

# Sidrec saw spike in investor complaints in 2020 amid retail boom

BY ADELINE PAUL RAJ

The Securities Industry Dispute Resolution Center (Sidrec), which specialises in the handling of monetary disputes between retail investors and capital market intermediaries, saw a spike in disputes in 2020 — the first year of the Covid-19 pandemic — amid a retail trading boom. Many of the disputes were in relation to online trading glitches involving shares and warrants, according to its CEO Sharmila Sharma.

In an interview with *The Edge*, she shares that Sidrec received 103 eligible disputes that year — the most in any year since the centre was set up by the Securities Commission Malaysia (SC) in January 2011. Of those, 61 were in relation to shares and warrants while 27 were linked to unit trusts (see charts).

It was no coincidence that the number of disputes in 2020 was at its highest.

“It was the year of glitches,” Sharma remarks.

“That was the year that retail participation in the market, especially the stock market, was very high. [Because of the lockdowns,] people couldn’t do in-person trading like going to the brokers. So, many went online, on trading platforms. I think some brokers found that they were unable to cope with the surge in volume that was coming online, so there were quite a lot of glitches,” she says, explaining the increase in eligible disputes from retail investors.

“For example, when the investor or share trader keys in an order, sometimes it doesn’t go through. Or, sometimes it goes through but it goes through twice, and then they suddenly find that they have double the number of shares that they [had intended to buy]. On the sell side, maybe they try to key in to sell shares at a certain price, but then there’s a glitch and they can’t do it. So, that was a common complaint that we got in terms of online share trading,” she adds.

On the bright side, Sharma points out, the action taken by Bursa Malaysia and the SC on these matters, as well as the brokers themselves who moved quickly to upgrade their platforms, led to substantially lower disputes in 2021. Sidrec received 47 eligible disputes in 2021, of which those in relation to shares and warrants were down by almost half from the previous year, to 34.

This year, as at May 31, it had received 25 eligible disputes, the same number as in the previous corresponding period.

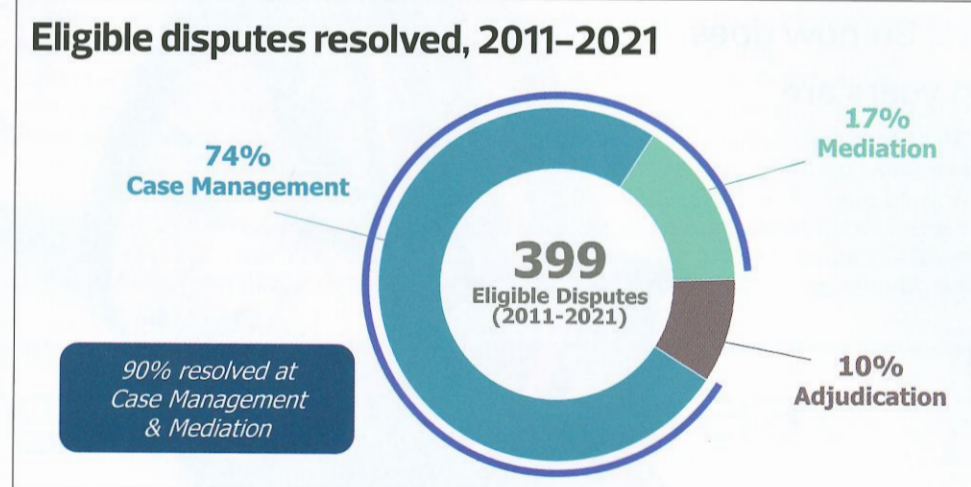
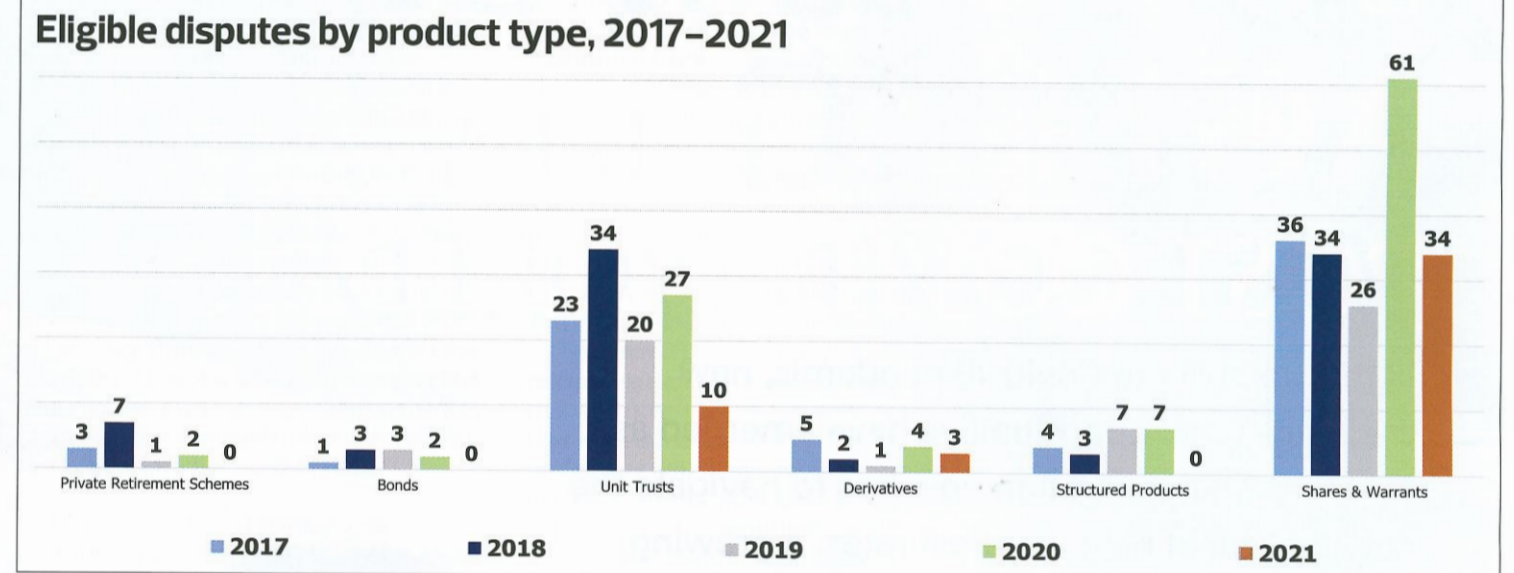
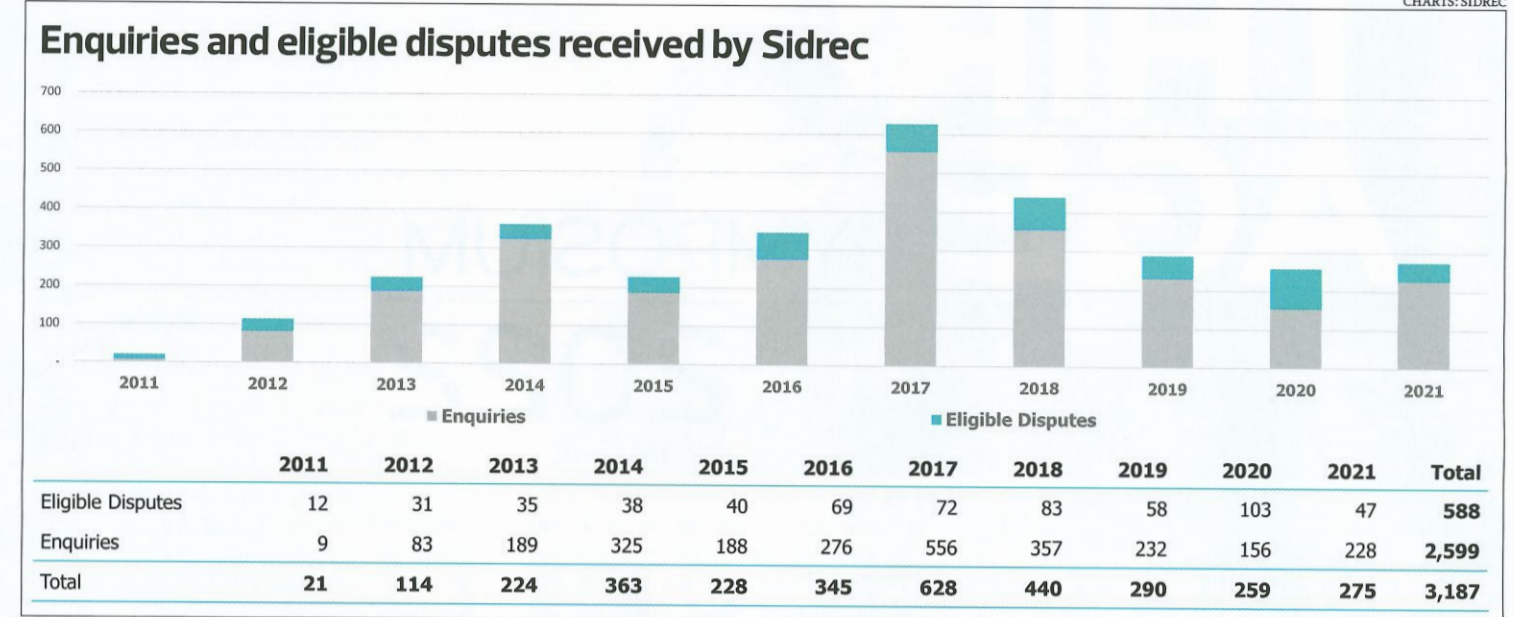
According to Bursa data, retail investors accounted for 34% of total trades in 2020 — the highest percentage of participation in the last decade. That year, there was RM14.3 billion of net local buying by local investors, surpassing the RM10.3 billion by local institutional investors, the SC revealed in its 2020 annual report.

## How Sidrec works

It may have been in operation for over 11 years now, yet not many are aware of the services Sidrec provides retail investors. A survey it undertook — of close to 11,000 respondents comprising retail investors in 2H2021 — showed that only 15% had heard of Sidrec.

“We are an independent and impartial alternative dispute resolution centre,” says Sharma, in explaining what Sidrec does.

A non-profit entity, Sidrec is fully funded by the SC by way of grants. Its services



are free for retail investors with monetary claims below RM250,000, while “a reasonable fee” is charged for monetary claims above RM250,000, she adds.

Retail investors — be they individuals or sole proprietors — can come to Sidrec to help resolve monetary disputes related to products and services in four regulated activities, namely securities (shares and warrants), derivatives, private retirement schemes (PRS) and fund management. Complaints against cryptocurrency, for example, do not fall within its jurisdiction.

As at June 15, Sidrec had 195 members who operate within these four regulated activities. They comprise banks, stockbroking and derivatives broking companies, unit trust companies, PRS providers and distrib-

utors, fund management companies as well as two development financial institutions.

Sharma highlights that before an investor can file a claim with Sidrec, they must first lodge a complaint directly with the Sidrec member in question.

“The reason we require this is ... we actually are not here to find fault. We are here primarily to assist both sides — the retail investor as well as the capital market intermediary — to resolve any disputes that they cannot resolve at their end,” she explains.

If the two parties cannot resolve the issue, then the investor can proceed to file a complaint with Sidrec through its website, email (info@sidrec.com.my) or in person at its office at Menara UOA in Bangsar, Kuala Lumpur.



Sharma: We are an independent and impartial alternative dispute resolution centre

Once a complaint is filed, Sidrec will assign a case manager to see whether it falls within its jurisdiction. If it does, that is when the process begins, says Sharma.

“The case manager will query the investor on the issue and get all the details. Once they get a better picture, they will make an enquiry of the Sidrec member. Equally detailed questions will be asked from both sides. Once they have all the relevant information and documentation, our case managers take a mediative or facilitative approach to see if they can help resolve the case between the two parties,” she says.

If the problem is not resolved at case management, then it moves on to the next stage, which is “mediation”.

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## 90% of cases resolved at case management and mediation

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“Mediation is when the two parties come together to talk things out. Again, there is no legal representation in this process. The mediator is from Sidrec’s panel of mediators and adjudicators, which is made up of very senior members of the Bar or senior members of the capital market. They have no attachment to the outcome of the case. They will just mediate between the two parties, and if the parties decide to settle, it is entirely voluntary how they decide to settle the case. If successful, the parties sign a settlement agreement and we close the case,” says Sharma.

However, if mediation is unsuccessful, then it goes to the next stage, which is “adjudication.” The adjudication stage is much like a tribunal hearing, but less formal. You have an adjudicator, who comes from Sidrec’s panel, and you have the two parties bringing their documents and telling their story again. The adjudicator makes the final decision if it does not get resolved,” she adds.

Sidrec has managed to resolve

399 of the 588 eligible disputes it received from 2011 to 2021. “We’re quite proud of the fact that 90% of our cases were resolved at case management and mediation, meaning that the parties resolved it on their own accord and are happy with the resolution,” she says.

Another recent feather in Sidrec’s cap is having been included as one of the country’s institutions that can provide mediation services for court-referred cases, effective April 1. “It’s something that we have been advocating for a long time, and we’re finally on that list,” says Sharma.

All cases taken on by Sidrec have to be monetary claims. “We don’t take cases involving conduct issues or bad service that doesn’t involve monetary claims. For those cases, we refer them to the relevant authority, whether it be the SC or Bank Negara Malaysia. Sometimes, we ask them to lodge a police report if it involves fraud.”

Interestingly, Bank Negara’s Financial Sector Blueprint 2022-2026, which was launched in January,

states that Sidrec and the Ombudsman for Financial Services (OFS) are to be consolidated into an integrated dispute resolution scheme. The OFS, set up by Bank Negara, provides dispute resolution related to entities regulated by the central bank.

### Buyer beware

Sharma is unable to provide details of the cases Sidrec handles or the name of the parties involved, citing confidentiality issues. She says most claimants are between 41 and 60 years of age. Most of its cases involve claims that are below RM250,000, while only a few are above RM250,000.

“One of the smallest claims we have ever received was for RM10. It was resolved at case management,” she shares. “I’m not encouraging those kinds of cases, but the point I’d like to make is, no claim is too small for us. This is the value of Sidrec — we provide an avenue for small investors, even though their claims may be RM500, RM1,000 ... so they don’t have to go to court.”

Sidrec does not take on monetary

claims that relate to the market performance of an investment, unless there is alleged non-disclosure or misrepresentation by the seller in relation to that investment.

Having dealt with hundreds of disputes, Sharma has several pieces of useful advice to offer investors. A key one is that investors need to watch out for aggressive persuasion tactics or being pressured into making a decision.

“Don’t be afraid to say that you need time to make a decision,” she advises. “Before signing on the dotted line, investors have to understand the key features of the product and the risks involved. That’s the key message we get [based on the cases we handle] — people having to explain better and investors having to understand better.”

She urges investors to verify that the seller of the investment product is registered or licensed by the relevant authorities such as the SC, Bank Negara and Bursa.

“The other thing we see is, when people invest in a product, many don’t read what they are signing

because of the thick documentation. And sometimes, they don’t even insist on getting a copy of the documents that they’ve signed or the receipt as proof of payment. It’s okay if nothing goes wrong [with the investment]. But if it does, then these are the kinds of documents that we will ask for. So, it’s very important to keep all these,” she says.

“After making the investment, it’s also important that they monitor their statements from time to time. If they don’t receive their statements for a very long period, insist on it. These are all red flags,” she adds.

Finally, she says, investors need to make sure that they do not pre-sign forms out of convenience and to take investment suitability assessments seriously.

“I think it may be good for capital market intermediaries to consider cooling-off periods for some of these investment products. This is a short period of time that gives the investors they have signed on some room to reconsider should they realise later that ‘this is not for me,’” she suggests. ■