

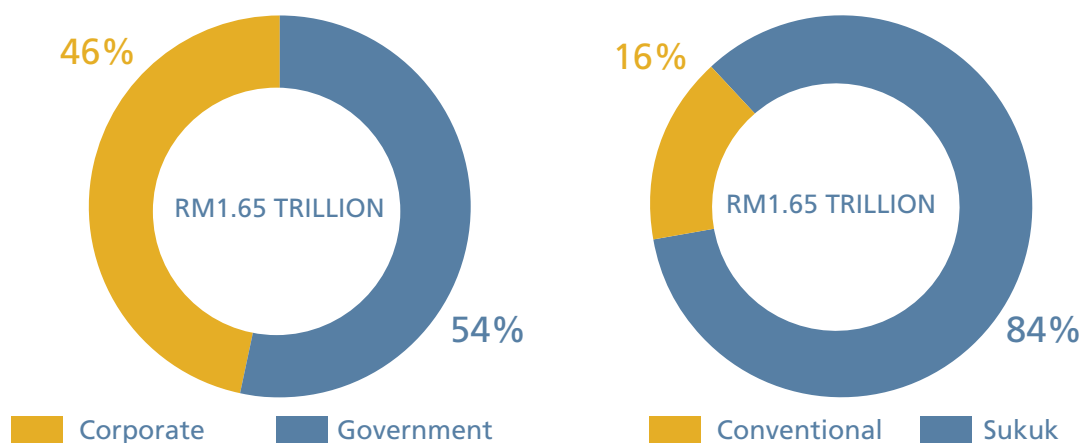
KEY DEVELOPMENTS

HIGHLIGHTS

- As at end Q1 2021, the size of the Malaysian bond and sukuk market stood at RM1.65 trillion, which represented an increase of 7.84% from Q1 2020.
- The SC issued the amendments to the *Guidelines on Recognized Markets* to expand the types of eligible peer-to-peer financing (P2P financing) issuers and amendments to the *Licensing Handbook* to enable expansion of the scope of permitted activities for financial planners.
- On 21 January 2021, the SC expanded the scope of the Green SRI Sukuk Grant Scheme to also include green, social and sustainability bonds issued under the ASEAN Green, Social and Sustainability Bond Standards (ASEAN Standards).
- As at 31 March 2021, the Audit Oversight Board (AOB) registered 344 individual auditors and 38 audit firms and recognised 13 foreign individual auditors from 4 foreign audit firms.

CORPORATE BOND AND SUKUK ISSUANCES

BOND AND SUKUK MARKET AS AT END Q1 2021: RM1.65 TRILLION



At the end of Q1 2021, the size of the Malaysian bond and sukuk market stood at RM1.65 trillion, which represented an increase of 7.84% from the corresponding period in 2020. Government bonds accounted for RM889 billion or 53.9% of total bonds outstanding while corporate bonds constituted the remaining amount of RM761 billion or 46.1%. Total outstanding sukuk stood at RM1.04 trillion or 63.0% of the total bond market (Q1 2020: RM970 billion).

The issuance of corporate bonds during Q1 2021 amounted to RM31.7 billion. Of this total, 84.2% comprised sukuk issues while conventional bonds constituted the remaining 15.8%. Total issuance in the corresponding period in 2020 amounted to RM22 billion.

Foreign investment in the bond market as at end Q1 2021 amounted to RM239.7 billion, which was equivalent to 14.5% of total outstanding bonds.

UPDATE ON LAW REFORM AND SECURITIES REGULATION

Amendments to the Guidelines on Recognized Markets

The SC revised the *Guidelines on Recognized Markets* on 6 January 2021 to allow more micro, small and medium enterprises (MSMEs) to become eligible P2P financing issuers.

Amendments to the Licensing Handbook

On 15 February 2021, the SC issued the revised *Licensing Handbook* that provides the expanded scope, which includes, among others:

- Expanding the types of capital market products that financial planners (FPs) may provide specific advice pursuant to a financial plan;
- Introducing the requirement for FPs to undertake a suitability assessment before providing such advice; and
- Enabling FPs to enter into an arrangement or agreement with a Capital Market Services Licence (CMSL) holder for dealing in securities or fund management in relation to portfolio management, to carry out the investment as allocated or pursuant to the specific advice made, subject to the FPs fulfilling certain conditions.

The amendments came into force on 31 March 2021. Following the issuance of the revised *Licensing Handbook*, the *Technical Note No. 1/2015 Clarification on Scope of Financial Planner's Advice* was rescinded on the same date.

MARKET DEVELOPMENT

SRI Sukuk and Bond Grant Scheme

The SC expanded the scope of the Green SRI Sukuk Grant Scheme¹ on 21 January 2021 to also include green, social and sustainability bonds issued under the ASEAN Standards. This is due to the important role played by both SRI sukuk and bonds in financing the nation's sustainability development agenda. The grant is now renamed as SRI Sukuk and Bond Grant Scheme and includes all sukuk issued under the SC's Sustainable and Responsible Investment (SRI) Sukuk Framework as well as bonds issued under the ASEAN Standards. The expansion is expected to encourage more companies to finance green, social and sustainability projects through SRI sukuk and bonds issuance.

Joint Committee on Climate Change

On 24 February 2021, BNM hosted the 4th meeting of the Joint Committee on Climate Change (JC3)². As part of its priorities in 2021, the JC3, which is co-chaired by BNM and the SC, will work towards developing guidance documents complementing the Climate Change and Principles-Based Taxonomy (CCPT) on risk management and scenario analysis, and supporting the voluntary implementation of climate-related disclosures that are aligned with Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

To increase awareness on climate change, JC3 will also organise a flagship event in June 2021. A dedicated data workstream was also established by JC3 to identify crucial climate and environmental-related data and the relevant data sources to bridge the data gaps in supporting risk management and product solutioning by financial service providers.

¹ The Green SRI Sukuk Grant Scheme was established in 2018 to assist issuers in defraying up to 90% of the external review costs for green SRI sukuk. With a size of RM6 million, thus far, it has benefitted 8 issuers involved in renewable energy, green building and sustainable projects.

² The JC3 is a platform established in September 2019 to pursue collaborative actions for building climate resilience within the Malaysian financial sector. Members include senior officials from Bursa Malaysia and 19 financial industry players.

NaviGate: Capital Market Green Financing Series

To create greater awareness and connectivity to capital market financing, the SC launched NaviGate: Capital Market Green Financing Series on 26 February 2021. The first virtual NaviGate series event focused on the green and sustainability-focused MSMEs to raise awareness on alternative capital market financing avenues available through the ECF and P2P financing. The inaugural session, supported by the Malaysian Green Technology and Climate Change Centre (MGTC) and Sustainable Energy Development Authority (SEDA), attracted a total of 100 participants and 40 MSMEs from the green technology and sustainable energy sectors in Malaysia.

CORPORATE GOVERNANCE INITIATIVES

Updates to the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers

The SC updated the *Guidance and FAQs on the Conduct of General Meetings for Listed Issuers* (Guidance Note) on 12 January, 19 February and 5 March 2021 to align with the relevant Standard Operating Procedures issued by the Malaysian National Security Council, with regard to movement and gathering restrictions.

The Guidance Note was also updated to emphasise the need for boards to address all questions posed by shareholders in a general meeting, irrespective of the mode the meeting was conducted; whether fully virtual, hybrid or physical. This is following feedback from stakeholders that some questions posed by shareholders in a fully virtual general meeting were unanswered.

Between 18 April 2020 (issuance date of the Guidance Note) and 31 March 2021, a total of 1,154 general meetings were conducted, 664 fully virtual (57.5%), 487 physical (42.3%) and the remaining 3 were hybrid.

Inculcating early understanding of CG Principles and issues among youth through universities

In line with the SC's *Corporate Governance Strategic Priorities* (2017-2020), the SC engaged representatives from the business and law faculties of University Malaya and Monash University, on 11 and 29 March 2021 respectively to promote early understanding and appreciation of CG principles and issues among students.

DIGITAL

Increase in fundraising limits on ECF platforms

Under the PEMERKASA Strategic Programme announced by the Prime Minister on 17 March 2021, the SC will increase fundraising limits on ECF platform to RM20 million from RM10 million previously to facilitate start-ups and MSMEs to raise early stage financing in a flexible and competitive manner.

The ECF will also be expanded to unlisted "Bhd" companies to provide equity-type financing option for issuers who are not ready to be listed as well as broaden the spectrum of ECF eligible issuers.

DEVELOPMENT OF ISLAMIC CAPITAL MARKET

Waqf-Featured Fund Framework

Two funds with *waqf* features were launched in Q1 2021, namely, Makmur myWakaf Fund (MWF) by BIMB Investment Bhd and An-Nur Waqf Income Fund by PMB Investment Bhd. With the launch of these funds, the public are now able to invest in an investment product that will channel a part of their investment returns for *waqf* purposes and at the same time contribute to social and community development across the country.

A Waqf-Featured Fund Framework that contains new requirements, to facilitate the offering of unit trusts and wholesale funds with *waqf* feature was released by the SC in November 2020. The framework provides a platform for fund managers to launch products that integrate commercial with social objectives. Investors will also have the opportunity to invest and participate in products that could deliver sustainable benefits for society.

Islamic unit trust funds and Islamic wholesale funds that comply with the requirements under the new chapter of the *Guidelines on Unit Trust Funds and Guidelines on Unlisted Capital Market Products*

Under the Lodge and Launch Framework respectively, can consider themselves as a fund with *waqf* feature. These requirements provide guidance and clarity in the areas of investment objective and distribution policy, eligible *waqf* recipients, disclosure documents, information memorandum and product highlights sheet (where applicable), and breakdown of total amount distributed in the fund report.

INVESTOR EMPOWERMENT PROGRAMMES

In keeping with the momentum from 2020, the SC continued its investor empowerment programmes despite the various MCO implemented by the Malaysian government in Q1 2021. The SC has retained its use of digital media, television and radio as the means to continue reaching out to the public with its investor education initiatives.

The SC collaborated with partners who have developed online investor education programmes to ensure reach during this difficult time. During the period, InvestSmart® also made full use of its social media platforms to reach out to the public with bite-sized information to further expose them to capital market products and services.