings. All these have been with the purpose of connecting to our Members not just at the corporate representative level but at the working level of their operations and compliance functions.

The portal and newsletter provide additional

avenues to communicate, consult and provide Members access to information. The briefing sessions have been interactive and been an excellent way to connect and share on what we do and on any developments, as well as engage on mutual areas of concern or challenge. The sessions were very practical and interactive and include the discussion of some case studies, and SIDREC's approach. We are also collaborating with Bursa Malaysia and the Federation of Investment Managers Malaysia, to leverage off their reach to both investors and Members who are their constituents.

We have had positive feedback from Members on all these efforts and hope to continue to make these engagements as helpful as possible with practical takeaways on the part of both Members and SIDREC.

### - Other Initiatives

We continue to work and engage other stakeholders, domestic and international and have participated and contributed in conferences focussing on an eco-system that provides for a strong and resilient capital market. It is clear that dispute resolution is globally regarded as an important component of investor protection and indeed, market self-discipline. It is considered to be a valuable feed through to both market and regulators, as well as ensuring those investors who do reach out, leave the process better informed of their

rights and own accountabilities as investors. As this is based on their own experience, the learning points are more likely to resonate and be retained.

On the regional front, SIDREC is part of the SC's team representing Malaysia in the Working Group on Dispute Resolution & Enforcement Mechanisms (WGDREM) under the ASEAN Capital Market Forum (ACMF). The focus of the WGDREM's work is to establish common best practice standards to support the frameworks of participating jurisdictions to be able to address cross-border disputes with a consistency of quality, expertise and approach, and ease of enforcement. Capacity building has in this regard been identified as an area of necessary focus and is an area that SIDREC has prioritised and is committed to.

On the domestic front, SIDREC entered into a Memorandum of Understanding (MoU) with the Kuala Lumpur Regional Centre for Arbitration (KLRCA) on 15th December 2015. The MoU records SIDREC and KLRCA's intent to:

- cooperate and collaborate between our institutions, to further our mutual objectives in the promotion of the use of alternate dispute resolution (ADR) relating to dispute involving capital market products and services in Malaysia and the region, and
- explore areas for further co-operation to leverage on each other's expertise, services and resources in furthering our mutual objective of building capacity, and usage of dispute resolution services provided by KLRCA and SIDREC to both international and domestic parties.

The signing of the MoU by SIDREC Chairman, Dato' Ranita and the Director of KLRCA, Datuk Sundra Rajoo, was followed by a keynote talk and a panel discussion on '*The increasing importance of specialist alternative dispute resolution for the financial markets*'. The signing ceremony was attended by special guests, Dato' Dr. Nik Ramlah Mahmood, Deputy Chief Executive of the SC, Mr. Steven Thiru, the President of the Bar Council Malaysia and Mr. Shane Tregillis, the Chief Ombudsman of the Financial Ombudsman Service Australia, who delivered the keynote address. The keynote by Mr. Tregillis as well as the panel session were both informative and thought provoking and elicited interest and discussion, raising the profile of this specialised area of ADR. It was heartening to note that the event was attended by a good mix of the ADR and legal fraternity as well as industry and other stakeholders.

As part of the MoU, the KLRCA have provided us with a small representative office in their new state of the art facility at the historical Sulaiman Building in Kuala Lumpur. This will enable us to work onsite with KLRCA as and when required and add to the profiling of SIDREC. We look forward to working with the KLRCA in moving this collaboration forward.

## POSITIVE RESPONSE TO MEDIATION COMPONENT OF SIDREC'S DISPUTE RESOLUTION PROCESS

In our report last year, we talked about the untapped potential of dispute resolution and expressed the hope that our Members and investors will see how effective and powerful an independent and impartial expert platform can be in providing a fair and quick resolution to disputes. I am really pleased to be able to report a significant increase in cases resolved through mediation in 2015. SIDREC adopts a mediative approach from the moment we receive a claim. This is reflected in the fact that 12 of the 25 eligible claims processed were resolved through our case management. Of the 13 remaining cases, 11 cases were successfully resolved through the mediation process. Only 2 out of the 25 cases proceeded to Adjudication. We also received very good feedback from the parties involved recognising the positive help and add value of the process in the resolution of their dispute. In particular, they acknowledged the benefit of SIDREC's impartiality, independence, and expert and informed management of their dispute.

This is what I would say is our biggest achievement this year. To have the parties who participated in our dispute resolution process, having confidence in the integrity of the process and feeling the real benefit of the process and the service we provide. Credit goes to the expertise and efforts of our Panel of Mediators and Adjudicators and the case managers.

## THANK YOU

The hard work that has brought us to this place, has truly been a journey of passion and commitment and belief that the add value of the service SIDREC provides, does help the investing public, contributing to investor confidence and to the market as a whole. It is a journey which is supported by the guidance of a highly committed and experienced Board and excellent team at SIDREC. We are also supported by our Panel of Mediators and Adjudicators, whom I thank for their commitment and service.

I thank our Chairman and the Board for their support and guidance. I thank my team at SIDREC for their hard work, undertaking the multi-tasking that a small outfit such as ours requires in good cheer, and most importantly, their commitment to providing a quality service.

And finally, I thank our Members who have really come forward this year to better understand what SIDREC brings to the table and have opened up channels to take the conversation further.

SUJATHA SEKHAR NAIK  
CHIEF EXECUTIVE OFFICER

## AREAS OF STRATEGIC FOCUS

Our progress in each of these key areas:

01

### SUSTAINABLE INFRASTRUCTURE

- Embarked on a Newsletter for Members and enhanced SIDREC's website to feature a Members Portal that serves to engage with Members, update developments and seek feedback from time to time
- Development of a secure Data Management System for effective management of cases and data - testing stage

02

### BUILDING AWARENESS

- Active engagement with stakeholders and partners such as SC, BNM, Bursa, FIMM, ASCM, MAAM, FMB, KLRCA, and Cyber Security
- Participated in outreach events e.g. InvestSmart Fest, Minggu Saham Amanah Malaysia (MSAM), Malaysia Investment and Stock Exchange Expo (MISEE), MarketPlace Fair @ Bursa Malaysia etc.
- Members briefing to stockbrokers, derivatives brokers, fund managers & unit trust managers and PRS providers
- Media initiatives - interviews with NST, Harian Metro & Astro Awani and BFM 89.9
- An MoU was entered into between SIDREC and KLRCA to reflect collaboration on efforts to increase awareness and build capacity. The signing was followed by a keynote talk and panel session on 'Increasing Importance of Specialist Alternative Dispute Resolution for the Financial Markets'

03

### KEEPING ABREAST OF MARKET DEVELOPMENTS

- Member of INFO Network
- Review and revision of SIDREC's Terms of Reference (TOR) to reflect increased scope and provide greater clarity
- Increased scope and purview of SIDREC
  - Increase in SIDREC's claim limit to RM250,000
  - Where both parties agree, they may avail themselves of SIDREC's services for mediation involving claims exceeding SIDREC's claim limit
  - Includes dealing and distribution of PRS within SIDREC's purview
- Working Group on Improving Effectiveness of Dispute Resolution Mechanism comprising SC, BNM, FMB and SIDREC - working to address overlaps and ensure consistency of approach to disputes relating to capital market products and services
- Engagement with regulators and peers in dispute resolution services for financial markets
- Participation at regional and international conferences

04

### BUILDING CAPACITY

- Secured funding from Capital Market Development Fund for our awareness and capacity building initiatives commencing in 2016
- MoU between KLRCA and SIDREC to build capacity and awareness
- Up-skilling and capacity building of in-house case managers, mediators and adjudicators

05

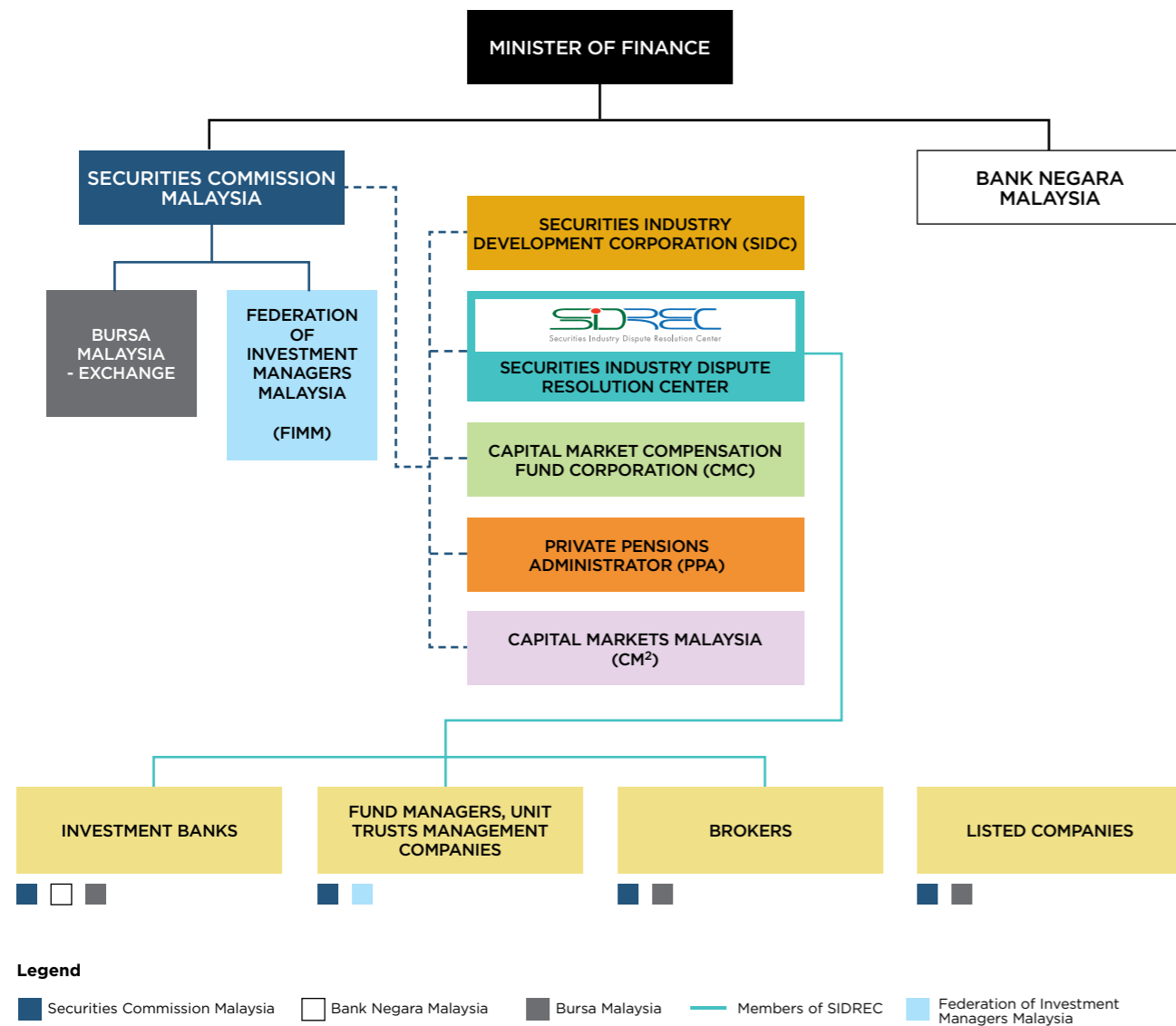
### CONTRIBUTING TO BEST PRACTICES

- Continuous engagement with stakeholders (e.g. regulators, SROs and industry groups)
- ASEAN Capital Market Forum (ACMF) - SIDREC is one of SC's representatives on the ACMF's Working Group on Dispute Resolution & Enforcement Mechanisms (WGDREM)
- Member of INFO Network
- Participation as speaker and panelist in International and regional conferences relating to dispute resolution
  - BNM-OECD - High Level Global Symposium on 'The financial well-being journey: Building on the momentum and identifying new paths'
  - Investor Recovery Conference in Toronto, Canada organised by Osgoode Hall Law School of York University and Foundation for Advancement of Investor Rights (FAIR Canada)
  - 2015 IFIE-IOSCO Global Investor Education Conference in Kuala Lumpur, Malaysia



# ABOUT SIDREC

## SIDREC IN THE CAPITAL MARKET INSTITUTIONAL FRAMEWORK



SIDREC is a body corporate established by the Securities Commission Malaysia (SC) under the Capital Markets and Services (Dispute Resolution) Regulations 2010 (Regulations) to act as an alternative dispute resolution (ADR) body in relation to any claims made by eligible claimants against any person licensed to carry out the activities of dealing in securities, dealing in derivatives and fund management under the Capital Markets and Services Act 2007 (CMSA). These licensed persons are deemed to be Members of SIDREC. SIDREC also have, through directives from the SC, expanded our scope to include dealing in Private Retirement Schemes (PRS) and will be taking steps to accept, mediate and adjudicate all disputes involving capital market products distributed by entities other than Capital Markets Services Licence (CMSL) holders. This is a significant expansion of scope as it would broaden SIDREC's purview to cover disputes involving all entities who distribute capital market products. The Regulations are in

the process of being amended to facilitate this expanded scope.

SIDREC fills a significant need in the investment and financial landscape for an effective and independent redress mechanism, specifically for the smaller investor who otherwise may not have the financial means or adequate understanding to pursue their claim through the legal system. Having started our operations in 2011, we now have 148 Members (as at 31 January 2016).

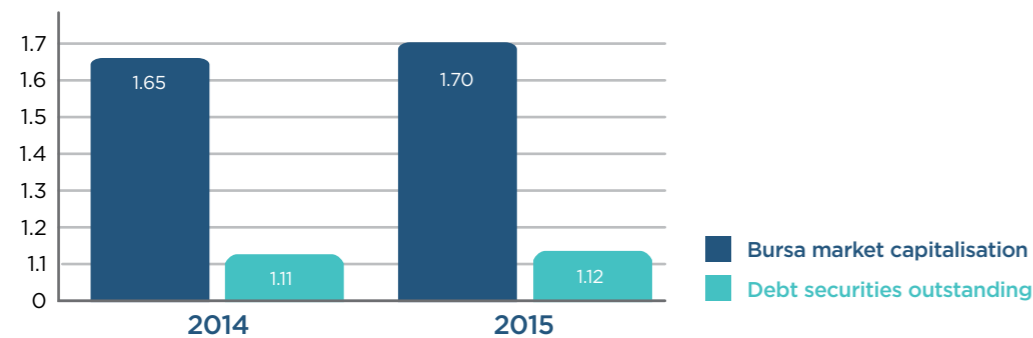
In essence, SIDREC provides an impartial and informal framework with specialised capital market expertise for both Investors and Members to seek resolution of their disputes through our mediation and adjudication services. SIDREC's services are free for investors, making it widely accessible to the investing community, including both local and foreign clients of SIDREC's Members. From a broader perspective, SIDREC not only helps promote industry best practices but also fosters goodwill between Members and their clients.

SIDREC is also a member of the International Network of Financial Services Ombudsman Schemes (INFO Network), which was set up for relevant ADR schemes around the world to work together to develop their expertise in dispute resolution, by exchanging experiences and information in a wide array of areas, including among others, functions and governance models, handling of systemic issues, cross border referral of complaints and training<sup>1</sup>.

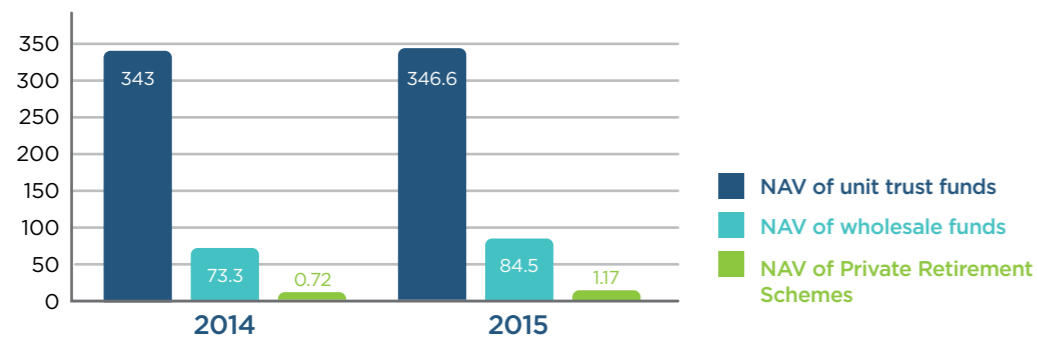
<sup>1</sup> <http://www.networkfso.org/index.html>

## MALAYSIAN CAPITAL MARKET - ROLE OF SIDREC

Bursa Market Capitalisation & Debt Securities Outstanding (RM trillion)



Asset Under Management (RM billion)



It has been a challenging climate both on the global and domestic stage. However, the Malaysian capital market's resilience is evidenced in its overall performance. Despite a volatile global environment in 2015, stock market capitalisation on the domestic front expanded by 2.6% to RM1.70 trillion, and the debt securities outstanding increased by 1.4% to RM1.12 trillion. The fund management industry maintained its upward growth in 2015. Total assets under management increased by 6% from RM630 billion in December 2014 to RM667.9 billion in 2015<sup>2</sup>. In terms of net asset value (NAV), the NAV of unit trust funds has increased marginally by 1.05% from RM343 billion as at 31 December 2014 to RM346.6 billion as at 31 December 2015. This represents 20.45% of total market capitalisation for the equity market. The NAV of wholesale funds however, has experienced strong growth of 15.28% from RM73.3 billion as at 31 December 2014 to RM84.5 billion as at 31 December 2015. Notably, the NAV of funds in relation to PRS has also achieved a growth of 62.5% from RM0.72 billion as at 31 December 2014 to RM1.17 billion as at 31 December 2015.

SIDREC's Members form 63.25% of the CMSL holders who operate in the capital market (i.e. 148 out of 234 entities licensed by the SC). These Members serve the market as securities and derivatives brokers, fund managers and unit trust management companies, PRS providers and distributors, corporate unit trust advisers, corporate PRS advisers, and issuing houses, in activities which include dealing in securities, dealing in derivatives, dealing in PRS, and fund management. SIDREC Members' respective distribution channels include not just licensed representatives, but persons/entities, who are directly registered for capital market activities with the SC, as well as a total of 52,567<sup>3</sup> persons or entities who are registered with the Federation of Investment Managers Malaysia (FIMM). In this context, SIDREC's Members collectively have a significant reach to the investing public.

The market eco-system must serve to support the market's integrity as well as its institutions and investors, in effectively navigating the waters, irrespective of the economic climate. In this context, SIDREC was established to provide an affordable, independent dispute resolution avenue for aggrieved investors. SIDREC's services are in fact, free to investors. Bodies such as SIDREC play our part in instilling a level of confidence in the investing public to participate in the market.

Such redress mechanisms serve to reassure retail investors that any monetary dispute with intermediaries will be dealt with efficiently and effectively with no cost on the part of retail investors, and promote more informed participation in the capital market.

<sup>2</sup> Source: SC, SC Annual Report 2015

<sup>2</sup> Source: SC, SC Annual Report 2015

<sup>3</sup> Source: www.fimm.com.my

# BOARD OF DIRECTORS AND MANAGEMENT



DATO' HALIPAH ESA

DATO' KOK WEE KIAT

RAYMOND TANG  
CHEE KIN

DATO' RANITA  
MOHD HUSSEIN

DATO' K. C. VOHRAH

TAN SRI DATO' SRI HAMAD  
KAMA PIAH BIN CHE OTHMAN

SUJATHA SEKHAR NAIK

DATO' SAIFUL BAHRI BIN ZAINUDDIN

# BOARD OF DIRECTORS AND MANAGEMENT



**DATO' RANITA  
MOHD HUSSEIN**

**CHAIRMAN AND  
INDEPENDENT DIRECTOR**

Dato' Ranita Mohd Hussein is a founding director of SIDREC. She has been the Chairman of SIDREC since its inception in 2010. She is a legal consultant and served as a member of the Advisory Council of Jurists of the Asia Pacific Forum for National Human Rights Institutions. She also served as a member of the Permanent Court of Arbitration, The Hague.

Dato' Ranita's other previous posts include that of a Commissioner in the Human Rights Commission Malaysia (Suhakam), a partner of Skrine & Co, a Judicial Commissioner in the High Court, Malaysia and an Adviser (now re-designated as Assistant Governor) to the Central Bank of Malaysia.

She began her career in the Judicial and Legal Services, where from 1969 to 1991, she served in various positions ranging from magistrate and Senior Federal Counsel at the Economic Planning Unit (EPU) and Foreign Investment Committee to Head of Advisory & International Division, Attorney General's Chambers and later during her tenure, Chief Parliamentary Draftsman.

Where the capital markets are concerned, Dato' Ranita served as a member of the Governing Committee of the Kuala Lumpur Stock Exchange from 1997 to 2000 and as a director on the board of the Kuala Lumpur Options and Financial Futures Exchange from 1999 to 2000.

Dato' Ranita holds a LLB (Hons) from the University of Singapore.



**INDEPENDENT  
DIRECTOR**

**DATO'  
KOK WEE KIAT**

Dato' Kok Wee Kiat is a founding director of SIDREC. He currently also sits on the Boards of Aluminum Company of Malaysia Berhad, Bata Malaysia Sdn Bhd, The Bank of Nova Scotia Bhd (retired April, 2014) and AWLU Malaysia Foundation (AWLU: Asian Women's Leadership University Project).

Dato' Kok was the Deputy Minister of Trade & Industry and Member of Parliament for Selandar (1986-1990). He also served as Co-Patron of Malaysian Canadian Business Council (1989-2010), Vice President of Malaysian Chinese Association (1985-1990), as well as President of Rotary Club of Petaling Jaya (1985).

His active involvement in the area of corporate responsibility is clearly reflected in his previous positions. Dato' Kok has been the Honorary President of the Business Council for Sustainable Development

Malaysia (now renamed Business Council for Sustainability & Responsibility Malaysia) since 1998. He was Chairman of the Environmental Quality Council, Malaysia (2000 to 2009). He sat on the Advisory Board to the Greening of Industry Network (2002-2005). He also has been a judge for the ACCA Sustainability Reporting Awards, and StarBiz ICR Corporate Responsibility Reporting Awards. Dato' Kok has been a member of the Organising Committee of the Prime Minister's Hibiscus Awards since its inauguration in 1996, sitting as its Chairman from 1998 to 2012 and continues to be the Advisor to the Committee.

Dato' Kok was an advocate and solicitor, holding an LLB (Hons)(Sing). He was a founding partner of Mah & Kok (later renamed Mah-Kok & Din). He ceased legal practice in January, 2001.



**INDEPENDENT  
DIRECTOR**

**DATO'  
HALIPAH ESA**

Dato' Halipah Esa is a founding director of SIDREC. She currently serves as Independent Non-Executive Director of several public-listed companies, including MISC Berhad, Malaysia Marine and Heavy Engineering Holdings Berhad, KLCC Property Holdings Berhad, NCB Holdings Berhad and SP Setia Berhad. She also serves on the Boards of Malaysia Deposit Insurance Corporation, Cagamas Bhd and Northport Bhd. She was Chairman of Pengurusan Aset Air Bhd and has also served on the Boards of Petronas, FELDA, Employees Provident Fund, Pensions Trust Fund, Inland Revenue Board, Putrajaya Corporation, UDA Holdings Bhd and Malaysia - Thailand Joint Development Authority.

Having started her career with the Administrative and

Diplomatic Services in 1973 in the Economic Planning Unit (EPU) of the Prime Minister's Department, she held various senior positions, rising to the position of Director General of EPU, before she retired from government service in 2006. She has also served as Deputy Secretary General at the Ministry of Finance.

She has previously been a consultant to the World Bank and United Nations Development Programme (UNDP), advising the Royal Kingdom of Saudi Arabia on economic planning and providing technical advice to planning agencies in Vietnam, Cambodia, Indonesia and several African countries.

Dato' Halipah holds a BA Hons (Econ), as well as a Master of Economics from the University of Malaya.



# BOARD OF DIRECTORS AND MANAGEMENT



INDEPENDENT  
DIRECTOR

**DATO'  
KARAM CHAND VOHRAH**

Dato' K. C. Vohrah is active in both domestic and international arbitration. He is Member of Kuala Lumpur Regional Centre for Arbitration, Member of the Singapore International Arbitration Centre (SIAC), Fellow of the Singapore Institute of Arbitration (SI Arb), Member of the Permanent Court of Arbitration in the Hague, Netherlands and Associate Member of the Advisory Board of the Institute for Transnational Arbitration, a division of the Centre for American and International Law.

He is also Adjunct Professor, College of Law, Government and International Studies of University Utara Malaysia, Adjunct Professor, Faculty of Law and Government, HELP University College, Kuala Lumpur and was formerly External Examiner, Faculty of Law, University of Malaya, Malaysia.

His present status is that of Consultant with Messrs Lee Hishammuddin Allen & Gledhill. He is a retired Judge of Court of Appeal, Malaysia and previously served in the Judicial and Legal Service of Malaya where he became Head of the Advisory Division,

Attorney General's Chambers. He has participated in many negotiations as legal adviser relating to international loan agreements (including those of the World Bank and the Asian Development Bank) and Swiss and Japanese bond issues, and also various conferences in relation to the Tin and the Rubber Buffer Stock Agreements. He was involved in the Law of the Sea Conferences in New York and Geneva.

He served as a Commissioner of the Human Rights Commission of Malaysia from July 2002 up to April 2008 and was Chairman of the Corporate Law Reform Committee, Malaysia.

He was a Trustee of the Tun Suffian Foundation Incorporated and is presently the Chairman of Loke Yew Scholarship Trust Fund.

Dato' K. C. Vohrah has written many articles on law and on human rights and co-authored the 5<sup>th</sup> Edition of *Sheridan & Groves: The Constitution of Malaysia* (2004) and *Vohrah and Hamid on the Malaysian Penal Code* (2005).



INDUSTRY  
DIRECTOR

**TAN SRI DATO' SRI HAMAD  
KAMA PIAH BIN CHE OTHMAN**

Tan Sri Dato' Sri Hamad Kama Piah Che Othman is a founding Director of SIDREC. He is the President and Group Chief Executive of Permodalan Nasional Berhad (PNB). He has been at the helm of PNB for the last 18 years since 1998. His working career spans over 36 years where he undertook various responsibilities in various facets of investment management and corporate finance in PNB, including as portfolio manager and head of corporate restructuring.

A Senior Fellow of the Financial Services Institute of Australasia (FINSIA), Tan Sri Dato' Sri Hamad is also a Certified Financial Planner (CFP) with the Financial Planning Association of Malaysia and Registered Financial Planner (RFP) with the Malaysian Financial Planning Council. He also holds the Capital Markets Services Representative License.

A statistics graduate from Universiti Teknologi MARA, Tan Sri Dato' Sri Hamad also holds a Masters of Philosophy degree from the University of Swansea,

United Kingdom. He was also awarded an Honorary Doctorate in Economics and Muamalat Administration from Universiti Sains Islam Malaysia, as well as an Honorary Doctorate in Business Administration from Universiti Tenaga Nasional, Malaysia.

Other than being a member of the Board of Directors of PNB, Tan Sri Dato' Sri Hamad is also a director on several other companies within the PNB Group such as Amanah Saham Nasional Berhad, Amanah Mutual Berhad, Pelaburan Hartanah Nasional Berhad, PNB Merdeka Ventures Sdn Bhd, PNB-Wasserstein Holdings LLC, PNB (UK) Limited and PNB Asset Management (Japan) Co. Ltd. He is also the Chairman of PNB Development Sdn Berhad, PNB Equity Resource Corporation Sdn Berhad, and Singapore Unit Trust Limited. In addition, he is also the Chairman of Universiti Malaysia Kelantan and a director of Professional Golf Malaysia, as well as a trustee of the Merdeka Heritage Trust and Yayasan Karyawan.

# BOARD OF DIRECTORS AND MANAGEMENT



INDUSTRY  
DIRECTOR

**DATO' SAIFUL BAHRI  
BIN ZAINUDDIN**

Dato' Saiful Bahri is a founding director of SIDREC. He is currently the Executive Director of OSK Holdings Berhad. Dato' Saiful Bahri holds a Bachelor of Science Degree in Economics & Finance from Western Michigan University, USA in 1985. He also attended the Global Leadership Development Programme at Stanford University, USA.

Dato' Saiful Bahri is a Board Member of Bursa Malaysia Berhad and also sits as a committee member of Board Risk Committee Meeting, Board Nomination and Remuneration Committee Meeting of Bursa Malaysia Berhad. He has also been appointed as a Board member of Bursa Malaysia Securities Sdn Bhd as well as Board member of Bursa Malaysia Securities Clearing Sdn Bhd. Dato' Saiful Bahri has served as a member of SC's Securities Law Consultative

Committee as well as Financial Adviser to the State Government of Negeri Sembilan State Government Think Tank. Dato' Saiful Bahri also sits on the Board of Trustees for Bumiputera Dealer Representatives Education Fund (BDREF) and Bumiputera Training Fund (BTF).

Dato' Saiful Bahri was previously holding the position of Managing Director of Business Development, Affin Hwang Investment Bank Berhad and Executive Director at Affin Holdings Berhad. He previously held positions which include, Executive Director, Dealing of Rashid Hussain Securities and CEO/Executive Director, Dealing of Fima Securities Sdn Bhd. Dato' Saiful Bahri was also attached to the Corporate Planning Division of Heavy Industries Corporation of Malaysia (HICOM). Dato' Saiful Bahri was a former member of the Securities Market Consultative Panel of Bursa Malaysia Berhad.



INDUSTRY  
DIRECTOR

**RAYMOND  
TANG CHEE KIN**

Raymond Tang Chee Kin is a founding director of SIDREC. He is currently the Head, International & Institutional Business of CIMB-Principal Asset Management Berhad. He has been with CIMB-Principal since 1 October 2004. He has over 25 years of experience in the asset management business, managing both institutional and unit trust funds. Prior to joining CIMB-Principal, he was the Chief Investment Officer/Executive Director of CMS Dresdner Asset Management from 1996 to 2004.

Currently, Raymond is the Chairman of Malaysian Association of Asset Managers (MAAM) and Chairman of FTSE Bursa Malaysia Index Advisory Committee. He is also an invitee in the Executive Committee of Malaysia International Islamic Financial Centre (MIFC).

Raymond is also a Fellow of the Chartered Institute of Management Accountants of England and he holds a Capital Markets Services Representative's License for fund management under CMSA.



MANAGEMENT

**SUJATHA SEKHAR NAIK  
(CHIEF EXECUTIVE OFFICER)**

Sujatha Sekhar Naik was seconded to SIDREC by the Securities Commission Malaysia (SC) to take on her appointment as Chief Executive Officer in March 2013.

A former Deputy General Manager and the Head of Investor Affairs and Complaints of the SC, Sujatha was responsible for the management of complaints relating to market misconduct and the development and implementation of SC's investor education strategy. With a little over 15 years of capital market related experience, her work in the SC included advisory and reform work in both the General Counsel's Office and the Corporate Finance and Investments Business Groups.

Sujatha has represented SIDREC and the Commission as a presenter and panelist at international and domestic forums on dispute

resolution, investor education and other capital market issues as well as on a number of inter-agency committees in Malaysia. Sujatha was a member of the Advisory Board of the International Forum of Investor Education (IFIE) from 2010 to July 2015.

Prior to joining the SC in 2001, Sujatha gained experience both in practice and as an in-house legal counsel. She obtained her LLB (Hons), from the University of London and was called to the Bar of England and Wales in 1989 and re-qualified with the Law Society of England and Wales as a Solicitor in 1990. Sujatha was called to the Malaysian Bar in 1998.

Sujatha is also an accredited Mediator on the panel of the Bar Council Malaysian Mediation Centre (a member of Asian Mediation Association).

# PANEL OF MEDIATORS & ADJUDICATORS

## HONG SIEW LAI

Hong Siew Lai joined SIDREC in 2011 as a full time mediator/adjudicator and as the Head of SIDREC's Dispute Resolution, has oversight over the case management of claims filed with SIDREC. With 7 years of experience in the capital market, prior to joining SIDREC, Siew Lai was an Assistant Vice President, Corporate Affairs, Legal & Compliance and registered Compliance Officer at an investment bank Malaysian in Malaysia. From 1998 to 2004, Siew Lai practiced as an advocate and solicitor, where her scope of work included civil litigation, corporate/commercial and conveyancing matters.

Siew Lai's legal and capital market experience places

her in good stead in mediating and adjudicating matters relating to capital market issues and to provide sound guidance to both clients and Members through the dispute resolution process.

Siew Lai is an accredited Mediator on the panel of the Bar Council Malaysian Mediation Centre (a member of Asian Mediation Association) and a Member of the Chartered Institute of Arbitrators, UK. Having graduated with a LL.B (Hons) from the University of East London, UK, Siew Lai was admitted as an advocate and solicitor of the High Court of Malaya in 1998.

## DAPHNE R.N. SEBASTIAN

Daphne R. N. Sebastian has been a member of SIDREC's Panel of Mediators & Adjudicators since 2012. Daphne served in the Judicial and Legal Service of Malaysia from the years, 1976 to 1994. During these 18 years of service, her posts included Magistrate, Senior Assistant Registrar, Senior Federal Counsel in the Civil Division and Advisory Division of the Attorney General's Chambers and Deputy Director of the Legal Aid Bureau. Her final posting was as Sessions Court Judge in Raub and Kuantan.

From 1997 to 2009, Daphne was a lecturer at the University of Malaya, during which she also wrote

for several publications and training modules. From 2002 to 2005, she served as one of the Presidents of the Tribunal for Consumer Claims Malaysia, a dispute resolution centre for consumer products and services.

Daphne's extensive legal experience, particularly her years as adjudicator on the bench and as a President for the Consumer Claims Tribunal, ensures that SIDREC's decisions are fair, well-considered and legally sound.

Daphne holds a LL.B (Hons) and LL.M from the University of Malaya. She was admitted as an advocate and solicitor of the High Court of Malaya in 1986.

## ANGELINA KWAN

Angelina Kwan is currently the Managing Director and Head of Regulatory Compliance for Hong Kong Exchanges and Clearing Limited. She has over 29 years of experience in Asia and the United States, in business development, restructuring, regulatory/compliance, as well as investor and stakeholder relations. She started her career at KPMG and has held senior management, committee and/or board positions with the Securities and Futures Commission of Hong Kong, Cantor Fitzgerald/BGC Partners, Kleinwort Benson, HG Asia Limited, Sony Pictures, the REORIENT Group (HK376) and most recently, CLSA Limited.

Angelina is currently a Hong Kong Government appointed member of the Women's Commission, the Financial Reporting Council Process Review

Panel and the Council for Sustainable Development, a Director and Chairman of the Audit Committee of the Securities Industry Development Corporation of Malaysia, the Vice-Chairman and Director of The Women's Foundation, an Honorary Adjunct Professor of Finance for the Hong Kong Polytechnic University, and serves on a number of other Boards and committees. She lectures frequently for various international government and regulatory organisations as well as course providers.

Angelina is a Certified Public Accountant in the United States and Hong Kong and a graduate of the University of Southern California. Her MBA is from Pepperdine University and LLB with Hong Kong University and Manchester Metropolitan University.

## NAHENDRAN NAVARATNAM

Nahendran Navaratnam is the principal partner at Navaratnam Chambers and has experience handling trial and appellate work in large corporate, commercial and administrative law disputes for private and public listed companies, major international and Malaysian financial institutions, multinational corporations and professional practices. He also acts in professional liability, tax, and securities cases and in commercial arbitration disputes.

Nahendran, a trained mediator and adjudicator, is a Chartered Arbitrator and a Fellow of the Chartered

Institute of Arbitrators, a member of the Inter-Pacific Bar Association and Commonwealth Lawyers Association and the Australasian Forum for International Arbitration. He is also a member of the Arbitration Committee of the International Chamber of Commerce and a Fellow of the Malaysian Institute of Arbitrators.

Nahendran is a graduate of Monash University Australia and holds a Bachelor of Science (Materials Science) and Bachelor of Laws. He was called to the Malaysian Bar in 1998.

# PANEL OF MEDIATORS & ADJUDICATORS

## ▶ LIM CHEE WEE

Lim Chee Wee has been a partner of SKRINE since 2001 and was the President of the Malaysian Bar from 2011-2013. He is a Member of the Chartered Institute of Arbitrators.

He has a broad commercial practice having experience in a wide variety of commercial and corporate disputes and litigation including international arbitrations in Asia and Europe. He primarily acts as Counsel appearing at all tiers of the Malaysian Courts and his portfolio of litigation work has a particular focus towards corporate litigation.

## ▶ LYNETTE YEOW

Lynette Yeow is a partner at Chua Associates, a specialist corporate and commercial law firm. Lynette has been in active practice in Malaysian law firms since 1995, a career that spans 20 years, including as a partner at Zaid Ibrahim & Co. and Kadir Andri & Partners.

Lynette is well known for her expertise in corporate and commercial advisory work, with a focus on mergers and acquisitions, corporate finance and securities regulation. She also has experience in funds establishment (including REITs and private equity funds).

Chee Wee also has an established public and administrative law practice having regularly advised and acted as Counsel for the Malaysian stock exchange (Bursa Malaysia) in matters involving its rules and regulations and on the exercise of its enforcement powers.

Chee Wee graduated from the University of New South Wales with a LLB degree and B. Comm. (Accounting) degree. He was called to the Malaysian Bar as an Advocate and Solicitor in 1993 and started practicing in SKRINE thereon.

Lynette has worked on a number of firsts and landmark transactions, and continues to be involved in large and complex M&A deals as well as innovative structures for the Malaysian capital market.

Lynette graduated from the University of Cambridge with a BA (Hons) in 1992 and called to the Malaysian Bar in December 1994. She was also conferred an MA by the University of Cambridge. Lynette is an accredited Mediator on the panel of the Bar Council Malaysian Mediation Centre (a member of Asian Mediation Association).

## ▶ SHANTI ABRAHAM MATHEW

Shanti Abraham Mathew practices in her own boutique practice M/s Shanti Abraham & Associates and she has vast experience in corporate and dispute resolution matters.

She has handled trial and appellate work in major corporate, commercial and banking law disputes for private and public listed companies as well as handled a full range of corporate finance matters ranging from listing, restructurings and takeovers as well as resolving issues between investors and securities trading companies, including claims on the compensation fund. She also has a significant corporate and dispute resolution practice in healthcare-related matters (including risk management and medico-legal disputes).

Shanti is a Mediator with the Malaysian Mediation

Centre and an Associate Mediator with the Singapore Mediation Centre. She has been a trainer with Singapore Mediation Centre for its certificate programme for mediators since 2013. She is also a Healthcare Mediator on the specialist panel of mediators with the Singapore Mediation Centre (in a joint venture with the Ministry of Health, Singapore). This year she has trained the Brunei Judiciary in mediation skills.

Shanti graduated with an LLB (Hons) from the National University of Singapore in 1994 and completed the Program on Negotiation at Harvard Negotiation Institute (Harvard Law School) 2014. She also holds a Diploma in International Arbitration and is a fellow of the Chartered Institute of Arbitrators (FCI Arb). She has been called to both the Singapore (1995) and Malaysian Bar (1999).

## ▶ SUJATHA SEKHAR NAIK

Sujatha Sekhar Naik is currently the Chief Executive Officer of SIDREC. Prior to joining SIDREC, she was responsible for the development and implementation of SC's investor education strategy and the management of complaints relating to market misconduct. Her work in the SC included advisory and reform work in both the General Counsel's Office and the Corporate Finance and Investments Business Groups. With just over 15 years of experience in capital market related work in her previous roles at the SC, she has an in depth and practical understanding of the regulatory framework and the capital market, as well an insight into investor concerns and challenges, complemented by the dispute

resolution experience inherent in her experience with SC's Investor Affairs and Complaints function.

Prior to joining the SC in 2001, Sujatha gained experience both in practice and as an in-house legal counsel. She obtained her LLB (Hons), from the University of London and was called to the Bar of England and Wales in 1989 and re-qualified with the Law Society of England and Wales as a Solicitor in 1990. Sujatha was called to the Malaysian Bar in 1998 and is also an accredited Mediator on the panel of the Bar Council Malaysian Mediation Centre (a member of Asian Mediation Association).

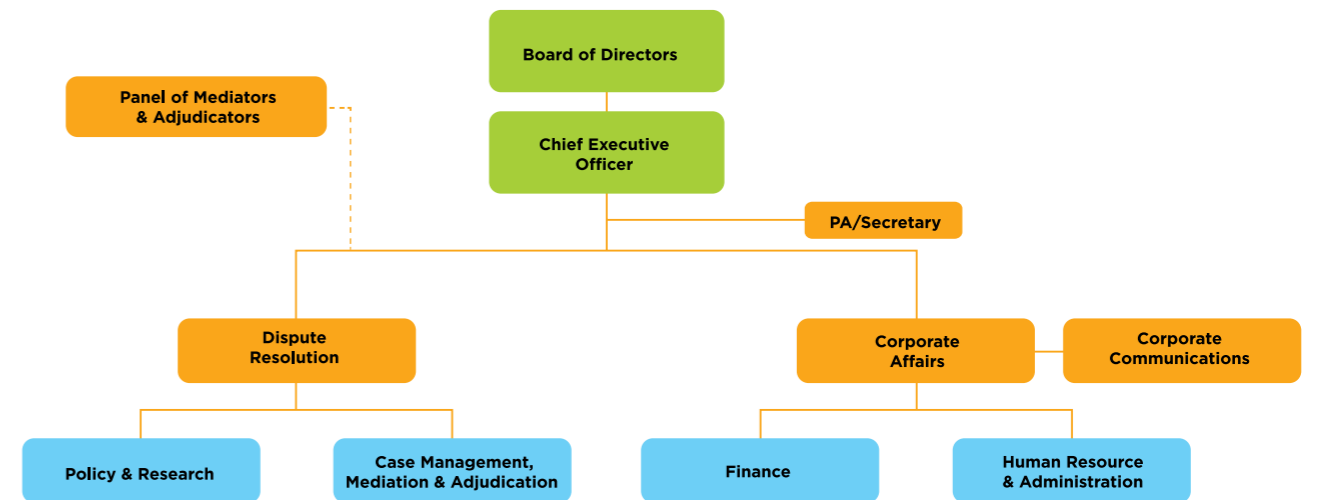
# SIDREC TEAM



From left to right: Lim Liang Hua (Head, Corporate Affairs), Hong Siew Lai (Head, Dispute Resolution), CY Soong (Finance Executive), Aishara Abdul Rahim (Senior Case Manager), Sujatha Sekhar Naik (CEO), Kanimoli Balakrishnan (Case Officer), Phuah Choon Aun (Senior Case Manager), Ismail Boyak (Administrative Assistant), Azlina Abdul Wahab (PA to CEO)



## SIDREC ORGANISATION CHART



# LEVERAGING ON THE DISPUTE RESOLUTION PROCESS



## LEVERAGING ON THE DISPUTE RESOLUTION PROCESS

The importance of alternative dispute resolution (ADR) avenues for the financial markets as a whole is reflected in the best practice standards and regulatory trends of bodies such as International Organization of Securities Commissions (IOSCO), G20/Organisation for Economic Co-operation and Development (OECD), the European Union (EU) and the World Bank. Indeed, the establishment of and access to ADR avenues has been identified as one of the high-level principles for financial consumer protection by the G20 and OECD. Reflecting the same emphasis on the importance of awareness initiatives, the EU issued a directive in 2013 requiring EU countries to ensure effective ADR.

From a regional context, regulatory trends in the ASEAN region, particularly the work undertaken by the ASEAN Capital Markets Forum (ACMF), reflect an impetus for collaborating to ensure member country frameworks are able to address cross-border disputes with consistency in terms of quality, expertise and approach, as well as ease of enforcement. The Working Group on Dispute Resolution & Enforcement Mechanisms (WGDREM), was set up under the ACMF umbrella, to facilitate the development of an eco-system that supports cross-border transactions. SIDREC forms part of the SC's team on the WGDREM, representing Malaysia's interests.

# LEVERAGING ON THE DISPUTE RESOLUTION PROCESS

To this end, WGDREM's work has focused on establishing guidelines to serve as a framework for the setting up of dispute resolution mechanisms and best practice standards for dispute resolution rules applying to cross-border transactions involving capital market products and services. Concurrently, work is being undertaken towards building the capacity and expertise required to address disputes in the context of both domestic needs as well as cross-border transactions.

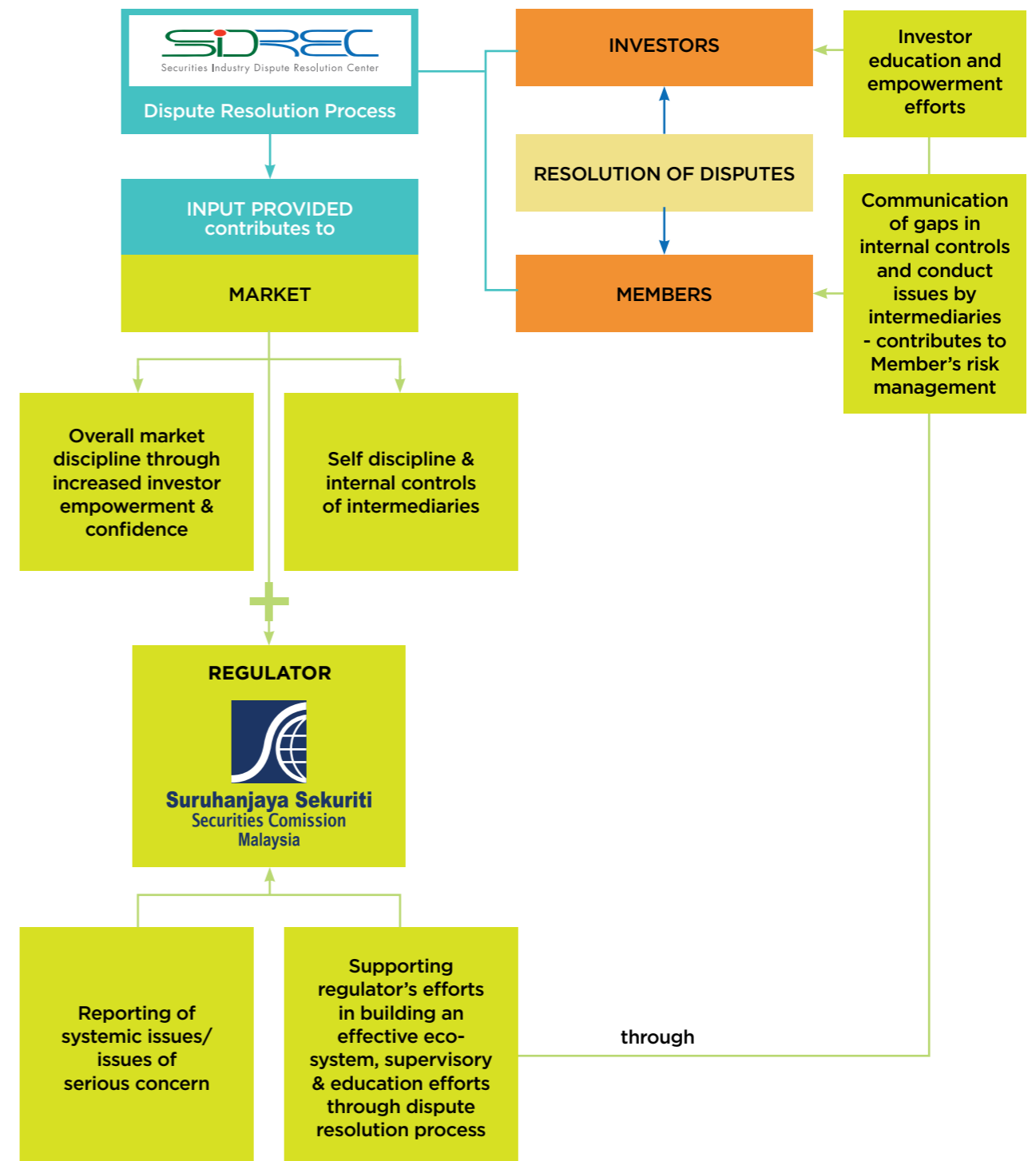
With the progress made by the ACMF with respect to cross-border transactions involving collective investment schemes, efforts to develop best practices on the basis of shared principles and values as well as the consistency of approach, are both timely and necessary.

SIDREC places priority on ensuring that our processes and rules are subject to a robust review to ensure they remain relevant and support the integrity and quality of SIDREC's services. In this regard, SIDREC is committed to the sustainable building of the requisite capacity and expertise, to keep us in-step with global best practice, in a manner that is relevant to domestic market needs.

## SIDREC'S VALUE PROPOSITION

- Confidentiality of proceedings provide an ability to address issues constructively without distraction
- Serves as an 'independent and impartial voice of reason' - with no attachment to outcome
- Serves as an independent filter of complaints - often resolving issues before it even reaches the Member
- Promotes good communication and conduct on the part of all parties
- Independent and impartial mediator/ adjudicator with industry knowledge and access to specialist expertise, as required
- Contributes to reputation management and client retention, preserving harmony and building relationships
- Serves as a good risk management tool for Members - ability to identify issues that otherwise may slip through the cracks
- Reduces legal costs of Members and investors
- Investors become better informed acquiring an enhanced understanding and knowledge of the market and their own responsibilities
- Members are also better informed of investors' practical concerns and challenges

## HOW SIDREC'S WORK BENEFITS THE MARKET AS A WHOLE



# LEVERAGING ON THE DISPUTE RESOLUTION PROCESS

SOME FEEDBACK FROM PARTIES WHO HAVE USED SIDREC'S SERVICES...

Mediator not only made a difference but was instrumental in the process, without whom, we undoubtedly would not have reached a resolution

The mediator gave me confidence more than I had in myself. The case manager also kept me updated till my case was settled

The mediator clearly showed that she understood the issues involved. She knew where the misunderstanding came from, and asked many relevant questions to help the parties understand each other's perspective

The mediator maintained a neutral stance throughout the resolution process

*What Claimants say:*



The case manager was gentle in approach, very polite and professional

Even when I gave up SIDREC did not. I have a lot of faith in SIDREC

*What our Members say:*

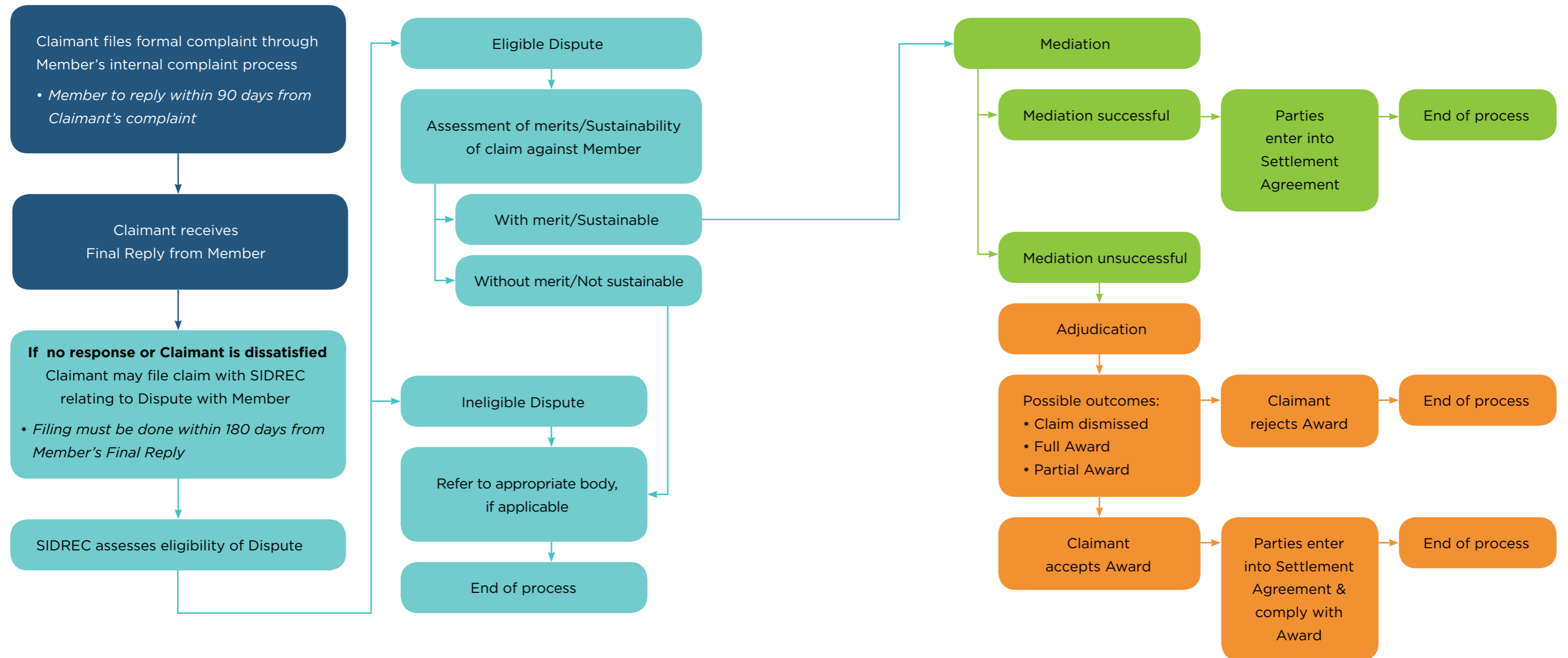


With the presence of a neutral person, parties involved are assured that the outcome is fair for both parties

The case manager had been very helpful. It was a very complicated case with huge amount of information involved. The case manager studied the case thoroughly, and asked many relevant question



# LEVERAGING ON THE DISPUTE RESOLUTION PROCESS



## Limited Appeal Avenue

SIDREC's Awards are final and appeals by either party will not be entertained, save and except on the following specified grounds, where it may materially affect the Award:

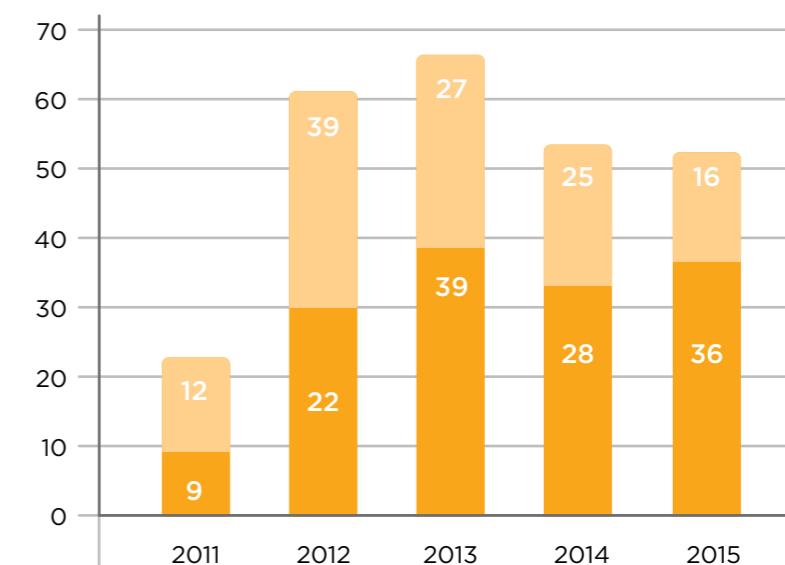
- Serious error of law or fact in the Award; or
- Production of new evidence where such evidence could not be obtained with reasonable effort during adjudication.

# DISPUTE RESOLUTION REPORTS AND STATISTICS



## 1. CLAIMS AND ENQUIRIES FROM 2011 TO 2015

### Eligible & Ineligible Claims for 2011 to 2015

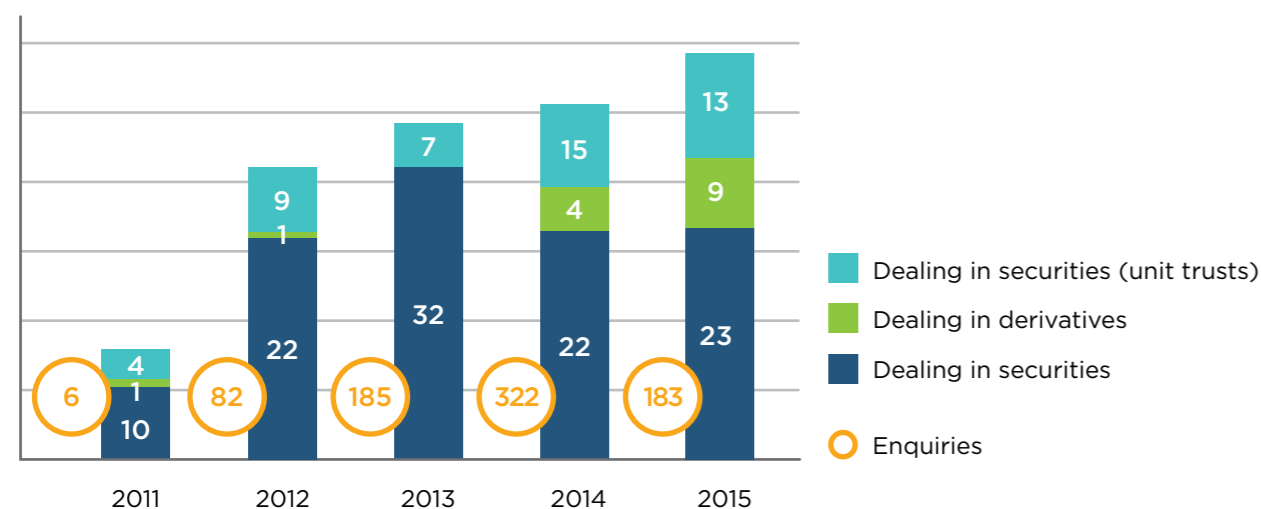


	2011	2012	2013	2014	2015
Ineligible Claims	12	39	27	25	16
Eligible Claims	9	22	39	28	36
Total	21	61	66	53	52

■ Ineligible Claims
 ■ Eligible Claims

# DISPUTE RESOLUTION REPORTS AND STATISTICS

## Claims (by regulated activities) & Enquiries Received from 2011 to 2015



Type of Claims	2011	2012	2013	2014	2015
Dealing in securities	10	22	32	22	23
Dealing in derivatives	1	1	0	4	9 <sup>^</sup>
Dealing in securities (unit trusts)	4	9	7	15	13
<b>Total Claims</b>	<b>15</b>	<b>32</b>	<b>39</b>	<b>41</b>	<b>45</b>
Enquiries	6	82	185	322	183
<b>Total Claims and Enquiries</b>	<b>21</b>	<b>114</b>	<b>224</b>	<b>363</b>	<b>228</b>

Note: <sup>^</sup> 6 involved claims filed by the same Claimant against the same intermediary

## Claims Handled by SIDREC in 2015 (as at 31 December 2015)

In 2015, SIDREC received 45 claims within its purview. Of the 45 claims received:

- 20 claims - resolved through adjudication or mediation, and were withdrawn after mediation or at the stage of initial assessment
- 1 claim - pending mediation
- 7 claims - found to be ineligible because they either did not meet SIDREC's eligibility criteria or they fell within the criteria for excluded disputes
- 2 ineligible claims - referred to the Financial Mediation Bureau as they involved commercial banks
- 4 claims - at the stage of case management to ascertain their eligibility
- 11 claims - incomplete or premature where the Claimants had not yet submitted their claim form or necessary documents to SIDREC or the Claimants had not as yet submitted their claims to the Member concerned for resolution

A total of 10 claims were brought forward from 2013 and 2014. The status of these claims are as follows:

### Year 2013 - 4 claims

- 2 claims - mediated and adjudicated in 2014 but are the subject of a judicial review in relation to SIDREC's decisions, issued in 2013. The final outcome is pending the Member's appeal against the High Court's decision, dismissing the two judicial review applications
- 1 claim - withdrawn and re-filed in 2015
- 1 claim - stayed at early case management as it relates to the same Member and subject matter as the matters under judicial review. The dispute resolution process for this claim has been stayed until the disposal of the two appeals against the High Court's dismissal of the aforesaid judicial review applications. SIDREC will review the stay from time to time.

### Year 2014 - 6 claims

- 4 claims - successfully resolved through adjudication or mediation
- 1 claim - did not meet SIDREC's eligibility criteria
- 1 ineligible claim - referred to the Financial Mediation Bureau as it involved a commercial bank

# DISPUTE RESOLUTION REPORTS AND STATISTICS

## 2. NATURE OF CLAIMS FROM 2013 TO 2015

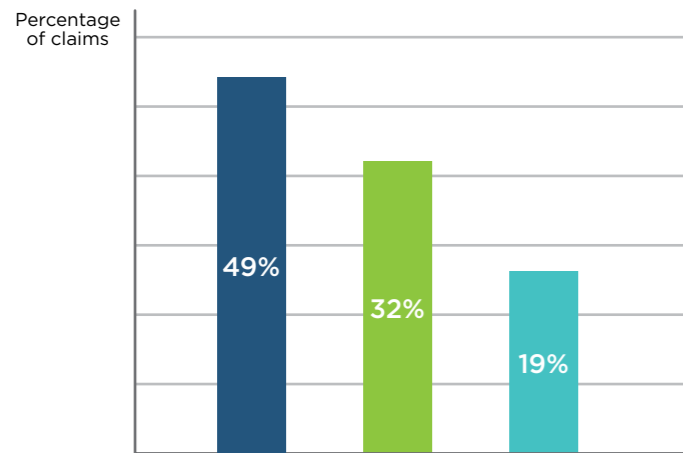
Description	No. of Cases 2015	No. of Cases 2014	No. of Cases 2013
<b>Market Conduct ("MC")</b>			
Failure to pay investor proceeds of IPO share sale	0	1	0
Failure to provide promised cut-loss service	^6	0	1
Fraud/ Defalcation/ Forgery/ Misappropriation	7	3	13
Mismanagement of discretionary account	0	3	0
Mis-selling/ Inappropriate advice/ Misrepresentation	5	7	1
Non-compliance with trading instructions	0	2	1
Sale of unit trust by proxy registered with another UTMC	1	0	0
Sale of unit trust by unlicensed person	0	1	0
Unauthorised sale of shares - compromised email account	0	1	0
Unauthorised transactions	1	3	4
<b>Total MC claims</b>	<b>20</b>	<b>21</b>	<b>20</b>
<b>Service Standard ("SS")</b>			
Lapses in processes relating to online services	4	5	4
Lapses in processes not relating to online services	8	8	11
<b>Total SS claims</b>	<b>12</b>	<b>13</b>	<b>15</b>

Note: ^ All 6 complaints were lodged by the same claimant against the same intermediary and dealer

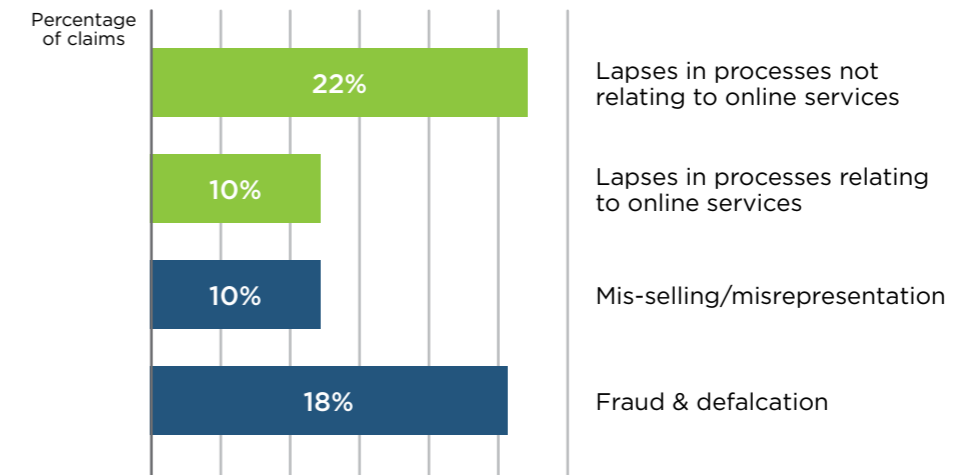
Description	No. of Cases 2015	No. of Cases 2014	No. of Cases 2013
<b>Member's Practice / Policies ("MPP")</b>			
Asking DR to share dealer's code between licensed dealers	1	0	0
Auto intraday contra of trades	0	0	1
Charge related to error in rebate granted	2	0	0
Charging RM0.50 for cheque clearance for cancelled cheque	1	0	0
Execution of buy order - clearance of cheque	0	1	0
Failure to conduct due diligence on product prior to buy recommendation	1	0	0
Failure to implement any precautionary measures when Member changed own bank account number	1	0	0
Failure to pay sales proceeds	1	0	0
Force selling of shares	1	0	0
Granting of trading limit without reasonable justification	1	0	0
Imposition of branch stock maximum buy limit	1	0	0
Imposition of charges on switching of unit trust	1	0	0
Inadvertent disclosure of client's account information	0	1	0
Mailing cheques pursuant to an exit offer at street post box	1	0	0
Overcharged brokerage - online trade	0	1	1
Overcharged facility fees - margin financing	0	2	0
Penalty for early redemption of unit trust	0	1	0
Premature force-selling in relation to margin call	0	1	0
Redemption and reinvestment	0	0	1
Refusal to accept instalment payment for contra loss	1	0	0
Rights to information - deceased client's portfolio	0	0	1
<b>Total MPP claims</b>	<b>13</b>	<b>7</b>	<b>4</b>
<b>GRAND TOTAL</b>	<b>45</b>	<b>41</b>	<b>39</b>

# DISPUTE RESOLUTION REPORTS AND STATISTICS

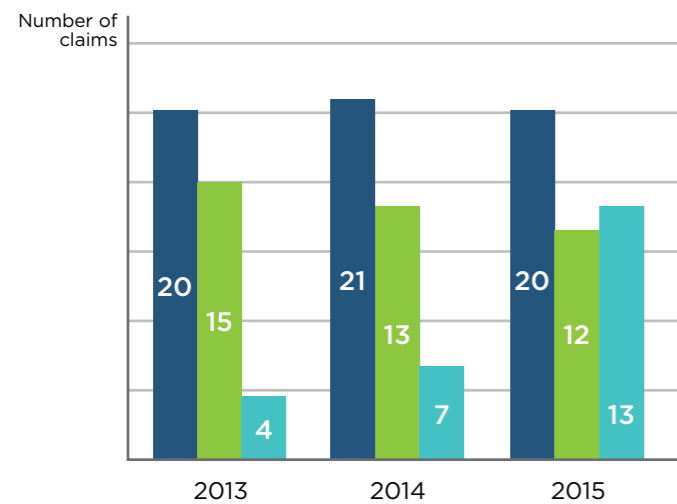
**Breakdown by Nature of Claims from 2013 to 2015**



**Top 4 Issues for Year 2013 to 2015**

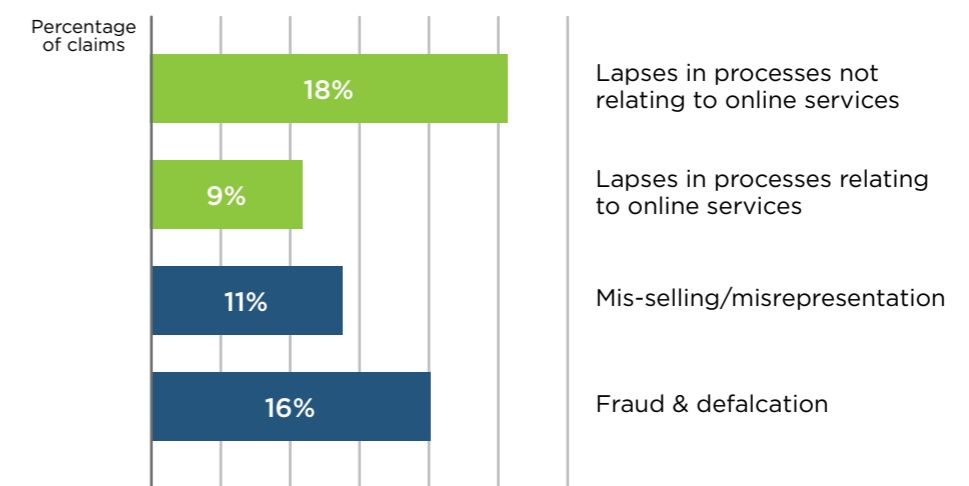


**Comparison of Nature of Claims between 2013 to 2015**



Member's Practise/Policies   Service Standards   Market Conduct

**Top 4 Issues for Year 2015**



Service Standards   Market Conduct

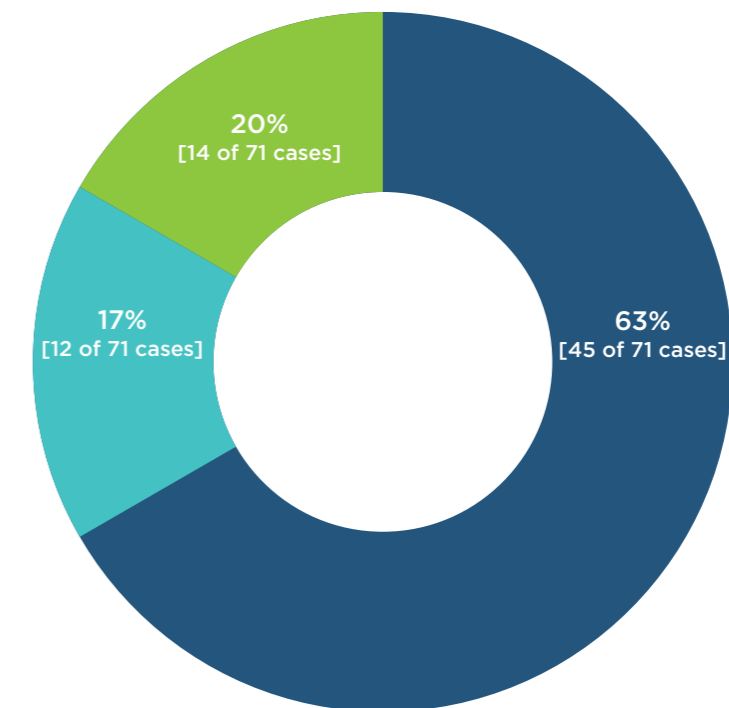
# DISPUTE RESOLUTION REPORTS AND STATISTICS

## Some Insight on the Nature of Claims:

- Claims relating to dealing in securities, derivatives and unit trusts that came to SIDREC's attention in Year 2015 have increased by about 10% when compared to Year 2014. During Year 2015, the number of claims involving issues relating to Market Conduct remains the highest, followed by Member's Practice/Policies and Service Standards.
- A closer look at the claims indicate that, lapses in Members internal processes under the Service Standards category takes the lead at 27%, followed by fraud and defalcation under the Market Conduct category, at 16%, and mis-selling or misrepresentation also under the Market Conduct category, at 11%.
- Whilst there has been no significant change to the total number of claims under SIDREC's purview over the last 3-years, Market Conduct continues to be the primary category of issues raised throughout this period.
- However, issues concerning Member's Practice/Policies have reflected a significant threefold increase over the 3 year period from Year 2013 to 2015. A year on year comparison on the specific issues raised under the Practice/Policies category, whilst non-recurring, indicate a varied spread of concerns that may benefit from further scrutiny by Members.
- During the Year 2015, more than half of the fraud and defalcation cases were in relation to unit trust investments. A continuing issue since Year 2014 has been acceptance of cash for transactions, notwithstanding the warning to clients in prospectuses and application forms, not to pay cash to an agent. In certain circumstances the warning in such documents may not suffice, dependent on how literate or savvy the investor is.
- Of claims received relating to disclosure and mis-selling in 2015, consistent issues raised include the inadequate level of explanation of the product, risks and sales charges and clients being persuaded in these circumstances, to move monies from their savings or fixed deposits to investment products such as unit trusts and structured products.
- An emerging issue worth noting under Member's Practice/Policies is that of aggressive marketing practices targeting students by some intermediaries, including the granting of trading limits that are not commensurate with the students' financial background. This is an area that may warrant more oversight by Members over their representatives in relation to sales practices and the quality of 'know your client' assessments.

## 3. CLAIMS DECIDED OR RESOLVED BY SIDREC

### Claims Decided/Resolved by SIDREC from 2011 to 2015



- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Full Award against Member 21% [3 of 14 cases]</li> <li>• Partial Award against Member<sup>^</sup> 50% [7 of 14 cases]</li> <li>• Dismissed Claim 29% [4 of 14 cases]</li> </ul> | <ul style="list-style-type: none"> <li>• Entered into Settlement Agreement 83% [10 of 12 cases]</li> <li>• Claim withdrawn after mediation 17% [2 of 12 cases]</li> </ul> | <ul style="list-style-type: none"> <li>• Dismissed at initial assessment stage 16% [7 of 45 cases]</li> <li>• Claim withdrawn by Claimant # 84% [38 of 45 cases]</li> </ul> |
|--|---|---|

- Decided at Adjudication
- Resolved at Mediation (No Adjudication)
- Resolved through Case Management (No Mediation & Adjudication)

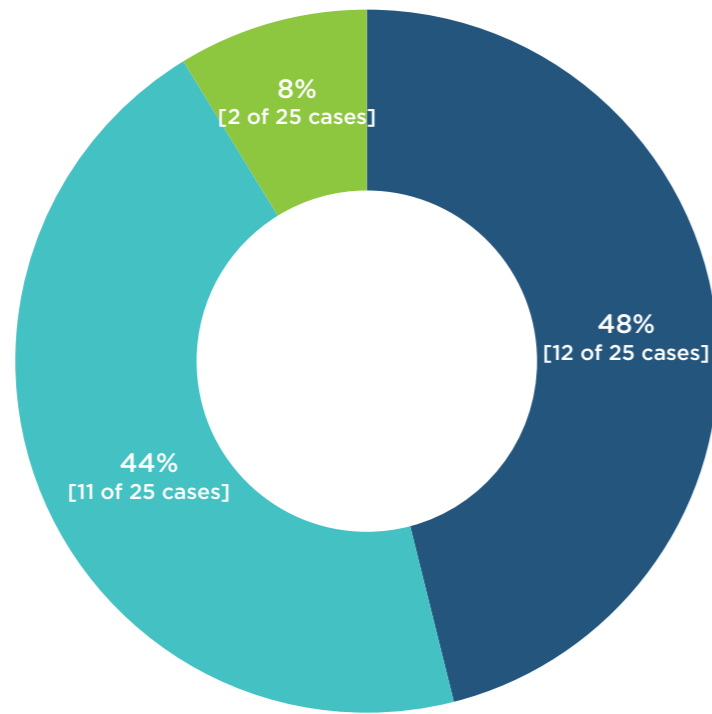
Note:

<sup>^</sup> 3 of the partial Awards were rejected by the Claimants

<sup>#</sup> In 2 cases Claimants failed to submit the relevant documents requested by SIDREC despite numerous reminders -both cases were closed by SIDREC

# DISPUTE RESOLUTION REPORTS AND STATISTICS

## Claims Decided/Resolved by SIDREC in 2015



- Decided at Adjudication
- Resolved at Mediation (No Adjudication)
- Resolved through Case Management (No Mediation & Adjudication)

25 cases were adjudicated or resolved through mediation or case management in 2015. Of these:

- 2 claims were dismissed at the stage of initial assessment.
- 2 claims were adjudicated resulting in 1 being dismissed and 1 award against a Member.
- 11 cases were successfully mediated of which 9 entered into Settlement Agreements and the remaining 2 claims were withdrawn following mediation.
- 10 claims were withdrawn by claimants, 9 of which were as a result of the claims being resolved through case management. The remaining 1 claim withdrawn has since been re-filed with SIDREC.

## 4. UPDATE ON CASES UNDER JUDICIAL REVIEW

- Two Awards issued by SIDREC in 2013 in respect of two related claims were challenged by way of an application of judicial review, by the Member concerned. In August 2015, the High Court dismissed both the applications with costs. The High Court also awarded costs to the Securities Commission in relation to the Securities Commission's intervention on a point of law. In September 2015, the said member filed a Notice of Appeal to the Court of Appeal against the dismissal of the two judicial review applications. The appeals are currently at the stage of case management pending issuance of the Grounds of Judgment by the High Court.
- Our legal counsel's advice remains that our case is strong and should withstand challenge. We continue to be of the view that any outcome will be a positive one, that all can learn from.

# THIS YEAR IN BRIEF

## JANUARY

**16•Jan•15**  
Engagement with Malaysian  
Association of Asset Managers  
(MAAM)

## FEBRUARY

**5•Feb•15**  
Media Interview @  
New Straits Times

**9•Feb•15**  
Engagement with Association Of  
Stockbroking Companies Malaysia  
(ASCM)

## MARCH

**11•Mar•15**  
SIDREC Briefing to  
Member

**26•Mar•15**  
SIDREC's 5<sup>th</sup> Annual General Meeting  
(AGM)

**21-22•Mar•15**  
SC InvestSmart Fest @ Tambun

## APRIL

**19-28•Apr•15**  
Participation at Minggu Saham  
Amanah Malaysia (MSAM) @ Sibu,  
Sarawak

**20•Apr•15**  
Engagement with SC & CMC on  
access to CMC Fund for SIDREC  
Awards relating to eligible CMC  
claims





# THIS YEAR IN BRIEF

MAY

**12•May•15**  
SIDREC Briefing to Member

**18-20•May•15**  
Participation at 2015  
IFIE-IOSCO Global Investor  
Education Conference in K.L.

JULY

**13•Jul•15**  
Engagement with Federation of  
Investment Managers Malaysia  
(FIMM)

**15•Jul•15**  
SIDREC Briefing to Member

AUGUST

**5•Aug•15**  
Breakfast talk at FIMM's Breakfast  
Talk & Industry Update Session

**7•Aug•15**  
Engagement with CyberSecurity

**20•Aug•15**  
SIDREC Briefing to Members @ SC

SEPTEMBER

**3-4•Sep•15**  
World Capital Markets Symposium  
Themed '*Markets and Technology:  
Driving Future Growth Through  
Innovation*' in K.L.

**30•Sep•-2•Oct•15**  
Presentation at BNM-OECD High  
Level Global Symposium on '*The  
financial well-being journey:  
Building on the momentum and  
identifying new paths*'



# THIS YEAR IN BRIEF

## OCTOBER

**9-11•Oct•15**  
Participation at SC InvestSmart  
Fest@Mid-Valley, KL

**16•Oct•15**  
SIDREC Briefing to Members @ SC

**24•Oct•-1•Nov•15**  
• Presentation at Investor Recovery  
Conference, Toronto

• Engagement with Financial  
Dispute Resolution Centre, Hong  
Kong and Securities & Futures  
Commission of Hong Kong

## NOVEMBER

**19•Nov•15**  
Engagement with Private Pension  
Administrator (PPA)

**20•Nov•15**  
Participation at Malaysia Investment  
& Stock Exchange Expo @ Putra  
World Trade Centre, K.L.

## DECEMBER

**4-5•Dec•15**  
SIDREC Team Building & Planning Work  
Camp with Datuk John Zinkin @ Swiss  
Garden Hotel & Residence, K.L.

**15•Dec•15**  
MoU between SIDREC & KLRCA  
and panel session on *'The Increasing  
Importance of Specialist Alternative  
Dispute Resolution for the Financial  
Markets'*



# LIST OF MEMBERS

(AS AT 31<sup>ST</sup> JANUARY 2016)

No.	Name of Company	Type of Capital Markets Services License				
		Fund Management	Dealing in Securities (Unit Trust)	Dealing in Securities	Dealing in Derivatives	Dealing in PRS
1	A.D. Financial Sdn Bhd		√			√
2	Aberdeen Asset Management Sdn Bhd	√				
3	Aberdeen Islamic Asset Management Sdn Bhd	√	√			
4	Affin Hwang Asset Management Berhad	√	√			√
5	Affin Hwang Investment Bank Berhad			√	√	
6	AIA Pension And Asset Management Sdn Bhd	√				√
7	AIMS Asset Management Sdn Bhd	√				
8	Alliance Investment Bank Berhad			√		
9	Am Ara REIT Managers Sdn Bhd	√				
10	Amanahraya Investment Management Sdn Bhd	√	√			
11	Amanahraya-REIT Managers Sdn Bhd	√				
12	Amanah Mutual Berhad		√			
13	Amanah Saham Nasional Berhad		√			
14	Amanah Saham Sarawak Berhad		√			
15	Amara Investment Management Sdn Bhd	√				
16	AmFunds Management Berhad	√	√			√
17	AmFutures Sdn Bhd				√	
18	AmInvestment Bank Berhad	√		√		
19	AmIslamic Funds Management Sdn Bhd	√				
20	Amundi Islamic Malaysia Sdn Bhd	√				
21	Amundi Malaysia Sdn Bhd	√				
22	Apex Investment Services Berhad	√	√			
23	Areca Capital Sdn Bhd	√	√			
24	Asian Islamic Investment Management Sdn Bhd	√				
25	Assar Asset Management Sdn Bhd	√				

No.	Name of Company	Type of Capital Markets Services License				
		Fund Management	Dealing in Securities (Unit Trust)	Dealing in Securities	Dealing in Derivatives	Dealing in PRS
26	Atrium REIT Managers Sdn Bhd	√				
27	Axis REIT Managers Berhad	√				
28	BIMB Investment Management Berhad	√	√			
29	BIMB Securities Sdn Bhd			√		
30	Blueprint Planning Sdn Bhd		√			√
31	BNP Paribas Investment Partners Malaysia Sdn Bhd	√				
32	BNP Paribas Investment Partners Najmah Malaysia Sdn Bhd	√				
33	Capital Dynamics Asset Management Sdn Bhd	√				
34	CapitaLand Malaysia Mall REIT Management Sdn Bhd	√				
35	CIMB Futures Sdn Bhd				√	
36	CIMB Investment Bank Berhad			√		
37	CIMB-Principal Asset Management Berhad	√	√			√
38	CIMB-Principal Islamic Asset Management Sdn Bhd	√				
39	Citigroup Global Markets Malaysia Sdn Bhd			√		
40	CLSA Securities Malaysia Sdn Bhd			√		
41	Corston-Smith Asset Management Sdn Bhd	√				
42	Credit Suisse Securities (Malaysia) Sdn Bhd			√	√	
43	Damansara REIT Managers Sdn Bhd	√				
44	Eastspring Al-Wara' Investments Berhad	√				
45	Eastspring Investments Berhad	√	√			
46	* Etalage Sdn Bhd		√			√
47	FA Advisory Sdn Bhd		√			√
48	FA Securities Sdn Bhd			√		
49	Fedrums Sdn Bhd				√	

\* In the process of formalizing its membership

# LIST OF MEMBERS

(AS AT 31<sup>ST</sup> JANUARY 2016)

No.	Name of Company	Type of Capital Markets Services License				
		Fund Management	Dealing in Securities (Unit Trust)	Dealing in Securities	Dealing in Derivatives	Dealing in PRS
50	FIN Freedom Sdn Bhd		√			√
51	Fortress Capital Asset Management (M) Sdn Bhd	√				
52	Franklin Templeton Asset Management (Malaysia) Sdn Bhd	√				
53	Franklin Templeton GSC Asset Management Sdn Bhd	√	√			
54	* GLM REIT Management Sdn Bhd	√				
55	Golden Touch Asset Management Sdn Bhd	√				
56	Goldman Sachs (Malaysia) Sdn Bhd	√				
57	Guidance Investments Sdn Bhd	√				
58	Harveston Wealth Management Sdn Bhd		√			√
59	Hektar Asset Management Sdn Bhd	√				
60	Hong Leong Asset Management Bhd	√	√			
61	Hong Leong Fund Management Sdn Bhd	√				
62	Hong Leong Investment Bank Berhad			√	√	
63	iFAST Capital Sdn Bhd		√			√
64	IGB REIT Management Sdn Bhd	√				
65	Inter-Pacific Asset Management Sdn Bhd	√	√			
66	Inter-Pacific Securities Sdn Bhd			√	√	
67	i-VCAP Management Sdn Bhd	√				
68	JF Apex Securities Berhad			√	√	
69	JPMorgan Securities (Malaysia) Sdn Bhd			√	√	
70	Jupiter Securities Sdn Bhd			√		
71	KAF Investment Funds Berhad	√	√			
72	KAF-Seagroatt & Campbell Securities Sdn Bhd			√		
73	Kedah Islamic Asset Management Berhad	√	√			

\* In the process of formalizing its membership

No.	Name of Company	Type of Capital Markets Services License				
		Fund Management	Dealing in Securities (Unit Trust)	Dealing in Securities	Dealing in Derivatives	Dealing in PRS
74	Kenanga Deutsche Futures Sdn Bhd				√	
75	Kenanga Investment Bank Berhad			√		√
76	Kenanga Investors Berhad	√	√			√
77	Kenanga Islamic Investors Berhad	√				
78	KFH Asset Management Sdn Bhd	√				
79	KLCC REIT Management Sdn Bhd	√				
80	Kumpulan Sentiasa Cemerlang Sdn Bhd	√	√			
81	Legacy Advisory Sdn Bhd		√			√
82	Libra Invest Berhad	√	√			
83	LT International Futures (M) Sdn Bhd				√	
84	M & A Securities Sdn Bhd			√		
85	Macquarie Capital Securities (Malaysia) Sdn Bhd			√		
86	Malacca Securities Sdn Bhd			√		
87	Malaysian Issuing House Sdn Bhd			√		
88	Manulife Asset Management Services Berhad	√	√			√
89	Maybank Asset Management Sdn Bhd	√	√			
90	Maybank Investment Bank Berhad			√	√	
91	Maybank Islamic Asset Management Sdn Bhd	√				
92	Mercury Securities Sdn Bhd			√		
93	MIDF Amanah Asset Management Berhad	√	√			
94	MIDF Amanah Investment Bank Berhad			√		
95	MRCB Quill Management Sdn Bhd	√				
96	* MTC Advisors Sdn Bhd	√				
97	Muamalat Invest Sdn Bhd	√				
98	Navis Management Sdn Bhd	√				
99	Nomura Asset Management Malaysia Sdn Bhd	√				

\* In the process of formalizing its membership

# LIST OF MEMBERS

(AS AT 31<sup>ST</sup> JANUARY 2016)

No.	Name of Company	Type of Capital Markets Services License				
		Fund Management	Dealing in Securities (Unit Trust)	Dealing in Securities	Dealing in Derivatives	Dealing in PRS
100	Nomura Islamic Asset Management Sdn Bhd	√				
101	Nomura Securities Malaysia Sdn Bhd			√		
102	Okachi (M) Sdn Bhd				√	
103	Opus Asset Management Sdn Bhd	√				
104	Oriental Pacific Futures Sdn Bhd				√	
105	Pacific Mutual Fund Bhd	√	√			
106	Pavilion REIT Management Sdn Bhd	√				
107	PCB Asset Management Sdn Bhd	√				
108	Pelaburan Hartanah Nasional Berhad	√				
109	Pelaburan Johor Berhad	√	√			
110	Pengurusan Kumipa Berhad	√	√			
111	Permodalan BSN Berhad	√	√			
112	Permodalan Nasional Berhad	√				
113	Pheim Asset Management Sdn Bhd	√				
114	Pheim Unit Trusts Berhad		√			
115	Phillip Capital Management Sdn Bhd	√				
116	Phillip Futures Sdn Bhd				√	
117	Phillip Mutual Berhad		√			√
118	PineBridge Investments Malaysia Sdn Bhd	√				
119	Pintar Projek Sdn Bhd	√				
120	PM Securities Sdn Bhd			√		
121	PMB Investment Berhad	√	√			√
122	PTB Unit Trust Berhad	√	√			
123	Public Investment Bank Berhad			√		
124	Public Mutual Berhad	√	√			√
125	RHB Investment Bank Berhad			√	√	

No.	Name of Company	Type of Capital Markets Services License				
		Fund Management	Dealing in Securities (Unit Trust)	Dealing in Securities	Dealing in Derivatives	Dealing in PRS
126	RHB Asset Management Sdn Bhd	√	√			√
127	RHB Islamic International Asset Management Berhad	√	√			
128	Saham Sabah Berhad		√			
129	Saturna Sdn Bhd	√	√			
130	SDB Asset Management Sdn Bhd	√				
131	Singular Asset Management Sdn Bhd	√				
132	SJ Securities Sdn Bhd			√		
133	SP Investment Management Sdn Bhd	√				
134	Standard Financial Adviser Sdn Bhd		√			√
135	Sunway REIT Management Sdn Bhd	√				
136	TA Futures Sdn Bhd				√	
137	TA Investment Management Berhad	√	√			√
138	TA Securities Holdings Berhad			√		
139	Threadneedle Asset Management Malaysia Sdn Bhd	√				
140	Tricor Investor & Issuing House Services Sdn Bhd			√		
141	UOA Asset Management Sdn Bhd	√				
142	UBS Securities Malaysia Sdn Bhd			√		
143	UOB Asset Management (Malaysia) Berhad	√	√			
144	UOB Kay Hian Securities (M) Sdn Bhd			√	√	
145	VCAP Asset Managers Sdn Bhd	√				
146	VCB Capital Sdn Bhd	√				
147	VKA Wealth Planners Sdn Bhd		√			√
148	Whitman Independent Advisors Sdn Bhd		√			√

## Part 2

# DIRECTORS' REPORT & **AUDITED FINANCIAL STATEMENTS**

SECURITIES INDUSTRY DISPUTE  
RESOLUTION CENTER (909583 - H)  
(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED  
FINANCIAL STATEMENTS  
31 DECEMBER 2015

SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER  
(Incorporated in Malaysia)

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SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER  
(Incorporated in Malaysia)

#### DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of Securities Industry Dispute Resolution Center ("the Center") for the financial year ended 31 December 2015.

#### PRINCIPAL ACTIVITIES

The principal activities of the Center are to act as an alternative dispute resolution body for investors in relation to claims involving capital market services and products that an investor may have against capital market intermediaries and to resolve such claims in a fair, reasonable, timely, efficient and accessible manner. In this regard, the Center promotes, encourages and facilitates the satisfactory resolution, mediation or withdrawal of such complaints, disputes and claims. There have been no significant changes in the nature of these activities during the financial year.

#### RESULTS

	<b>RM</b>
Surplus for the financial year	<u>-</u>

#### DIVIDEND

In accordance with the Memorandum of Association, no dividends are payable to the members of the Center.

#### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

#### DIRECTORS

The Directors who held office since the date of the last report are:

Dato' Ranita binti Mohd Hussein  
Tan Sri Dato' Sri Hamad Kama Piah bin Che Othman  
Dato' Saiful Bahri bin Zainuddin  
Dato' Kok Wee Kiat  
Dato' Halipah binti Esa  
Tang Chee Kin  
Dato' Karam Chand Vohrah

## DIRECTORS' INTERESTS

None of the Directors holding office at the end of the financial year held any interest in ordinary shares in the Center or ordinary shares of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit by reason of a contract made by the Center or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year, to which the Center is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Center or any other body corporate.

## OTHER STATUTORY INFORMATION REGARDING THE CENTER

### (I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the statement of profit or loss and other comprehensive income and statement of financial position of the Center were made out, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts to be written off and that no provision for doubtful debts is required; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Center during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
  - (i) which would necessitate the writing off of bad debts or the making of provision for doubtful debts in the financial statements of the Center;

## OTHER STATUTORY INFORMATION REGARDING THE CENTER (continued)

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (continued)

- (c) The Directors are not aware of any circumstances (continued):
  - (ii) which would render the values attributed to current assets in the financial statements of the Center misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Center misleading or inappropriate.
- (d) In the opinion of the Directors:
  - (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Center for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year, which will or may affect the ability of the Center to meet its obligations as and when they fall due.

### (III) AS AT THE DATE OF THIS REPORT


- (e) There are no charges on the assets of the Center which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Center which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Center misleading.



AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.



.....  
Dato' Ranita binti Mohd Hussein  
Director



.....  
Dato' Kok Wee Kiat  
Director

Kuala Lumpur, Malaysia  
18 February 2016

SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER  
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 8 to 28 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Center as at 31 December 2015 and of the financial performance and cash flows of the Center for the financial year then ended.

On behalf of the Board,



.....  
Dato' Ranita binti Mohd Hussein  
Director



.....  
Dato' Kok Wee Kiat  
Director


Kuala Lumpur, Malaysia  
18 February 2016

STATUTORY DECLARATION


I, Sujatha Sekhar A/P Tan Sri B.C. Sekhar, being the officer primarily responsible for the financial management of Securities Industry Dispute Resolution Center, do solemnly and sincerely declare that the financial statements set out on pages 8 to 28 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly )  
declared by the )  
abovenamed at )  
Kuala Lumpur this )  
18 February 2016 )

Before me:



Sujatha Sekhar A/P Tan Sri B.C. Sekhar



No.10-1, Jalan Bangsar Utama 1,  
Bangsar Utama,  
59000 Kuala Lumpur.



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 BDO @ Menara CenTARa  
 360 Jalan Tuanku Abdul Rahman  
 50100 Kuala Lumpur  
 Malaysia

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
 SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER  
 (Incorporated in Malaysia)**

**Report on the Financial Statements**

We have audited the financial statements of Securities Industry Dispute Resolution Center, which comprise statement of financial position as at 31 December 2015 of the Center, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Center for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 28.

**Directors' Responsibility for the Financial Statements**

The Directors of the Center are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
 SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER (continued)  
 (Incorporated in Malaysia)**

**Auditors' Responsibility (continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Center as of 31 December 2015 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**


In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Center have been properly kept in accordance with the provisions of the Act.

**Other Matters**

This report is made solely to the member of the Center, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

  
 BDO  
 AF : 0206  
 Chartered Accountants

Kuala Lumpur  
 18 February 2016

  
 Rejeesh A/L Balasubramaniam  
 2895/08/16 (J)  
 Chartered Accountant

SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER  
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2015

	Note	2015 RM	2014 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	72,229	138,197
<b>Current assets</b>			
Receivables	8	99,672	84,515
Cash and bank balances	9	2,142,570	491,724
		<u>2,242,242</u>	<u>576,239</u>
<b>LIABILITIES</b>			
<b>Current liability</b>			
Payables	10	65,243	127,195
<b>Net current assets</b>		<u>2,176,999</u>	<u>449,044</u>
		<u>2,249,228</u>	<u>587,241</u>
<b>Represented by:</b>			
Contribution from members	11	-	-
<b>Non-current liability</b>			
Deferred income	12	2,249,228	587,241

The accompanying notes form an integral part of the financial statements.

SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER  
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM	2014 RM
<b>Income</b>			
Other income	13	<u>1,593,559</u>	<u>1,491,994</u>
<b>Expenditure</b>			
Staff costs	14	(874,054)	(514,694)
Auditors' remuneration		(8,000)	(8,000)
Tax agent fees		-	(6,500)
Office rental		(291,881)	(283,573)
Professional fees		(53,000)	(107,000)
Depreciation of property and equipment	7	(85,904)	(88,060)
Director's meeting allowances		(94,000)	(95,000)
Waiver of expenses paid on behalf by the Securities Commission		143,164	-
Capacity building		-	(33,807)
Other expenses	15	<u>(329,884)</u>	<u>(355,360)</u>
		<u>(1,593,559)</u>	<u>(1,491,994)</u>
<b>Surplus before taxation</b>		-	-
Taxation	16	-	-
<b>Net surplus for the financial year, representing total comprehensive income</b>		<u>-</u>	<u>-</u>

The accompanying notes form an integral part of the financial statements.

SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER  
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM	2014 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus before taxation		-	-
Adjustments for:			
Depreciation of property and equipment	7	85,904	88,060
Amortisation of grants received	12	(1,560,013)	(1,474,756)
Operating loss before working capital changes		(1,474,109)	(1,386,696)
(Increase)/Decrease in receivables		(15,157)	1,391
(Decrease)/Increase in payables		(61,952)	104,678
Net cash used in operating activities		(1,551,218)	(1,280,627)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Purchase of property and equipment	7	(19,936)	(12,311)
Net cash used in investing activities		(19,936)	(12,311)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Proceeds from government grants, representing net cash generated from financing activity	12	3,222,000	1,174,145
Net decrease in cash and cash equivalents		1,650,846	(118,793)
Cash and cash equivalents at beginning of financial year		491,724	610,517
Cash and cash equivalents at end of financial year	9	2,142,570	491,724

*The accompanying notes form an integral part of the financial statements.*

SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2015

1. CORPORATE INFORMATION

Securities Industry Dispute Resolution Center ('the Center') was incorporated on 28 July 2010 and is a company limited by guarantee, incorporated and domiciled in Malaysia.

The registered office of the Center is located at 20<sup>th</sup> Floor, Ambank Group Building, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Center is located at Unit A-9-1, Level 9, Tower A, Menara UOA Bangsar, No. 5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur.

The financial statements were authorised for issuance in accordance with a resolution by the Board of Directors on 18 February 2016.

2. PRINCIPAL ACTIVITIES

The principal activities of the Center are to act as an alternative dispute resolution body for investors in relation to claims involving capital market services and products that an investor may have against capital market intermediaries and to resolve such claims in a fair, reasonable, timely, efficient and accessible manner. In this regard, the Center promotes, encourages and facilitates the satisfactory resolution, mediation or withdrawal of such complaints, disputes and claims. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Center have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia ('RM'), which is the Center's functional currency.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Basis of accounting

The financial statements of the Center have been prepared under the historical cost convention except as otherwise stated in the financial statements and on the basis of accounting principles applicable to a going concern.

The preparation of financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

##### 4.2 Property and equipment and depreciation

All items of property and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Center and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Center is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.2 Property and equipment and depreciation

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation period is as follows:

Computer equipment	3 years
Renovation	5 years
Furniture and fittings	10 years
Office equipment	5 years

At the end of each reporting period, the carrying amount of an item of property and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (See Note 4.4 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

##### 4.3 Government grants

Government grants are recognised initially at their fair value in the statement of financial position as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Center for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grant that compensate the Center for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.4 Impairment of non-financial assets

The carrying amounts of assets, except for financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

##### 4.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Center.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.5 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Center.

Financial instruments are recognised on the statement of financial position when the Center has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

##### (a) Financial assets

After initial recognition, financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available for sale financial assets for the purpose of subsequent measurement.

The Center's financial assets include cash and deposits with a licensed bank and loan and receivables. The financial assets of the Center are classified into the following category:

##### Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.5 Financial instruments (continued)

###### (a) Financial assets (continued)

Cash and bank balances include cash equivalents, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or market place convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

###### (b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following category after initial recognition for the purpose of subsequent measurement:

###### Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.5 Financial instruments (continued)

###### (b) Financial liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

###### (c) Equity

Contribution from members is classified as equity.

##### 4.6 Impairment of financial assets

The Center assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

###### *Receivables*

The Center collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of receivables is reduced through the use of an allowance account.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.6 Impairment of financial assets (continued)

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

##### 4.7 Income taxes

Income taxes include all domestic taxes on taxable profit.

Taxes in the statement of profit or loss and other comprehensive income comprise current tax and deferred tax.

###### (a) Current tax

Current tax expenses are determined according to the tax law of the jurisdiction in which the Center operates and include all taxes based upon the taxable profit.

###### (b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, accrued expenses or unabsorbed capital allowance can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.7 Income taxes (continued)

###### (b) Deferred tax (continued)

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of the reporting period.

##### 4.8 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Center has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

##### 4.9 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Center or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Center does not recognise this contingent liability but discloses its existence in the financial statements.



#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.9 Contingent liabilities and contingent assets (continued)

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Center. The Center does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

#### 5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

##### 5.1 New MFRSs adopted during the current financial year

The Center adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year.

Title	Effective Date
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements to MFRSs 2010 - 2012 Cycle</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements to MFRSs 2011 - 2013 Cycle</i>	1 July 2014

There is no impact upon adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations during the current financial year.

#### 5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

##### 5.2 New MFRSs that have been issued, but have yet to be adopted during the current financial year

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to 2012-2014 Cycle</i>	1 January 2016
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018

The Center is in the process of assessing the impact of the adoption of these MFRSs, Amendments to MFRSs and IC Interpretations as the effects would only be observable in future financial years.

#### 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

##### 6.1 Changes in estimates

Estimates are continually evaluated by the Center and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors are of the opinion that there are no changes in estimates during the financial year.

##### 6.2 Critical judgements made in accounting policies

There are no critical judgements made by management in the process of applying the accounting policies of the Center that have the most significant effect on the amounts recognised in the financial statements.

## 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

## 6.3 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation and uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

## 7. PROPERTY AND EQUIPMENT

	Balance as at 1.1.2015	Additions	Depreciation charge for the financial year	Balance as at 31.12.2015
	RM	RM	RM	RM
<b>Carrying amount</b>				
Computer equipment	10,425	18,237	7,196	21,466
Renovation	70,659	-	69,517	1,142
Furniture and fittings	56,794	-	9,055	47,739
Office equipment	319	1,699	136	1,882
	<u>138,197</u>	<u>19,936</u>	<u>85,904</u>	<u>72,229</u>

	[----- At 31.12.2015 -----]		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Computer equipment	334,501	313,035	21,466
Renovation	378,075	376,933	1,142
Furniture and fittings	90,548	42,809	47,739
Office equipment	2,098	216	1,882
	<u>805,222</u>	<u>732,993</u>	<u>72,229</u>

## 7. PROPERTY AND EQUIPMENT (continued)

	Balance as at 1.1.2014	Additions	Depreciation charge for the financial year	Balance as at 31.12.2014
	RM	RM	RM	RM
<b>Carrying amount</b>				
Computer equipment	3,533	11,912	5,020	10,425
Renovation	146,274	-	75,615	70,659
Furniture and fittings	64,139	-	7,345	56,794
Office equipment	-	399	80	319
	<u>213,946</u>	<u>12,311</u>	<u>88,060</u>	<u>138,197</u>

	[----- At 31.12.2014 -----]		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Computer equipment	316,264	305,839	10,425
Renovation	378,075	307,416	70,659
Furniture and fittings	90,548	33,754	56,794
Office equipment	399	80	319
	<u>785,286</u>	<u>647,089</u>	<u>138,197</u>

## 8. RECEIVABLES

	2015 RM	2014 RM
Deposits	80,007	79,757
Interest receivable	5,554	1,101
Other receivables and prepayments	14,111	3,657
	<u>99,672</u>	<u>84,515</u>

Receivables are denominated in Ringgit Malaysia.

## 9. CASH AND BANK BALANCES

	2015 RM	2014 RM
Cash and bank balances	1,685,570	91,724
Deposits with a licensed bank	457,000	400,000
	<u>2,142,570</u>	<u>491,724</u>

Cash and bank balances are denominated in Ringgit Malaysia.

## 10. PAYABLES

	2015 RM	2014 RM
Payables	54,743	113,195
Accruals	10,500	14,000
	<u>65,243</u>	<u>127,195</u>

Payables are denominated in Ringgit Malaysia.

## 11. CONTRIBUTION FROM MEMBERS

Every member of the Center undertakes to contribute, not exceeding RM1,000, to the assets of the Center in the event of the Center being wound up.

## 12. DEFERRED INCOME

	2015 RM	2014 RM
At 1 January	587,241	887,852
Received during the financial year	3,222,000	1,174,145
Amortised to profit or loss	(1,560,013)	(1,474,756)
	<u>2,249,228</u>	<u>587,241</u>

## 12. DEFERRED INCOME (continued)

Government grants received from statutory bodies comprise:

	2015 RM	2014 RM
Securities Commission	1,400,000	1,174,145
Capital Market Development Fund	1,822,000	-
	<u>3,222,000</u>	<u>1,174,145</u>

During the financial year, the Center received a government grant from the Securities Commission Malaysia ("SC"), a statutory body established under Securities Commission Act 1993, for working capital purposes, and a government grant from Capital Market Development Fund ("CMDf"), a statutory body established under Capital Markets & Services Act ("CMSA") 2007, for awareness and capacity building initiatives.

## 13. OTHER INCOME

	2015 RM	2014 RM
Amortisation of government grants	1,560,013	1,474,756
Interest income from deposits with a licensed bank	33,546	17,238
	<u>1,593,559</u>	<u>1,491,994</u>

## 14. STAFF COSTS

	2015 RM	2014 RM
Salaries and bonuses	696,894	414,440
Statutory contribution to Employees Provident Fund and social security	95,325	61,290
Other allowances	81,835	38,964
	<u>874,054</u>	<u>514,694</u>

## 15. OTHER EXPENSES

	2015 RM	2014 RM
Communication and utilities	109,574	111,085
Stationeries, printing and sundry expenses	32,629	35,132
Subscription and membership fees	21,908	3,972
Good Services Tax ("GST") and service tax	31,474	1,050
Meeting expenses	6,251	14,960
Online journals and equipment rental	1,454	1,269
Filling, stamping and disbursements	9,232	13,770
Advertising and promotion	47,097	78,779
Educational and outreach programmes	2,615	44,236
External mediator fees	13,500	-
Maintenance	44,433	41,005
Others	9,717	10,102
	<u>329,884</u>	<u>355,360</u>

## 16. TAXATION

On 16 October 2014, the Ministry of Finance ("MOF") has granted the Center an extension to the tax exemption status which is applicable from the year of assessment 2015 up to year of assessment 2019.

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Center's financial risk management policy seeks to ensure that adequate financial resources are available for the achievement of the Center's objectives and principle activities.

The Center is exposed mainly to credit risk and liquidity risk. Information on the management of the related exposures are detailed below.

## (a) Credit risk

Cash deposits and receivables could give rise to credit risk, which requires the loss to be recognised if a counterparty fails to perform as contracted. The primary exposure of the Center to credit risk arises from receivables. The exposure to credit risk is monitored by management on an ongoing basis.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## (a) Credit risk (continued)

The Center considers the risk of material loss arising in the event of non-performance by a financial counterparty to be unlikely, except when management deems recoverability of specific debtors as doubtful.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Center to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Financial assets that are neither past due nor impaired

Information regarding receivables that are neither past due nor impaired is disclosed in Note 8 to the financial statements. Deposits with a licensed bank that are neither past due nor impaired are placed with a reputable financial institution.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 8 to the financial statements.

## (b) Liquidity and cash flow risk

Liquidity risk is the risk of funds will not be available to meet liabilities as and when they fall due. The Center actively manages this risk by maintaining good governance over the cash management of the government grants, and operates within clearly defined guidelines that are approved by the Board of Directors.

The table below summarises the maturity profile of the Center's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Within 1 year	
	2015 RM	2014 RM
Payables	<u>65,243</u>	<u>127,195</u>

## 18. FAIR VALUES

The fair values of all financial assets and financial liabilities approximate their carrying amounts due to their relative short term maturities.

## 19. COMMITMENTS

Center as lessee

The Center had entered into a non-cancellable lease agreement for its office premise, resulting in future rental commitments which can, subject to certain terms in the agreement, be revised annually based on prevailing market rates.

The total future minimum lease payments under non-cancellable operating lease are as follows:

	2015 RM	2014 RM
Not later than one year	269,069	269,069
Later than one year but not later than five years	<u>246,646</u>	<u>515,715</u>
	<u>515,715</u>	<u>784,784</u>

## 20. CAPITAL MANAGEMENT

The Center manages its capital by following the Center's policies and guidelines and also seeks approval from the Board of Directors with regard to all capital management matters. Presently, the Center's activities are entirely funded via government grants.

## SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER

(Company No. 909583-H)

(Incorporated in Malaysia)

NOTICE IS HEREBY GIVEN THAT the SIXTH ANNUAL GENERAL MEETING of the company will be held at Conference Hall 2, Securities Commission, No. 3 Persiaran Bukit Kiara, Bukit Kiara, 50490 Kuala Lumpur on Tuesday, 12 April 2016 at 2.30 p.m.

**AGENDA**

- (1) To receive the Audited Accounts for the Financial Year ended 31 December 2015 and the Reports of the Directors and the Auditors thereon.

Refer to Note A

**ORDINARY BUSINESS**

- (2) To re-elect Dato' Halipah Binti Esa retiring pursuant to Article 62 of the Company's Articles of Association.
- (3) To re-appoint Dato' Ranita Binti Mohd Hussein retiring in accordance with Section 129(6) of the Companies Act, 1965.
- (4) To re-appoint Dato' Kok Wee Kiat retiring in accordance with Section 129(6) of the Companies Act, 1965.
- (5) To re-appoint Dato' Karam Chand Vohrah retiring in accordance with Section 129(6) of the Companies Act, 1965.
- (6) To re-appoint Messrs BDO Chartered Accountants as Auditors of the Company and to authorise the Directors to fix their remuneration.

Ordinary Resolution 1

Ordinary Resolution 2

Ordinary Resolution 3


Ordinary Resolution 4

Ordinary Resolution 5

**SPECIAL BUSINESS**

- (7) To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

  
 HO YUE CHAN  
 Secretary  
 (BC/H/90)

Kuala Lumpur

Dated: 21 March 2016

**Note A**

This Agenda item is meant for discussion only as Section 169(1) of the Companies Act, 1965 does not require a formal approval of members and hence is not put forward for voting.

Registration of Members will commence from 1.30p.m. on 12 April 2016. Members are kindly reminded to register early to enable the Meeting to start on time.

**FORM OF PROXY**

(Before completing the form, please refer to notes overleaf)

**SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER**

(Company No. 909583-H)  
(Incorporated in Malaysia)

We ..... Company No.: .....

(FULL NAME IN BLOCK CAPITALS)

of.....

(FULL ADDRESS)

being a member of SECURITIES INDUSTRY DISPUTE RESOLUTION CENTER  
("SIDREC" or "Company"), hereby appoint

.....NRIC No.....

(FULL NAME IN BLOCK CAPITALS)

of .....

(FULL ADDRESS)

or failing him/her, ..... NRIC No.....

(FULL NAME IN BLOCK CAPITALS)

of .....

(FULL ADDRESS)

as our proxy to vote for us and on our behalf at the Annual General Meeting of the Company to be held at Conference Hall 2, Securities Commission, No. 3 Persiaran Bukit Kiara, Bukit Kiara, 50490 Kuala Lumpur on Tuesday, 12 April 2016 at 2.30 p.m., and at every adjournment thereof.

In case of a vote taken by a show of hands, our proxy is not entitled to vote on our behalf.

Our proxy/proxies is/are to vote as indicated below:

RESOLUTION	FOR	AGAINST
<b>ORDINARY RESOLUTION 1</b>		
RE-ELECTION OF DATO' - HALIPAH BINTI ESA AS DIRECTOR		

<b>ORDINARY RESOLUTION 2</b>	RE-APPOINTMENT OF - DATO' RANITA BINTI MOHD HUSSEIN AS DIRECTOR		
<b>ORDINARY RESOLUTION 3</b>	RE-APPOINTMENT OF - DATO' KOK WEE KIAT AS DIRECTOR		
<b>ORDINARY RESOLUTION 4</b>	RE-APPOINTMENT OF - DATO' KARAM CHAND VOHRAH AS DIRECTOR		
<b>ORDINARY RESOLUTION 5</b>	RE-APPOINTMENT OF - BDO CHARTERED ACCOUNTANTS AS AUDITORS		

(Please indicate with a "✓" in the space provided above how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.)

Dated this ..... day of ..... 2016

.....  
Signature/Common Seal

**Notes:**

*A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote instead of him. Any proxy appointed by a Member shall be the Corporate Representative of another Member. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Messrs Shook Lin and Bok, 20th Floor, Bangunan AmBank Group, 55, Jalan Raja Chulan 50200 Kuala Lumpur, Malaysia, not less than 48 hours before the time set for holding the meeting or at any adjournment thereof. (The last day and time for lodgment of the proxy form is Sunday, 10 April 2016 at 2.30pm.)*

*Kindly note that the Registered Office is open on Saturday, 9 April 2016, from 8.30am to 5.30pm. and Sunday, 10 April 2016, from 8.30am to 2.30pm.*