



Suruhanjaya Sekuriti
Securities Commission
Malaysia

ANNUAL REPORT 2022

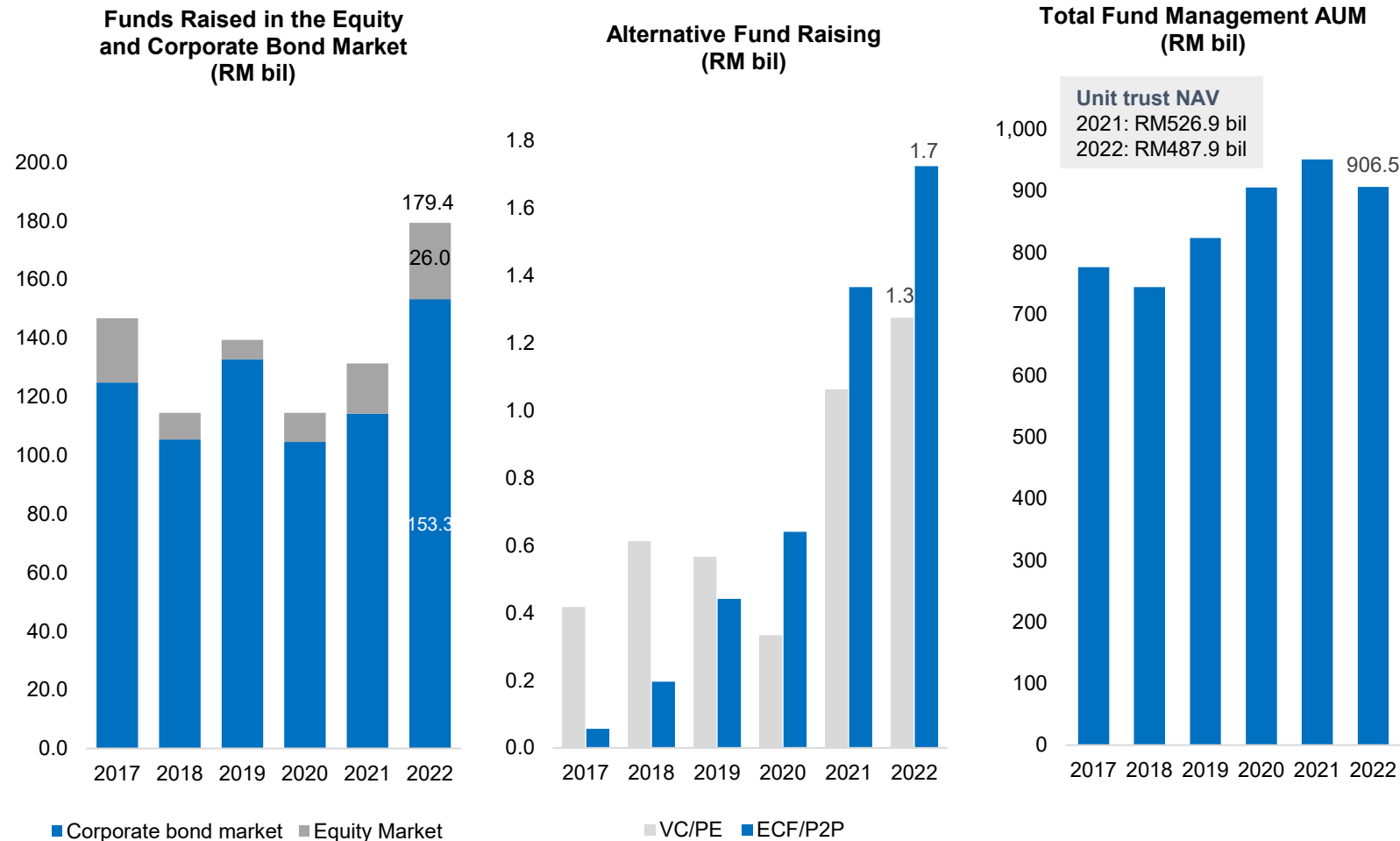


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Part 1

Capital Market Review & Outlook

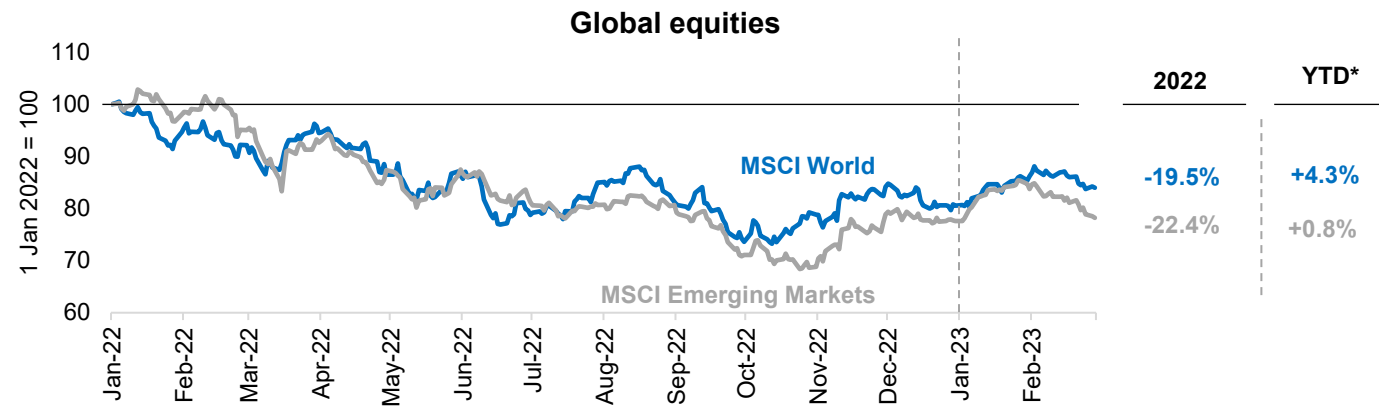
Record-high total fundraising in 2022 as the domestic capital market remained orderly and continued to finance the economy



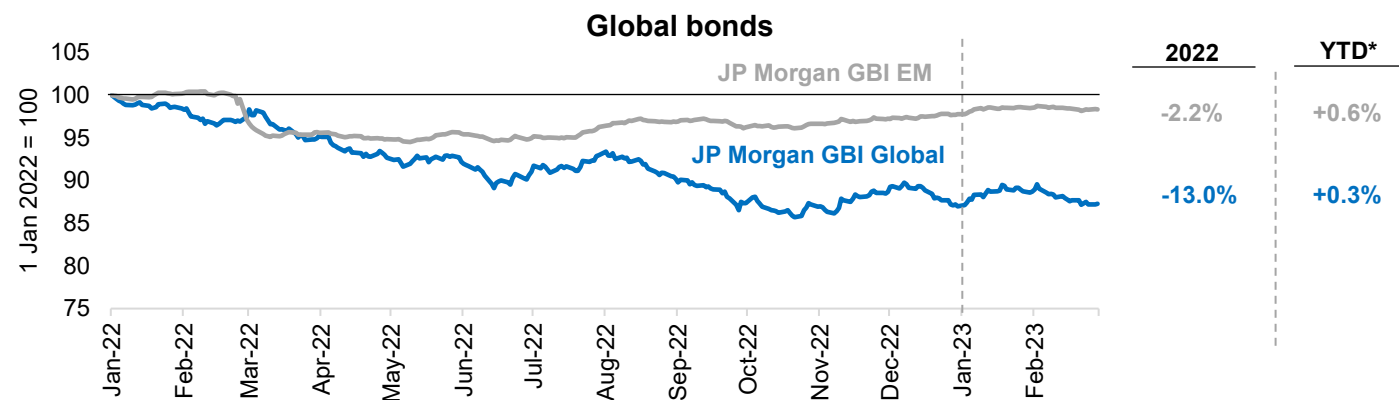
- The Malaysian capital market continued to support the economy, with total funds raised **hitting a record high of RM179.4 billion** (5Y pre-pandemic average: RM121.4 billion)
- Encouraging alternative financing activities, with **ECF/ P2P** increasing to **RM1.7 billion** (2021: RM1.4 billion); while **VC/PE** rose to **RM1.3 billion** (2021: RM1.1 billion)
- The AUM of the fund management industry, however, declined to **RM906.5 billion** (2021: RM951.1 billion)
- The size of the capital market increased to **RM3.6 trillion** in 2022 (2021: RM3.5 trillion)

Global capital markets however ended lower in 2022 amid a confluence of factors

Global equities performance was weaker in 2022



Global bonds weighed by global monetary policy tightening



Global capital markets registered weaker performance in 2022 with the continued tightening of global financial conditions

- Concerns over the **pace of global monetary policy tightening, intensified global inflationary pressure and repercussions of the Ukraine war** dominated sentiments throughout 2022
- Further intensification of geopolitical conflicts** have significantly increased overall uncertainties in 2022. This alongside the confluence of the other factors, will shape the outlook of the global market going forward

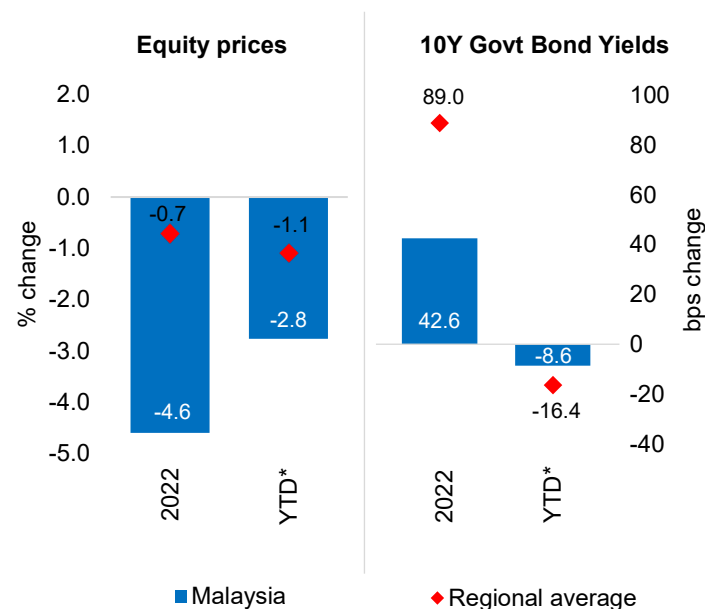
Domestic benchmark indicators also reflected the challenging environment

The Malaysian capital market ended weaker in 2022, given the challenging environment...

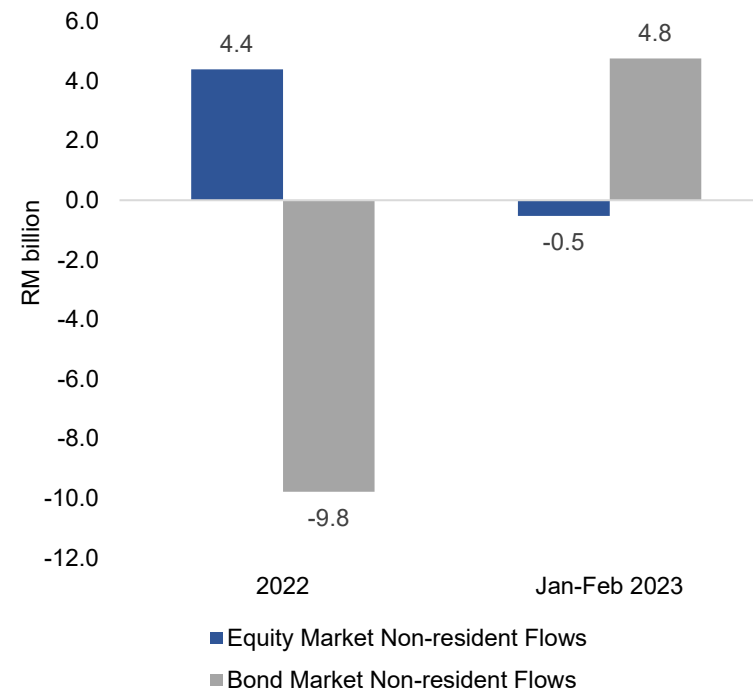
...but non-residents returned as net buyers of equities in 2022, the first since 2017

The Malaysian capital market was affected by continued global and domestic headwinds

Performance of Malaysian equity prices and government bond yields vs regional markets¹



Non-resident portfolio flows










- Both the **domestic equity and bond markets ended weaker in 2022**
- However, in terms of portfolio flows, the equity market witnessed **net portfolio inflows by foreign investors** of RM4.4 bil in 2022, the first since 2017. The bond market experienced portfolio outflows by foreign investors in 2022 but saw them **returning** as we entered into 2023

Note: *as at 28 February 2022; ¹ Includes Indonesia, Thailand, Singapore and the Philippines

Source: Eikon Datastream, BNM, CEIC, SC's calculations

The capital market remained resilient with no systemic risk observed

Components of Capital Market	Observations in 2022
 Equity Market & Infrastructure	<ul style="list-style-type: none"> Domestic market was impacted by global volatility which affected market sentiment, but local retail and foreign investor participation remained healthy
 Bond Market	<ul style="list-style-type: none"> MGS yield curve trended upwards in tandem with global bond market; corporate bond default rate remained low
 Digital Assets	<ul style="list-style-type: none"> Average trading value has declined and domestic digital assets remains small compared to the equity market
 Investment Flows	<ul style="list-style-type: none"> Domestic liquidity in equities remained supported by local retail investors and foreign investors; foreign holdings in equities were stable; though foreign holdings in bonds declined below its 5-year average
 Investment Management	<ul style="list-style-type: none"> Fund managers had in place robust liquidity risk management processes to ensure sufficient liquidity to manage potential increase in redemption
 Stockbroking Intermediaries	<ul style="list-style-type: none"> Stockbrokers and investment banks remained resilient and have sufficient capital buffers to manage their respective liquidity positions prudently
 PLCs	<ul style="list-style-type: none"> Most sectors recorded higher earnings in 2022*

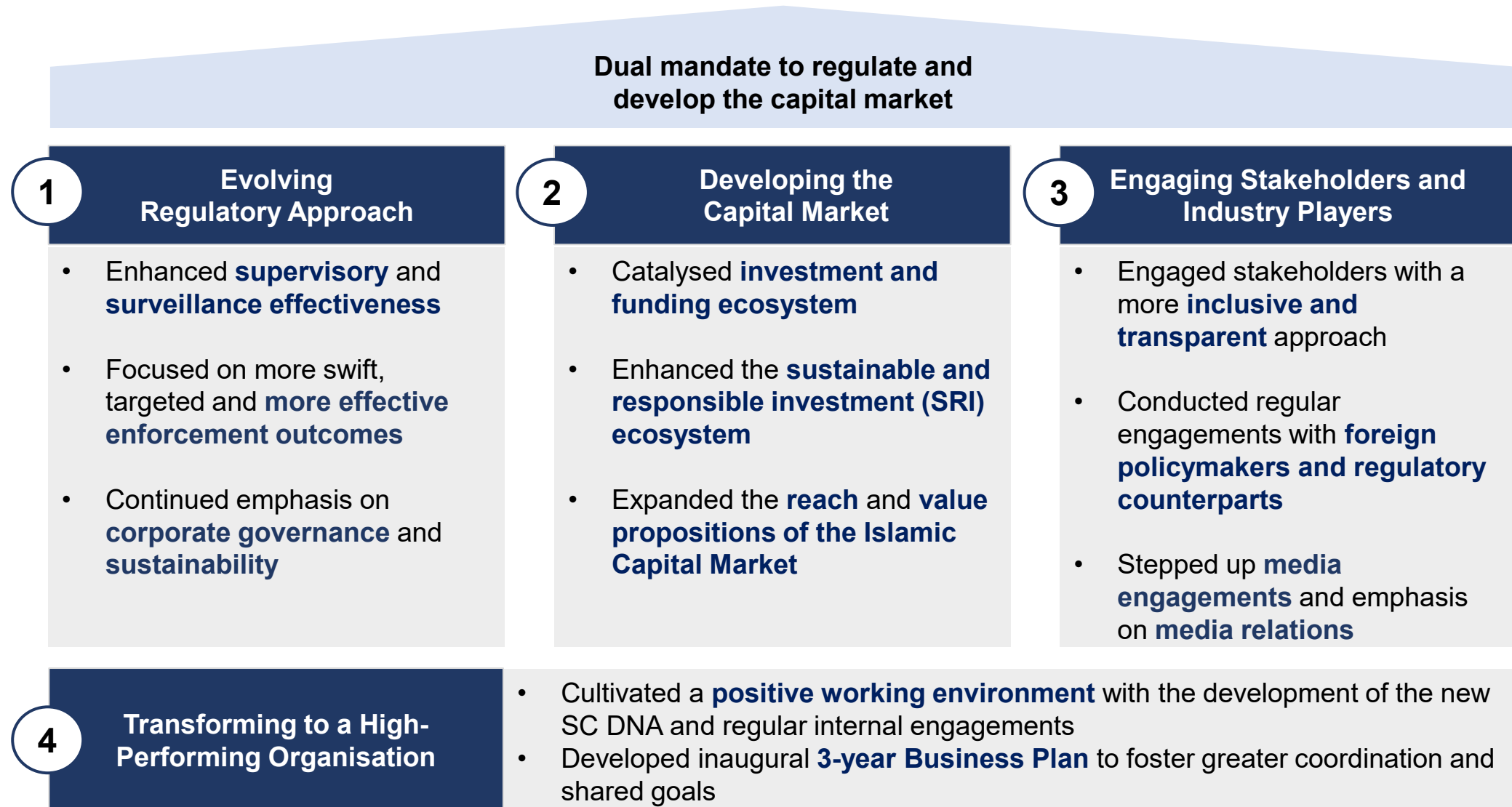


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Part 2

2022 Focus and Achievements

In 2022, the SC continued to regulate and develop the capital market through four key pillars



The SC focused on enhancing our surveillance and supervision functions

Proactive surveillance of the capital market



Greater scrutiny and assessment of risks of the Malaysian capital market which includes the publication of the inaugural **Capital Market Stability Review**



- Increased effectiveness and efficiency with:
- **In-house data analytics tools** were developed to enhance analysis of voluminous trade data leading to more efficient identification of trading patterns and behaviour
 - Dedicated team conducting surveillance of unlicensed activities, resulting in almost a **30% increase in detection of scams and unlicensed activities**



- Reviewed and assessed **442** matters as well as complaints relating to **277** PLCs resulting in, amongst others, engagement with PLCs, audit firms and potential enforcement action

Supervision of institutions and intermediaries



Ensured regulatory compliance through elevated supervisory efforts:

- Intensified **supervisory monitoring efforts over Bursa Malaysia's clearing function** through frequent engagements and robust challenge processes
- **Gaps identified and closed** via **six thematic regulatory assessments** carried out on ECF and P2P financing operators



Further promotion of **good culture and conduct, as well as swift intervention** to address non-compliance through:

- 41 **pre-emptive assessments** and 87 for-cause assessments
- Issuance of survey on remuneration practices and AOB's **thematic review of audit firm culture**



Enhanced data analytics in audit to identify specific areas of concern. **Number of audit firms inspected increased by 50%**

We stepped up our efforts to strengthen industry cyber resilience and enhanced the regulatory submission processes

Strengthened cyber resilience of capital market entities



Assessed tech readiness of 110 intermediaries through cyber simulations and **increased cyber awareness** amongst ~200 entities with inaugural Capital Market Cyber Incident Tabletop Exercise

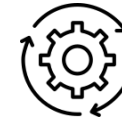


Enhanced communication on cyber threats to the industry and **instilled best practices** on managing cyber security incidents



Consulted industry with a public consultation paper on proposed regulatory framework on Technology Risk Management (TRM)

Enhanced regulatory submission and processes



Achieved greater operational efficiency through the launch of Electronic Application System (EASy) which enabled new online applications and instantaneous updates



Facilitated greater enforcement effectiveness with the introduction of a fully automated case management system



Extended online payment accessibility for industry-facing systems through a centralised payment gateway

Enforcement initiatives were streamlined for a swifter, targeted and more effective outcomes

Enforcement 2022

Criminal Action



10

convictions obtained*



RM12.9 mil

court fines

Compounds



RM16.0 mil

compounded
amount



6

individuals/ entity
compounded

Administrative Action



118

admin
sanctions
imposed



72

reprimands
issued



39

penalties/ fines
imposed
amounting to
RM11.9 mil

Civil Action



RM5.8 mil

civil penalties
imposed



RM27.9 mil

amount
disgorged/
restitution order
by court



RM4.6 mil

regulatory
settlements

Infringement Notice



76

Infringement
Notices were
issued

- **Criminal and civil actions** taken for various serious offences such as **misleading/false disclosures, securities fraud and unlicensed activities**
- **Administrative sanctions** were imposed for various breaches under securities laws and guidelines
- **Infringement notices** were issued for less serious breaches and operational

Note:

*Convictions Obtained includes convictions obtained in the Sessions Court and conviction sustained on appeal.

We continued our multi-pronged approach in protecting and empowering investors

Focused Effort on Scams

- An internal task force was set up to **accelerate investigations** against potential fraudulent perpetrators
- Set up of a dedicated unit for **surveillance on unlicensed activities**

Actions taken to combat Scams and Unlicensed Activities



7

Enforcement actions



185

Websites blocked



6

Notices of Cease and Desist



38

Facebook accounts geo-blocked



304

Investor Alert List inclusions



9

Instagram accounts blocked



88

Police Reports



114

Telegram accounts blocked



181

Referrals to other agencies/ foreign regulators



142

Social Media interventions

Investor Education and Awareness Campaigns



Held the **InvestSmart Fest 2022** and **Bersama Investsmart @ Sarawak** to promote investment literacy, involving 180 intermediaries and more than 20,000 visitors



Rolled out the **ABJAD programme** to promote financial literacy amongst rural communities involving 14 schools in West and East Malaysia



Conducted **114 outreach programmes to 2,000 urban B40 population nationwide** via the #SayaDigital programme to promote digital literacy

We continued to emphasise on good corporate governance practices

Encouraging participation of women on boards and senior management

100%

of top 100 PLCs have **at least one woman** director on the board
(2022: 98%)

80%

of intermediaries* have **at least one woman** director on the board

29.7%

of **board seats on Top 100 PLCs are held by women** (2022: 27.6%)

27%

of PLCs have **at least 30% women** directors on the board
(2022: 19%)

82%**

of **newly appointed women** directors in 2022 were **independent** (2021: 74%).

23%**

of **senior management positions** on Top 100 PLCs were held by **women**

Positive adoption of CG best practices

CG Monitor 2022 review on the adoption of MCCG best practices found that -

30 out of 48

MCCG best practices have **adoption level of above 90%**
(2021: 24)

96%

of PLCs adopted newly introduced best practices related to sustainability

Source: Corporate Governance Monitor 2022

The SC further catalysed and expanded the funding and investments ecosystem

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Developing
the Capital
MarketEngaging
Stakeholders
and Industry
PlayersTransforming
to a High-
Performing
Organisation

Growing the private markets



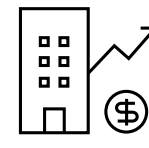
- **ECF and P2P financing** has shown continued growth with...
 - More than **RM4.4 billion** raised, **benefitting 7,218 MSMEs** since inception
 - **Non-Klang Valley** deals¹ **doubled** in 2022
 - **26x** more financing for the **agriculture sector** in 2022
 - Increase of 34% **institutional investments**
- **Enhanced VC/PE guidelines** to increase the accessibility of private markets

Increasing investment options



- Granted approval-in-principle to introduce **FTSE4Good Bursa Malaysia Index Futures**
- Enhanced the **Structured Warrants Framework** to improve market efficiency and liquidity
- Approved the launch of **modified Gold Futures** by BMD in September 2022

Promoting innovation and competitiveness



- Established a **RM30 million Digital Innovation Fund** to encourage innovative digital solutions
- Re-opened **ECF and P2P registrations** to broaden access to MSMEs
- Re-opened application for **RMO-DAX registrations**
- MyCIF **co-invested over RM638 million** in ECF and P2P campaigns, benefitting 3,635 MSMEs since inception

We continued to focus on improving the pathway for sustainable financing and investments

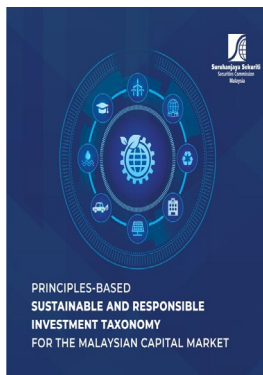
Facilitated the transition towards a low-carbon economy...



The new **SRI-linked Sukuk Framework** facilitates fundraising for **companies in transition** towards a low-carbon or net-zero path

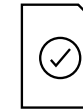


Expanded **SRI Sukuk and Bond Grant Scheme** to include SRI-linked sukuk



The new **Principles-Based SRI Taxonomy** provides **guiding principles** on economic activities that qualify for sustainable investment

.. as well as other measures to enhance the ecosystem



Issued a **Guidance Note on ESG risks for FMCs** to assist and guide FMCs to establish a responsible investment framework



Facilitated the enhanced **Sustainability Reporting Framework (SRF)** to improve quality of disclosures



Development of the **Leading for Impact Programme (LIP)** to strengthen ESG fitness of boards



As co-Chair of the **ACMF Sustainable Finance Working Group**:

- Developed the **ASEAN Sustainable and Responsible Fund Standards** to enhance transparency
- Developed the **ASEAN Sustainability-Linked Bond standards** to enhance transparency, consistency and uniformity the bonds

2

Evolving the
Regulatory
Approach

Developing
the Capital
Market

Engaging
Stakeholders
and Industry
Players

Transforming
to a High-
Performing
Organisation

The SC continued to drive a broader and deeper Islamic Capital Market

Broadened Islamic Capital Market products and strengthened Shariah governance



Consolidated Shariah-related guidelines into the **Guidelines on Islamic Capital Market Products and Services** to enable efficient access to ICM ecosystem

Expanded **Waqf Featured-Funds Framework** to broaden spectrum of innovative ICM products

Widened access for new **innovative Shariah ECF and P2P operators and solutions**

Revised requirements for **Islamic Fund Management business**, for increased clarity on Shariah Governance

Provided thought leadership and International Profiling



Conferred the 6th **Royal Award for Islamic Finance** in recognition of outstanding contributions globally

Discourse on Islamic Finance and Sustainability through the **SC-UNDP Islamic Finance Conference**

Advanced the ICM thought leadership via the annual **SC- Oxford Centre for Islamic Studies roundtable**

Greater emphasis on strategic engagements with key stakeholders to formulate facilitative policymaking

Evolving the
Regulatory
Approach

Developing
the Capital
Market

3

Engaging
Stakeholders
and Industry
Players

Transforming
to a High-
Performing
Organisation

International Stakeholders



- Actively participated in **global regulatory policymaking** through IOSCO with other international regulators
- Engaged **regulators, central banks and finance ministries** in ASEAN to promote connectivity and inclusiveness
- Strategic engagement with **international audit regulators, standard setters** and **audit committees by AOB**

Domestic Stakeholders



- Gathered insights from corporate captains for the **Budget 2023 Focus Group Discussion** to accelerate the economy
- Involved in multiple **cross-agency projects** to accelerate capital market related initiatives

Industry



+ PLCs

- Held robust engagements with industry players through the **SC Industry Dialogue 2022**
- Maintained **regular engagements with the industry** as well as holding active dialogues with applicants and their advisors

We are focused on transforming into a High-Performing Organisation



Developed a **three-year strategy map and business plan (BP2023-2025)** to foster greater coordination and shared goals



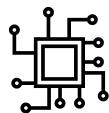
Cultivated a **positive working environment** with the newly launched **SC DNA** as well as regular internal engagements and surveys



Strengthened internal **Corporate Scorecard**, focusing on an outcome-based performance management system



Leveraged on data and technology to enhance supervision and enforcement effectiveness and efficiency



Implementing **technology masterplan** to enable new capabilities and future-proof the organisation

Part 3

Plans for 2023



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The SC's key 2023 initiatives

Regulatory Initiatives

- **To reform key legislation**, namely Capital Markets and Services Act (CMSA)
- Prepare for the implementation of **new International Sustainability Standards Board (ISSB) standards**
- Introduce the Technology Risk Management framework (TRM) to assess **industry technology risk governance and capabilities**
- **Enhancement of supervisory and surveillance framework** through SupTech and analytical tools, such as PLC360

Development initiatives

- **Build a talent pipeline** for the capital market through the implementation of the Capital Market Graduate Program (CMGP)
- Promote greater fundraising through **ECF and P2P** and **introduce secondary trading of its instruments**
- **Review the stock market structure and ecosystem** to enhance its competitiveness and effectiveness
- Facilitate the **national sustainability agenda** through multi-stakeholder engagement and development (taxonomy, corporate reporting and assurance, carbon market etc)

Q&A



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THANK YOU



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