

## SURVEILLANCE

### Upholding Market Integrity Through Strong Oversight of PLCs and Proactive Trading Surveillance

Maintaining investors' trust in Malaysia's capital market and preserving its integrity is essential for sustainable economic growth. The SC supports this mandate by monitoring and regulating PLCs, as well as undertaking surveillance of trading activities to ensure the capital markets operate with transparency, fairness, and accountability.

#### *Corporate Surveillance and Governance Oversight*

The SC proactively reviews company disclosures, financial statements and transactions to ensure listed companies comply with securities laws and financial reporting standards. The SC's corporate surveillance function aims to protect investors and shareholders from risks associated with misinformation or misconduct.

The SC's surveillance approach is driven by data and insights from company announcements, media coverage, and stakeholder feedback. In 2025, our monitoring highlighted several key observations, notably potential wrongful loss, financial misrepresentations, and other emerging risks. These findings underscore the importance of early detection and proactive intervention to safeguard investor interests and maintain market integrity. This enables us to identify potential issues at an early stage and act swiftly to prevent them from escalating. We regularly engage with company directors, auditors, and other key stakeholders to strengthen board accountability and promote sound corporate governance.

#### *Fostering Compliance with Take-over and Merger Regulations and Maintaining Effective Regulation*

Towards ensuring compliance of the securities laws, the SC closely monitors compliance of, among others, the take-over requirements to detect misconduct and breaches which could jeopardise the interests of the investing public.

In line with its principle of being an open and engaging regulator, the SC encourages early engagement by relevant parties or their advisers before undertaking transactions with take-over implications. Consultations during 2025 covered matters such as identification of ultimate offeror and persons acting in concert, exemptions from the mandatory offer obligation involving foundations and restructuring of holdings, conditions and pre-conditions to offers, and actions that may be tantamount to favourable deals or frustration of offer. This approach fosters a conducive environment for stakeholders to seek guidance from the SC through its consultation process where we aim to encourage greater compliance with the regulatory requirements for take-over and merger transactions.

The SC and Bursa Malaysia also engaged in numerous discussions and dialogues during the year with the board of directors of companies to be listed on the Main Market or the ACE Market covering pertinent requirements to be observed by listed companies and their directors, including the key take-over regulations. This initiative aims to foster better understanding and support newly listed companies as they embark on their new chapter on Bursa Malaysia.

In addition to regulatory consultations, the SC hosted its annual dialogue on 13 October 2025 to discuss emerging trends and clarify expectations for greater regulatory alignment. The dialogue was attended by 60 representatives from 28 corporate finance advisory firms including members of Malaysian Investment Banking Association (MIBA) and members of Association of Corporate Finance Advisers (ACFA) involved in take-over proposals.

International benchmarking and collaboration with fellow takeover regulators remain vital in shaping the take-over regulations and policies in Malaysia. The SC maintains strong relationships with its counterparts through open channels of communication, enabling the exchange of insights and best practices to achieve effective regulatory outcomes.

The multi-pronged approach underscores the SC's commitment in fostering a fair, efficient and transparent market, while ensuring that the take-overs regulations in Malaysia remain relevant and effective within an evolving capital market landscape.

### **Promoting High Quality Audited Financial Statements Through Oversight of Auditors of Public-Listed Companies and Schedule Funds**

The SC's Audit Oversight Board (AOB) enhances confidence in financial markets by ensuring that audited financial statements, particularly those of public-listed companies and schedule funds, meet the highest standards of quality.

AOB carries out risk-based inspections on audit firms and audit engagements on AOB registered auditors. Firm level inspection evaluates the audit firm's overall system of quality management, governance, and compliance with auditing and ethical standards. This includes assessing leadership commitment, resource adequacy, and internal monitoring mechanisms.

Engagement level inspection examines audit engagements to determine whether auditors exercise professional scepticism, obtained appropriate audit evidence, and issue audit opinions that are appropriate. When findings are identified, auditors are required to remediate weaknesses and ensure that improvements are made on a timely manner.

The AOB's inspection findings and observations are shared annually in the AOB's *Annual Inspection Report* (AIR) which is also shared with the audit committees (ACs) of public-listed companies. These findings are translated into practical recommendations, enabling ACs to strengthen governance oversight and ensure that common audit issues receive the necessary attention. By doing so, AOB helps ACs uphold audit quality, reinforce accountability, and safeguard investor confidence in financial reporting.

Please refer to the AOB's Annual Report for details of AOB's oversight activities

### **Strengthening Market Integrity**

On the trade surveillance front, the SC works closely with Bursa Malaysia and digital assets exchanges in the monitoring of trading activities across equities, derivatives, corporate bonds and digital assets. Throughout the year, regular engagements were held to identify and address dubious trading practices early through pre-emptive measures.

Capital market intermediaries play a vital role in upholding market integrity and share a collective responsibility with regulators to maintain fair and orderly trading. To complement Bursa Malaysia's ongoing engagements with the industry on market integrity, capital market intermediaries were provided feedback on their front-line trade surveillance activities. This communication highlights patterns and trends observed, addresses gaps in monitoring activities and encourages intermediaries to strengthen their surveillance functions as the first line of defence against potential market abuse or irregular trading behaviour.

In 2025, the SC conducted 1,649 assessments on trading anomalies (2024: 1,477) and carried out detailed reviews of potential market abuse cases, including insider trading and market manipulation. Regarding corporate conduct, 38% of completed reviews involved conduct that could result in wrongful loss to the company, 24% involved false or misleading disclosures, and 29% concerned schemes to defraud. When possible corporate transgressions or trading misconduct are identified, the SC applies a consistent regulatory response — ranging from investigations and enforcement actions to referrals to Bursa Malaysia. This ensures that all concerns are addressed proportionately and strategically in line with the SC's mandate to protect investors and preserve market integrity.

The SC also takes proactive steps through public communication in addressing incidents which may undermine market integrity. Joint public statements with Bursa Malaysia were issued to alleviate investor concerns pertaining to unauthorised access to trading accounts. Intermediaries were advised to strengthen security measures, such as multi-factor authentication and stricter password policies, and to alert clients to reset login credentials to safeguard accounts and reduce risks to market integrity.

Another crucial aspect of the SC's surveillance activities involves mutual sharing of experience and knowledge with peer regulators and global bodies. This collaboration ensures our approach is guided not only by domestic regulatory requirements but also by global best practices. As a signatory of the International Organisation of Securities Commissions (IOSCO) Enhanced Multilateral Memorandum of Understanding (EMMoU), the SC is committed to fostering close collaboration with peer regulators and other stakeholders. Through active participation in global information-sharing platforms, particularly on regional surveillance practices, the SC

works to address cross-border corporate and trading misconduct. Malaysia's regulatory approach thus remains aligned with international best practices.

To strengthen the efficiency and reliability of surveillance activities, the SC continues to leverage technology solutions for swifter outcomes. Looking ahead, we are exploring the use of generative AI to enhance our surveillance toolkit, particularly in strengthening detection capabilities and enabling more risk-based surveillance. These tools will support earlier identification of potential issues through advanced data analytics and pattern recognition, improve prioritisation by directing supervisory attention towards higher-risk entities and activities, and enhance our ability to efficiently monitor sustainability-related disclosures. Drawing on the experiences of international counterparts, we proactively look for advanced analytics use cases to strengthen our ability to detect and assess irregular financial transactions and trading misconduct in today's complex market environment. Through continuous refinement of tools, processes, and focus areas, we remain committed to safeguarding corporate and market integrity, transparency, and accountability – values that underpin investor trust and drive sustainable capital market growth.

## Ongoing Monitoring and Surveillance over Corporate Bond and Sukuk Issues

### Monitoring Credit Risks in the Corporate Bond and Sukuk Market

As part of the SC's continuous efforts to oversee the corporate bond and sukuk market, the SC actively identifies and monitors issuers facing credit stress. At present, these issuers represent less than 2% of the market and are primarily from the transportation, real estate, and financial sectors. Some of these issuers have sought investors' consent for measures such as extensions to meet financial covenants, delays in coupon or principal repayments, or other refinancing arrangements to better manage their financial obligations. Overall, Malaysia's corporate bond market remains resilient, dominated by highly-rated corporate bond issuers from the financial, real estate, and infrastructure and utilities sectors.

Within the corporate bond and sukuk market, market participants play a critical role in preserving market integrity by adhering to regulations and safe investors' interests. To support this objective, the SC actively

engaged with key stakeholders, such as credit rating agencies, bond pricing agencies, and bond and sukuk trustees, throughout 2025. These engagements focused on sharing expertise, exchanging perspectives, and addressing both current and emerging challenges.

## SUPERVISION

### Supervision of Technology

#### *Strengthening Cyber Resilience as Sector Lead under the Cyber Security Act 2024*

The year 2025 marked a pivotal point of consolidation and execution for the SC in advancing Malaysia's national cyber resilience agenda. Building on the significant regulatory milestones achieved in 2024, particularly the implementation of the revised *Guidelines on Technology Risk Management* (GTRM) and the *Cyber Security Act 2024* (Cyber Security Act), the SC's focus was on effective implementation, enhanced supervisory engagement, and operationalising its expanded mandate as sector lead for banking and finance.

2025 marks the first full supervisory cycle under the enhanced requirements, following the enforcement of GTRM in August 2024. The SC has intensified its oversight of capital market entities to ensure alignment with GTRM standards across governance structures, reporting mechanisms, third-party risk management practices, technology audits, and board oversight responsibilities. This includes targeted thematic assessments, engagement with boards and senior management, and continuous monitoring to strengthen accountability and resilience against evolving technology and cyber threats.

Since the gazettelement of the *Cyber Security Act* in June 2024 and the SC's appointment as sector lead for the banking and finance sector by Prime Minister Dato' Seri Anwar bin Ibrahim in September 2024, the SC has commenced operationalising its responsibilities as sector lead, including conducting initial assessment and designating National Critical Information Infrastructure (NCII) entities, developing a sector-specific *Cyber Security Code of Practice* (Code of Practice), and establishing sectoral compliance monitoring and incident coordination mechanisms. These initiatives are critical to ensuring that Malaysia's financial infrastructures operate under coherent, sector-wide baseline standards for cyber security.