

David Bardsley

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| Exposure permission: | Permission received for exposure at MAAM website and at discussions with the Securities Commission |
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Dear [deleted]:

Thank you for asking me to comment on the Proposed Guidelines: Compliance Guidelines for Fund Managers the Malaysian Association of Asset Mangers.

I think that you have done a very good job and in some aspects are ahead of the US.

Whatever comments I have may be answered by the current laws or regulations that are in place and of which I am not aware; if so, I apologize for my ignorance.

I hope that you find some of these thoughts helpful.

Clause:

3.3(viii) The last word “regularly” may need more definition; e.g. annually, quarterly, etc. Perhaps it could coincide with the twice annual reporting requirement of Clause 3.55.

3.5(i) Are the terms “reasonable” and “adequate” defined anywhere, or are they generally understood? They seem vague here.

3.6 Perhaps this should also include “risk tolerance”.

3.7(iii) While the avoidance of providing material misrepresentation is paramount in any investment recommendation, it may be possible for a fund manager to avoid material misrepresentation, but still not provide the information necessary to make an informed investment decision. The criteria of only avoiding material misrepresentation may be set too high, perhaps this should also require providing “full and accurate information”.

3.9 Proprietary trading and/or management of related party funds impact the investor and his/her investment directly. These areas have proven fields for potent abuse as international experience has soon. Such information therefore is essential for investors in assisting to determine the proper operation of a fund manager. While the requirement to provide this information to current clients is well placed, it does not help potential clients in choosing a fund manger if this information is not reported publicly somewhere. Perhaps this clause should include a reporting requirement of this information that would be available to the interested investing public and that can be used as additional information in helping to decide which fund manager to hire. You might want to consider

requiring this information to be reported, at a minimum, either to the Commission or the SRO in a form and manner that could be accessed by the public. More broadly, it could be required to be included in all and any sales literature that a firm distributes to the public.

3.16(i) As you are aware, the investment and media industries can and have created much excitement and anticipation over certain IPOs in the international experience. Such offerings become “hot” and are frequently over-subscribed. These hot offerings provide an arena for blatant abuse in such areas as favoritism, negotiations for other or more services, and even outright bribery or fraud on the part of either or both the distributor and the client. In an attempt to control this behavior most mature markets have published requirements concerning the distribution of such hot offerings in terms of ratios, order of placement, etc. Perhaps this clause should include some of those restrictions.

3.18(d) Cross trades between client accounts can be very damaging to the clients involved and has also proven a major area for abuse in the international arena. Perhaps some restrictions should be included in this Clause such as “prior permission” and perhaps such prior permission should be “required in writing.” A further restriction would include that each such trade be identified as such on the trade report to the client.

3.20(iii) For the sake of clarity, you might consider adding the concept of “shorting” to this Clause

3.21(i) In the US, codes of conduct and policies of conflicts of interest have mostly been left to the companies, “best practices” and the courts. Recent events have shown that this is probably not the best policy. While “Chinese walls” were constructed on paper between the sales and research divisions of investment managers, as we have seen, they were all too frequently either never constructed in reality or were constructed and then either torn down, destroyed or simply walked around. We are still attempting to determine a fair way to handle this and several approaches are being pursued with varying results. Europe has a more formal approach to the problem. Therefore, you might consider including in this Clause some process of official guidelines and/or approval. It might also fall upon the audit committee of the board or some such other entity to review the policy and the procedures on a periodic basis. Official reporting and/or public disclosure of violations might also be considered.

3.26(vii) “Soft commissions” have also proven a field ripe for abuse here in the US. Perhaps this Clause should include a “relevant” (to the management business) standard. Otherwise, it could be interpreted as providing home/personal computers and software.

3.27 For the sake of clarity, perhaps this Clause should include “cash equivalents or non related items”.

3.29 Again, for the sake of clarity, perhaps this should include a “relevant” criteria.

3.31 and 3.32 The word “adequately” may need to be qualified. Services provided under soft commission arrangements might also be required to disclose average industry price for similar transactions and the actual price charged under the soft arrangement.

3.36 This Clause may be drafted to narrowly. It appears to be easily circumvented. Perhaps it should also include “common boards, shared profits or bonuses.”

3.37(a) While this is an excellent idea, it might also include a frequency requirement, such as monthly or quarterly.

3.37(b) With these kinds of approvals, and as with Clause 3.18(d), it is usually advisable to include a “prior written approval” requirement.

3.40(i) While the Malaysian family may not be as complicated as the western family has become, experience has taught the mature markets that if a person is so inclined to control shares through nominees in an attempt to circumvent certain rules, that circle of people who are approached is wider than this Clause currently covers. Perhaps this restriction should be broadened include brothers and sisters, step and adopted children and step siblings as well current and prior spouses.

3.41 Are these policies and procedures currently reported to any authority? Are there guidelines? Should there be?

3.51(i) Perhaps this should also include “profits, losses, current value, and current prices”.

3.55 If this information is communicated in a meeting, does that mean that it is in lieu of any written material? If so, should it be?

3.56 For the sake of clarity, perhaps the word “complete” should be included with “accurate and not misleading”.

3.61(2) Is this information currently available in an annual report? If not, should it be? Is it a financial burden to require that this information be issued periodically, say annually, to all clients rather than only upon request? How does the client know that such information is available upon request?

3.62 For the sake of clarity and uniformity, perhaps this Clause should also include when and where this disclosure should take place.

3.64 Perhaps some of these financial requirements should be quantified with minimums like the minimum capital requirement currently in effect. There might also be a requirement to report these arrangements and updates.

3.80(ii)(1) Are there monetary limits in the law or regulations that may be adopted here? If not, should some be listed here rather than leaving it to the discretion of the firms, which may cause unequal, and thus unfair, requirements across the industry?

3.87 (see also 3.96(xii)) This arrangement may cause difficulties. If the Board appoints the compliance officer, who has the power to fire her? To whom does she report, both directly and indirectly? Who determines her salary and bonus?

3.96 Assuming that in future drafts some periodic reports are required either from the firm itself or from the individual managers, this Claus should mostly properly include the phrase “ensuring continuing compliance and filing of periodic reports.”