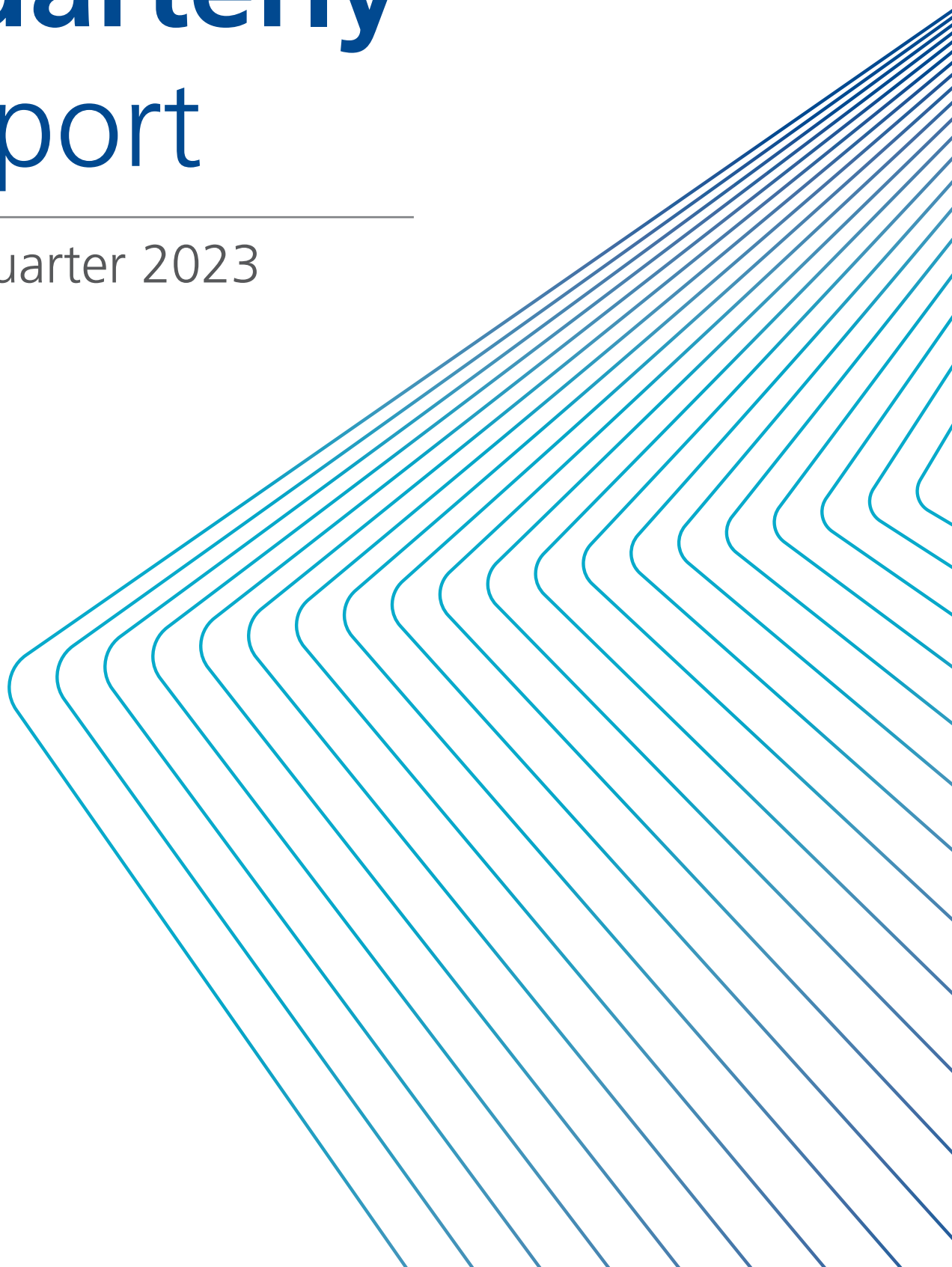


# Quarterly Report

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2<sup>nd</sup> Quarter 2023



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# Securities Commission Malaysia

## 2<sup>nd</sup> Quarter 2023

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# KEY HIGHLIGHTS

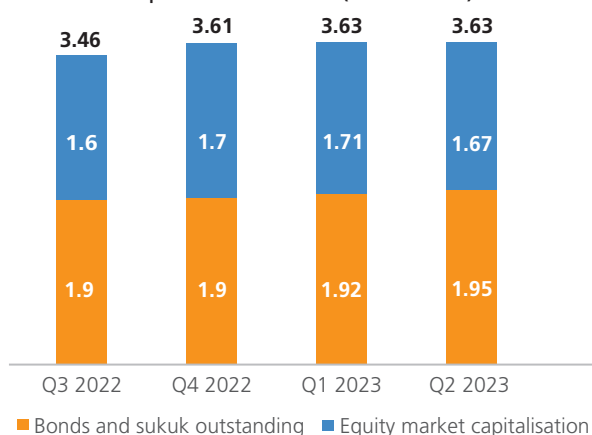
## SIZE OF CAPITAL MARKET AND FUNDRAISING



The size of the capital market remained unchanged in Q2 2023, with the decline in the equity market capitalisation being offset by the growth in bonds and sukuk outstanding

Q2

Capital market size (RM trillion)\*



Q3 2022

Q4 2022

Q1 2023

Q2 2023

■ Bonds and sukuk outstanding ■ Equity market capitalisation

Q3 2022

Q4 2022

Q1 2023

Q2 2023

+0.05%

+4.27%

+0.52%

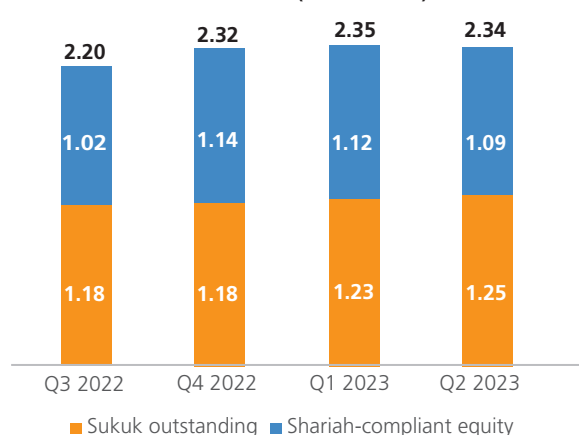
+0.03%



The size of the Islamic capital market (ICM) saw a marginal decline in Q2 2023 following a decrease in Shariah-compliant equity market capitalisation

Q2

Size of ICM (RM trillion)\*



Q3 2022

Q4 2022

Q1 2023

Q2 2023

■ Sukuk outstanding ■ Shariah-compliant equity

Q3 2022

Q4 2022

Q1 2023

Q2 2023

+0.17%

+5.55%

+1.13%

-0.39%

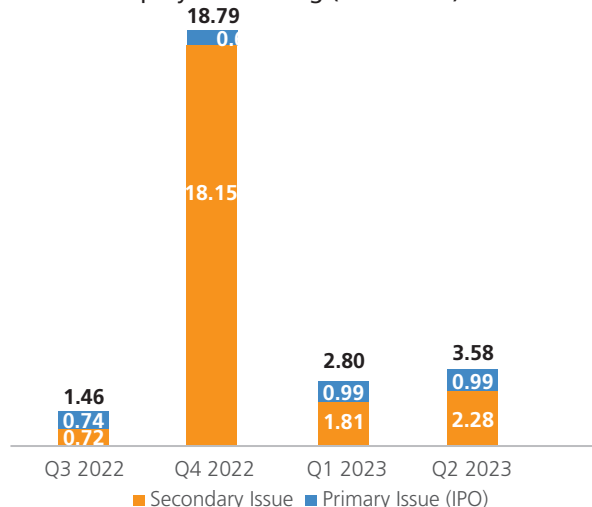
## Quarterly growth



Total equity fundraising rose in Q2 2023, driven by robust fundraising activities in secondary issuances

Q2

Equity fundraising (RM billion)\*



Q3 2022

Q4 2022

Q1 2023

Q2 2023

■ Secondary Issue ■ Primary Issue (IPO)

Q3 2022

Q4 2022

Q1 2023

Q2 2023

-55.12%

+1,190.72%#

-85.08%

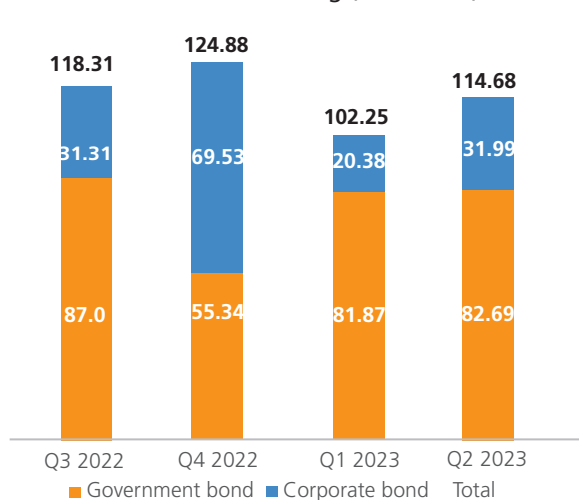
+27.78%



Overall bond fundraising increased due to higher corporate bond issuances

Q2

Bond fundraising (RM billion)\*



Q3 2022

Q4 2022

Q1 2023

Q2 2023

■ Government bond ■ Corporate bond Total

Q3 2022

Q4 2022

Q1 2023

Q2 2023

+7.13%

+5.55%

-18.12%

+12.15%

## Quarterly growth

Note:

\* Due to the rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

## FUND MANAGEMENT

### Key Highlights

+2.81%  
Q2

Assets under management (AUM) saw growth in Q2 2023, driven largely through investments by statutory bodies and government agencies, as well as unit trust funds

Total AUM (RM billion)\*



### Quarterly growth

Note:

\* Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

## ENHANCE BREADTH AND DEPTH OF THE CAPITAL MARKET

### Enabling greater fundraising avenues and enhanced market vibrancy



Held the **SCxSC GROW Fintech Conference** themed 'Fostering Innovative Finance in Agriculture' aimed to explore and harness the role of alternative financing avenues for the agriculture sector



Issued **Capital Markets Services Licences (CMSL)\*** and 193 applications for new **Capital Markets Services Representative's Licences (CMSRL)**

\*On regulated activity of advising on corporate finance.



Facilitated amendments towards the introduction of **Chicago Mercantile Exchange (CME) Excessive Messaging Threshold** to improve efficiency towards trading on CME Globex for the derivatives market



Introduced a **framework to benefit dealer representatives (DR) by expanding their scope and services\*** to promote competition and raise the standard of services offered in the capital market

\*\*Includes investment advice, financial planning, restricted dealing in unit trusts, and dealing in private retirement schemes.

### Expanding the ICM ecosystem



Launched **FIKRA ACE**, a fintech initiative that aims to **enhance the Islamic capital market ecosystem** by facilitating the development of Islamic fintech through a structured approach

# KEY HIGHLIGHTS

## STRENGTHEN INVESTOR EMPOWERMENT AND LITERACY

### Enhancing financial literacy



Organised **8 InvestSmart® programmes**, including the Bersama InvestSmart® in Penang, a 3-day event with 38 exhibitors, **attracting over 12,000 participants**. These initiatives played a vital role in promoting investment literacy while raising awareness about scams and unlicensed activities

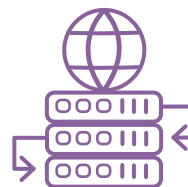


Leveraged digital media platforms to **raise awareness on capital market products and services, scams and unlicensed activities** reaching out to more than **5 million users online**



Collaborated with the Penang State government and InvestPenang to **promote fundraising avenues for small and medium enterprises (SMEs) and introduce venture investments to Penang's high-net-worth individuals (HNWIs), family offices, and corporates**

### Increasing investor options



Approved proposals relating to the operationalisation of **algo-based private retirement schemes (PRS)** to allow digital investment managements to offer PRS options and enable PRS providers to reach a wider user base

## FACILITATE THE NATIONAL ENVIRONMENTAL, SOCIAL AND GOVERNANCE AGENDA

### Enhancing the multi-stakeholder ecosystem for environmental, social and governance (ESG) and sustainable and responsible investment (SRI)



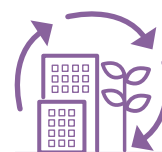
Organised **NaviGate: Capital Market Green Financing Series** in Penang and Kuala Lumpur with over 220 participants in efforts to raise awareness on financing opportunities for sustainability-related initiatives



Supported governmental efforts by participating in the key workshops such as the **National Energy Transition Roadmap Workshop and the Carbon Pricing Instruments Workshop** in efforts to facilitate the national sustainability agenda



Conducted a focus group engaging key stakeholders from the SMEs ecosystem to collaboratively develop a **Simplified ESG Disclosure Guide** towards fostering sustainability within SMEs



Promoted and presented key developments of the recently published **ASEAN Taxonomy Version 2** to over **370 attendees** worldwide

## DEVELOP THE CAPITAL MARKET ECOSYSTEM

### Strengthening the capital market talent pipeline



Launched **investED**, the SC's flagship talent programme aimed at enhancing graduate employability, ensuring a sustainable talent pipeline, and easing the shortage of skilled talent in the capital market

## ENHANCE MARKET EFFICIENCY

### Improving experience for investors and stakeholders



Approved amendments to the **Bursa Malaysia Depository Manuals (DPM)** in efforts to optimise customer experience and interactions among Bursa Malaysia Depository, Authorised Depository Agents, and depositors



Launched **e-PATH** a new electronic payment hub enhancing user experience through efficient and diverse payment methods for capital market players

# MARKET REVIEW AND OVERVIEW

## GLOBAL OVERVIEW

Global capital markets reflected a mixed performance in Q2 2023, amid tighter global financial conditions, still elevated global inflationary pressures, and China's weaker-than-expected post-pandemic economic recovery. On a positive note, the resolution of the US debt ceiling crisis provided support for investor sentiment towards the end of Q2 2023. Global bond yields ended mostly higher, as major central bankers signalled strengthened commitments to hike interest rates further, although at a slower pace, to restore price stability.

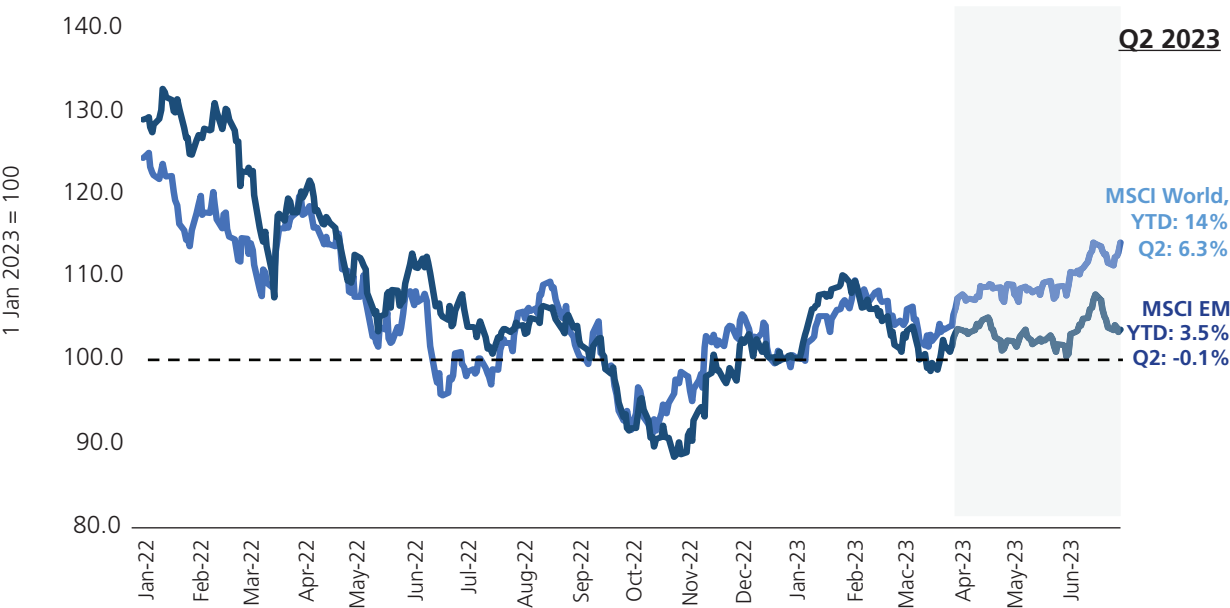
In global equities, the MSCI World index remained positive, rising by 6.3% in Q2 2023 (Q1 2023: 7.3%), as the US averted a sovereign default by successfully suspending its debt limit until 2025. In contrast, the MSCI Emerging Markets index ended Q2 2023 slightly lower by -0.1% (Q1 2023: 3.5%), weighed down by China's tepid economic recovery. In the US, the S&P 500 rose by 8.3% (Q1 2023: 7.0%), while the Euro Stoxx gained by 1.9% (Q1 2023: 13.7%). In contrast, the UK FTSE 100 declined by -1.3% during Q2 2023 (Q1 2023: 2.4%). Meanwhile, in Asia, the Nikkei 225 rose by 18.4% (Q1 2023: 7.5%), driven by corporate governance reforms.

Meanwhile, global sovereign bond yields ended higher during Q2 2023 under review, amid expectations of continued global monetary policy tightening. At its Federal Open Market Committee (FOMC) meeting, the US Federal Reserve (Fed) raised its Federal Funds Rate (FFR) by 25 basis points (bps) to 5.25% in May 2023 but held it unchanged at the Federal Open Market Committee (FOMC) meeting in June 2023. However, the latest projection by the Fed suggests another 50-bps hike for the remainder of 2023, compared to the initial guidance in March 2023 of FFR peaking at 5%-5.25%. Likewise, the Bank of England (BOE) raised interest rates further by 50 bps to 5.00% in June 2023, while the European Central Bank (ECB) raised its main refinancing rate to 4.0%.

The UST 10-year yields rose by 32.8 bps to 3.81% (Q1 2023: 3.48%). Likewise, German bund 10-year yields and UK Gilt 10-year yields increased by 8.4 bps and 89.8 bps to 2.39% and 4.39% respectively in Q2 2023 (Q1 2023: 2.31% and 3.49%). In Asia, Japan's 10-year government bond yields rose by 4.3 bps to 0.40% (Q1 2023: 0.35%). Meanwhile, EM sovereign bond yields ended similarly higher during Q2 2023, in tandem with the performance of the global bond market.

Chart 1

MSCI World vs. MSCI EM performances



Source: Refinitiv Datastream.

Table 1

Performance of global equities by selected major markets

Selected major equity markets (% change from preceding period)	2022	Q1 2023	Q2 2023	YTD
MSCI World	-19.5	7.3	6.3	14.0
MSCI Emerging Markets	-22.4	3.5	-0.1	3.5
S&P 500	-19.4	7.0	8.3	15.9
Euro Stoxx 50	-11.7	13.7	2.0	16.0
UK FTSE	0.9	2.4	-1.3	1.1
Nikkei 225	-9.4	7.5	18.4	27.2

Source: Refinitiv Datastream.

Table 2

Performance of global bonds by selected major markets

Selected major bond markets (bps change from preceding period)	2022	Q1 2023	Q2 2023	YTD
US Treasury 10-year	233.3	-35.0	32.8	-2.2
German Bund 10-year	274.1	-25.2	8.4	-16.8
UK Gilt 10-year	269.7	-18.0	89.8	71.8
Japanese Government Bond 10-year	34.8	-6.4	4.3	-2.1

Source: Refinitiv Datastream.



DOMESTIC REVIEW

The performance of the domestic capital market varies in Q2 2023, with the local bourse being weighed down by continued foreign equity fund outflows and signs of moderating domestic economic indicators, given increased external headwinds. In addition, investor sentiment was also hampered by ongoing concerns over the impact of the banking crisis in the US and Europe, alongside the overall tightening of global financial conditions.

The FBMKLCI declined by -3.2% to 1,376.68 points in Q2 2023 (YTD:7.9%), while the broader FBMEMAS index fell by -2.7% to 10,141.3 points. In terms of market capitalisation, the size of the equity market contracted by -2.2% to RM1.67 trillion in Q2 2023 (Q1 2023: RM1.71 trillion). Meanwhile, domestic bond yields ended mostly lower, except the 3-year notes, even as Bank Negara Malaysia (BNM) resumed monetary policy normalisation by increasing the overnight policy rate (OPR) by 25 bps to 3.0% at its Monetary Policy Committee (MPC) meeting in May 2023. The overall Malaysian Government Securities (MGS) yield curve flattened during Q2 2023, with yields falling between 1.5 and 13.7 bps across the 5-year to 20-year notes, while the MGS 3-year yields rose by 13 bps.

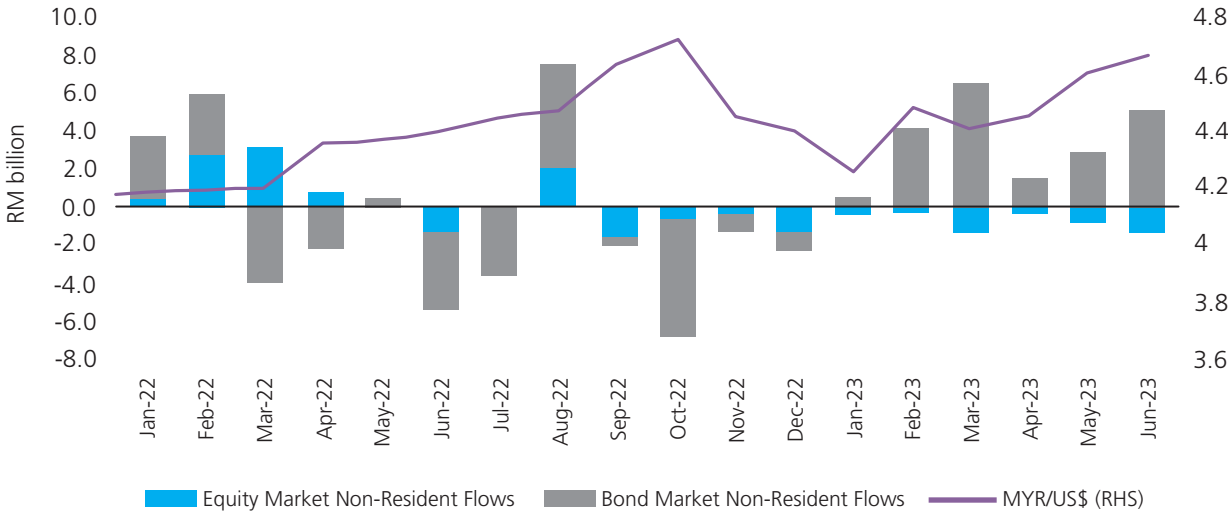
In terms of capital flows, foreign investors remained net sellers of Malaysian equities in Q2 2023 amounting to -RM2.3 billion (Q1 2023: -RM1.9 billion). Correspondingly, local institutions and retailers were net buyers to the tune of RM1.9 billion (Q1 2023: RM1.8 billion) and RM372.2 million (Q1 2023: RM94.3 million), respectively. Meanwhile, the local retail participation rate averaged at 27.9% in terms of value traded in Q2 2023 (Q1 2023: 27.9%). The local bond market, meanwhile, witnessed continued foreign net inflows amounting to RM9.8 billion in Q2 2023 (Q1 2023: RM11.4 billion). On the currency front, the ringgit depreciated against the US dollar by -5.5% to RM4.67 during Q2 2023 (Q1 2023: RM4.41).

Table 3  
Domestic and regional market performance

Regional indices (% change from preceding period)	2022	Q1 2023	Q2 2023	YTD
Malaysia FBMKLCI	-4.6	-4.9	-3.2	-7.9
Singapore STI	4.1	0.2	-1.6	-1.4
Thailand SET	0.7	-3.6	-6.6	-9.9
Philippines PCOMP	-7.8	-1.0	-0.5	-1.5
Indonesia JCI	4.1	-0.7	-2.1	-2.8

Source: Refinitiv Datastream.

Chart 2  
Non-residents' portfolio flows



Source: BNM, Bursa Malaysia Bhd.

# KEY DEVELOPMENTS

## HIGHLIGHTS

- As at end Q2 2023, the size of the Malaysian bond and sukuk market stood at RM1.95 trillion, representing an increase of 8% from Q2 2022.
- The SCxSC GROW Fintech Conference held on 31 May 2023, themed ‘Fostering Innovative Finance in Agriculture’, aims to be an important catalyst for the agriculture industry, bringing together agriculture and fintech players to explore innovative solutions to food security, sustainability, and supply chain resilience.
- On 28 June 2023, the SC approved proposals relating to the operationalisation of algo-based PRS, which provides automated investment advice and management of PRS investments using algorithms and mathematical models to determine asset allocation and rebalancing.
- The FIKRA ACE was announced through a media release on 27 June 2023 and builds upon the success of FIKRA with an expanded scope comprising 3 key components: Accelerator, Circle and Excel.

## CORPORATE BOND AND SUKUK ISSUANCES

At the end of Q2 2023, the size of the Malaysian bond and sukuk markets stood at RM1,950.55 billion. This represented an 8% increase from Q2 2022. Government bonds accounted for RM1,126.66 billion or 58% of total bonds outstanding while corporate bonds constituted the remaining amount of RM823.89 billion or 42%. Total outstanding sukuk stood at RM1,249.66 billion or 64% of the total bond market (Q2 2022: RM1,137.07 billion).

The issuance of corporate bonds amounted to RM31.99 billion in Q2 2023. Of this total, RM21.5 billion or 67% comprised sukuk issues while conventional bonds constituted the remaining RM10.49 billion or 33%. Total issuance in Q2 2022 amounted to RM31.83 billion.

As at June 2023, foreign investment in the bond market amounted to RM267.93 billion which represented a 6% increase from Q2 2022. Total foreign investment is presently equivalent to 14% of total outstanding bonds.

## UPDATE ON LAW REFORM AND SECURITIES REGULATION

### Amendments to the Capital Markets and Services Act 2007

on 26 June 2023. It sets out the continuing obligations of an Audit Oversight Board (AOB) registered audit firm and individual auditor.

### Issuance of Guidelines on Continuing Obligations for Registered Auditors

The AOB Guidelines sets out requirements on, among others, the following:

The SC issued the *Guidelines on Continuing Obligations for Registered Auditors* (AOB Guidelines)

- (a) Issuance and publication of the *Annual Transparency Report* by an audit firm;

- (b) Submission of the *Statistics Gathering and Analysis Form* as prescribed by the AOB;
- (c) Provision of professional clearance by the outgoing auditor to the incoming auditor when there is a change of auditor; and
- (d) Submission of written notification by the auditor on reasons relating to the resignation and removal of the auditor to the AOB.

The AOB Guidelines took effect on 26 June 2023, except for the requirements relating to the change in auditor, resignation and removal of auditor which will take effect on 1 July 2024.

## Amendments to the Licensing Handbook

On 14 April 2023, the SC issued the revised *Licensing Handbook* in relation to the multiple licensing framework which aims to facilitate the expansion of the permitted activities that can be undertaken by a dealer's representative (DR).

The enhanced multiple licensing framework enables a licensed DR to apply to carry on one or more of the additional regulated activities identified in the *Licensing Handbook*.

Accordingly, the revised *Licensing Handbook* also introduced key requirements applicable to the DR, principal of the DRs and sponsoring CMSL holder of the DRs respectively in relation to the conduct of the DRs prior to or while carrying on these additional regulated activities.

The revised *Licensing Handbook* took effect on 14 April 2023.

## Amendments to the Trading Manual of Bursa Malaysia Derivatives Bhd (BMD Trading Manual) in relation to the introduction of the Chicago Mercantile Exchange (CME) Excessive Messaging Threshold

The SC approved Bursa Malaysia's notification on amendments to the *Trading Manual of Bursa Malaysia*

*Derivatives Bhd* (BMD Trading Manual) on 19 April 2023.

These amendments introduced the CME Excessive Messaging Threshold (EMT) as a part of CME Globex Messaging Efficiency Programme to promote efficient messaging practices. The EMT is applicable to messaging on various orders for products traded on BMD such as new order, order modification and order cancellation.

The implementation of the EMT aims to address cases of low-quality messages which do not generate corresponding volume and which may negatively impact markets trading on CME Globex.

These amendments took effect on 11 May 2023.

## Amendments to the CDS Procedures Manual for Authorised Depository Agents and CDS Guides for Depositors (collectively, Bursa Malaysia Depository Manuals) in relation to the enhancement of certain processes on CDS e-Services

The SC approved Bursa Malaysia's notification on amendments to the *CDS Procedures Manual for Authorised Depository Agents and CDS Guides for Depositors* (Bursa Malaysia Depository Manuals) on 13 June 2023.

This was to enhance certain processes on CDS e-Services offered to the depositors via the Bursa Anywhere mobile app and to synchronise with the manual processes by an Authorised Depository Agent (ADA).

Amendments were made to the procedures on opening of account applications, updating of personal information or signatures and reactivating dormant or inactive account requests on CDS eServices and at ADA's premises.

These amendments would ultimately optimise the customer experience and improve the interactions between Bursa Malaysia Depository, ADAs and depositors.

These amendments took effect on 10 July 2023.

# MARKET DEVELOPMENT

## Capacity-Building

### investED (Capital Market Graduate Programme)

The Capital Market Graduate Programme (CMGP) was approved by the Capital Market Development Fund (CMDf) Board of Trustees in October 2022 for RM30 million spread across three years from 2023 to 2025. The fund for this initiative was also announced at the National Budget 2023 in the same month. The key driver of the CMGP is the SC in collaboration with SIDC to deliver the programme.

The Programme aims to create greater awareness of the multi-discipline career opportunities in the capital markets, build baseline capacity in the areas relevant to the capital market and provide job placement/attachment opportunities for graduates. This would be a more holistic approach that would leverage strategic collaboration with universities as well as the capital market players.

The CMGP is envisaged to provide continuity and traction in the building of the graduate talent pipeline for the capital market with the support of the MOF and Ministry of Higher Education (MOHE).

On 19 June 2023, YAB Dato’ Seri Anwar Ibrahim, Prime Minister of Malaysia and Minister of Finance Malaysia launched the programme and unveiled the

investED brand together with YB Dato’ Seri Mohamed Khaled Nordin, Minister of Higher Education.

investED is a three-year initiative with a focus on achieving specific targets, guided by the following key performance indicators:

#### Career Fairs & Career Talks

- i. To organise at least 20 sessions of Career Talk for 3,000 students per year.
- ii. To participate/organise in 6 Career Fairs per year.

#### Foundation Programme

- i. SIDC’s Structured Programme/Certification for 800 students per year.

#### Leadership Programme and Job Placement

- i. 200 Malaysian graduates from local and overseas universities per year.

The primary objective of the investED programme is to expedite the understanding of the capital market, ultimately benefiting a total of 9,000 students and subsequently generating employment prospects for 600 graduates upon its completion.

Private Markets

SCXSC GROW FINTECH Conference 2023  
The SC Seeks to Transform Agri Sector via Fintech, Alternative Financing



SCxSC GROW, is a new collaborative programme under the SC’s fintech flagship initiative ‘Synergistic Collaboration by the SC’ (SCxSC). The SCxSC GROW embodies a collaborative effort with partners in the fintech ecosystem to harness the potential of alternative financing digital platforms to meet the needs of micro, small, and medium-sized enterprises (MSMEs) in strategic sectors.

Over 7,000 MSMEs have benefited from SC-registered equity crowdfunding (ECF) and peer-to-peer financing (P2P financing) since their introduction in 2015, raising more than RM4 billion, with only 600 agri-related MSMEs across the entire value chain raising close to RM300 million. This presents a significant opportunity for agricultural growth and investment.

The SCxSC GROW Fintech Conference held on 31 May 2023, themed ‘Fostering Innovative Finance

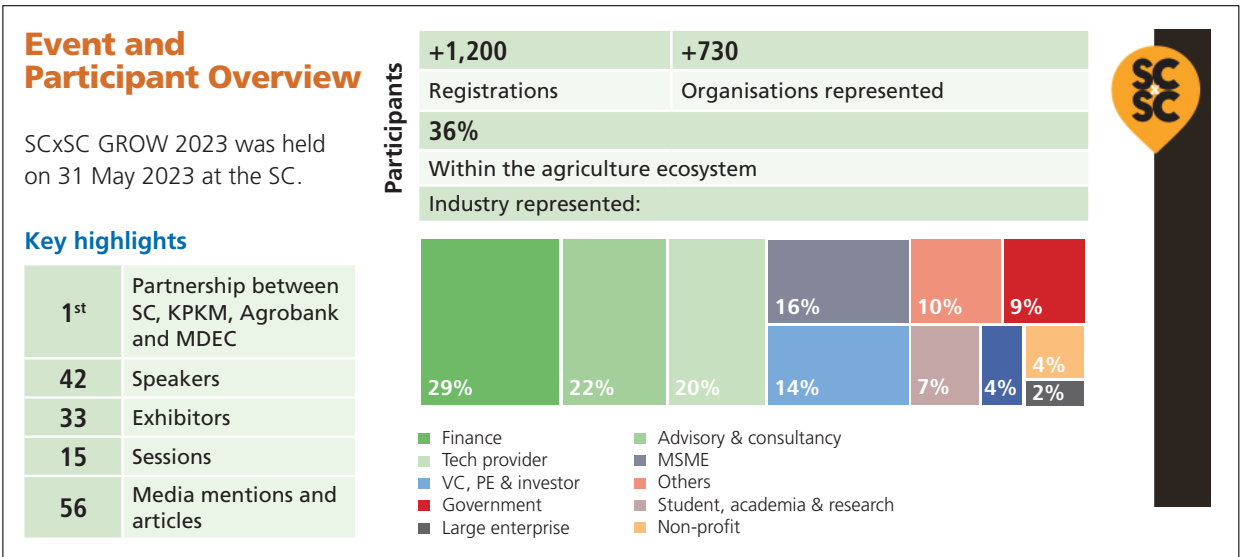
in Agriculture’, aims to be a game-changer for the agriculture industry. With the world facing increasingly complex challenges, the conference brings together agriculture and fintech players to explore innovative solutions to food security, sustainability, and supply chain resilience.

New cutting-edge solutions were showcased at the conference, highlighting the latest advancements in these fields. The conference also featured local fintech players in the agriculture sector.

These fintech solutions have the potential to revolutionise the way farmers access financing and manage their operations, enabling them to make better use of resources and increase yields.

More highlights on SCxSC GROW 2023 in the infographic Figure 1.

Figure 1  
Highlights on SCxSC GROW 2023



## CORPORATE GOVERNANCE .....

### Roll Out of 'Leading for Impact' Programme

On 6 June 2023, the Listing Requirements was amended to require all directors of listed issuers to attend the Mandatory Accreditation Programme (MAP) Part II: Leading for Impact (LIP). LIP is an extension of the existing MAP under the *Bursa Malaysia Listing Requirements*. The development of LIP is in line with the SC's *Corporate Governance Strategic Priorities 2021-2023*, aimed at strengthening the ability of boards to address sustainability considerations effectively. The Institute of Corporate Directors Malaysia (ICDM) was appointed as the service provider for LIP.

The amendments will come into effect on 1 August 2023. First-time directors of listing and transfer applicants must complete the programme within 18 months from the date of appointment or admission, whereas existing directors must complete the LIP within 24 months from the effective date.

The SC and Bursa Malaysia Bhd had also issued a joint press release on the roll out of LIP on 6 June 2023.

### Asian Corporate Governance Association Corporate Governance Watch Assessment

The SC participated in the Asian Corporate Association (ACGA) biennial Corporate Governance Watch Assessment (CG Watch) 2023. The CG Watch assesses macro corporate governance quality in 12 markets in the Asia-Pacific region and provides aggregate data on more than 1,000 companies.

The SC presented its initiatives on corporate governance and sustainability as well as enforcement efforts and audit regulations. The CG Watch report and regional ranking is expected to be released in Q4 2023.

### SME Governance Working Group – ESG Disclosure Guide

The SME Governance Working Group chaired by the SC participated in a focus group session organised by Capital Markets Malaysia (CMM) on the development of a *Simplified ESG Disclosure Guide* (Guide). The Guide aims to provide practical guidance and the baseline disclosures expected of SMEs in relation to ESG and highlights key governance considerations to support more sustainable businesses.

The Working Group members comprising representatives from *Kementerian Pembangunan Usahawan dan Koperasi*, SME Corporation Malaysia and the Malaysian Institute of Corporate Governance (MICG) were briefed on the development process and thereafter shared their expectations for the Guide.

### Corporate Governance Council Meeting 2023

The Corporate Governance Council (Council) meeting was held on 2 June 2023.

The Council brings together key corporate governance stakeholders to provide strategic direction for the development of corporate governance policies and initiatives and co-ordinating implementation in the capital market. Chaired by the SC's Chairman, Council members consists of Bursa Malaysia Bhd, ICDM, Institutional Investors Council (IIC), Minority Shareholders Watch Group (MSWG) and the MICG.

### First meeting of the Advisory Committee on Sustainability Reporting

The first meeting of the Advisory Committee on Sustainability Reporting (ACSR) was held on 13 April 2023 at the SC. The ACSR was established to



identify the enablers that will facilitate the implementation of the *IFRS Sustainability Disclosure Standards* (ISSB standards) issued by the International Sustainability Standards Board (ISSB) in Malaysia. Chaired by the SC, members of the ACSR include the AOB, BNM, Bursa Malaysia Bhd, Companies Commission of Malaysia (SSM) and Financial Reporting Foundation.

The meeting discussed among others, the implementation approach for the ISSB standards in Malaysia and the setting up of working groups that would review technical aspects of the ISSB standards as well as the capacity building and assurance. Additionally, the SC issued a media release on 24 May 2023 on the establishment of the ACSR.

## Investment Management

### **Expansion of Dealer's Representatives' Scope and Services**

On 14 April 2023, the SC introduced a new framework that would expand dealer's representatives (DRs) scope of activities and role in the capital market beyond just dealing in securities. DRs who meet certain requirements can apply for additional licenses to engage in a variety of regulated activities such as investment advice, financial planning, restricted dealing in unit trusts and dealing in PRS. The new framework also removes the requirement for DRs to be employed on a full-time basis.

These flexibilities are only available to DRs who have been licensed for more than 5 years and meet the competency requirements for the relevant regulated activity. To ensure supervision and oversight of DRs performing these additional activities, they are required to be undertaken within the same broking firm or within its group of companies. The expansion of DRs permitted activities is facilitated through amendments in the *Licensing Handbook*.

### **Operationalisation of Algo-Based PRS**

On 28 June 2023, the SC approved proposals relating to operationalisation of algo-based PRS.

Algo-based PRS provides automated investment advice and management of PRS investments using algorithms and mathematical models to determine asset allocation and rebalancing. The proposal would provide an opportunity to digital investment management (DIMs) to provide PRS and enable existing PRS providers to expand their business and reach a wider based of users for retirement savings.

This new type of PRS would provide a differentiating factor from the typical fund based PRS via the offering of diverse investment options, flexibility in its design and enhanced access for users by being available and accessible via the web and mobile app. The main differentiation between algo-based PRS and a fund-based scheme would be the target investors, the management of the fund and the mode of interaction with the intermediary.

Such algo-based schemes are aligned to meet PRS requirements under the law where the algo-based PRS Provider would among others have a similar scheme trustee, protection of members' interests, account structure, lodgement of the deed and registration of disclosure documents.

The proposal to operationalise algo-based PRS encompasses amendments to the *Eligibility Guidelines for PRS Providers* and the *Guidelines on Private Retirement Schemes*. The draft guidelines will also be shared with potential DIM firms to seek their input on the proposed requirements.

## SUSTAINABLE AND RESPONSIBLE INVESTMENT

### **Joint Committee on Climate Change**

The 10<sup>th</sup> meeting of the Joint Committee on Climate Change (JC3) was held on 9 May 2023 where the JC3 members reviewed developments in the financial sector's ongoing response to climate-related risks and related initiatives supported by JC3.

The key initiatives discussed include supporting the implementation of *Climate Change and Principle-based Taxonomy* (CCPT) by BNM; the review of the *Task Force for Final Disclosures* (TCFD) *Application*



*Guide for Malaysian Financial Institutions* to take into account the requirements under the upcoming release of the general sustainability-related (S1) and climate-related (S2) disclosure standards by the *International Sustainability Standards Boards* (ISSB); the implementation of 3 initial green pilot projects and several capital market initiatives; establishment of an SME Focus Group, as well as discussions on the upcoming JC3 biennial flagship conference on climate change which will be held in October 2023.

The JC3 continues to actively engage and collaborate with relevant Government ministries and agencies as well as industry associations to encourage greater alignment in the financial sector's response to climate-related risks with national and business strategies. At this meeting, the Ministry of Natural Resources, Environment and Climate Change (NRECC) and the Ministry of Economy (MOE) also presented on the Government's climate-related plans and timelines which provided the financial sector with a better understanding and appreciation of the Government's priorities.

## **National Energy Transition Roadmap Workshop**

The SC participated in the *National Energy Transition Roadmap* (NETR) workshop on 17 April 2023, organised by the MOE. The workshop sought feedback and input on energy transition-related initiatives and projects that could catalyse Malaysia's economic growth and facilitate Malaysia's transition to net zero. The workshop was attended by the Minister of Economy, YB Rafizi Ramli, as well as representatives from various ministries and government agencies, sectoral regulators, corporates, and other key stakeholders from Malaysia's energy sector.

Feedback received during the NETR workshop will be incorporated into the NETR, a roadmap that is being developed by MOE to realise Malaysia's

*National Energy Policy 2022 – 2040*, that aims to accelerate the development of a sustainable, affordable, and resilient energy system to support Malaysia's low-carbon transition.

## **NaviGate: Capital Market Green Financing Series**

The SC held its second NaviGate: Capital Market Green Financing Series programme in Penang on 25 May 2023 in conjunction with CMM's Corporate Sustainability Day. The programme aimed to promote greater awareness among businesses in Penang about capital market financing opportunities for sustainability-related purposes.

Over 100 participants attended the programme, which featured capital market experts who shared insights on tapping into the bond and sukuk markets as well as alternative capital market financing for sustainability-related purposes. SC's SRI and SRI-linked Sukuk, ASEAN's Green, Social, Sustainability, and Sustainability-Linked Bonds (SLB), as well as alternative financing avenues via ECF and P2P financing were among the various financing platforms featured for funding sustainability projects.

On 20 June 2023, the SC organised its third NaviGate programme in Kuala Lumpur, in conjunction with CMM's ESG week. The programme, which was attended by more than 120 participants, focused on creating awareness on financing sustainability through the bond and sukuk markets and highlighted SRI-linked sukuk and bonds. It featured a presentation on sustainability-related sukuk and bonds as well as a sharing session by capital market experts on their experiences in raising SRI and SRI-linked sukuk and bonds. A speaker from Bursa Malaysia Bhd also provided awareness talk on the necessity of SRI reporting to elevate the sustainability practices and disclosures of listed issuers, which components may also be used as KPIs under the SRI-linked Sukuk and SLB structures.

### Women Green the Way for Asia’s Financial Markets Forum

The SC participated in the Women Green the Way for Asia’s Financial Markets Forum (the Forum) held in Hong Kong on 10 and 11 May 2023, which was jointly organised by the United States Department of State, the University of Chicago Hong Kong and Women in Finance Asia.

The Forum was attended by women leaders representing governments, regulators, development institutions, financial institutions, and non-governmental organisations from Hong Kong, Cambodia, China, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, and Thailand. The SC spoke at a panel session on The Role of Regional Cooperation in Financing Asia’s Transition. The session discussed the key challenges faced in financing the transition in Asia and opportunities for regional co-operation to overcome these challenges.

### Biomass Circular Economy Model Seminar

The SC participated in the Biomass Circular Economy Model seminar organised by the Ministry of Plantation and Commodities on 30 May 2023. The seminar is part of the Ministry’s mandate to develop a National Biomass Action plan, as stated in Chapter 3 of the *Twelfth Malaysia Plan* (RMK12). During the seminar, the SC presented on capital market financing opportunities for green projects such as SRI sukuk and bonds, as well as venture capital (VC) and private equity (PE). The seminar also included presentation by various ministries, government bodies, and private companies such as the Ministry of Science, Technology and Innovation (MOSTI), the Malaysian Fisheries Development Authority (LKIM), and Top Glove Corporation Bhd.

## AUDIT OVERSIGHT BOARD ACTIVITIES

### Registration, recognition, and inspection of Auditors

As of 30 June 2023, a total of 357 individual auditors and 36 audit firms were registered with the AOB. In addition, 12 foreign individual auditors from 4 foreign audit firms were recognised by the AOB. During Q2 2023, the AOB completed inspections on 2 audit firms.

### AOB Bars Audit Partners of K. C. Chia and Noor from Auditing for One Year

On 10 May 2023, the AOB sanctioned Chia Kwong Chow (Chia) and Tai Yoong Noor (Tai) of K. C. Chia & Noor, with a prohibition from accepting as clients and auditing any public-interest entities (PIEs) or schedule funds for 12 months. The AOB has also imposed a penalty of RM50,000 on Chia and RM25,000 on Tai.

Chia had failed to comply with relevant requirements of the *International Standards on Auditing* (ISA) in the performance of an audit of a PIE while Tai failed to comply with relevant requirements of the ISA in the performance of the engagement quality control review process for the audit of a PIE.

### AOB’s Annual Inspection Report 2022

The AOB issued its *Annual Inspection Report 2022* (AIR 2022) on 26 June 2023. The AIR 2022 provided insights into the common findings affecting auditors during the AOB’s inspections of firms and audit engagements of PIEs in that year.

The AOB also reported the outcome of its survey on the *Annual Transparency Report* (ATR). The AOB surveyed the Audit Committee (AC) members of PLCs to understand how they used the ATR issued by the 8 Major Audit Firms and to identify any areas for improvement. It was reported that around 94% of the survey respondents found the information in the ATRs useful in the selection and reappointment of the auditors of their companies.

The AIR 2022 also highlighted the outcome of the interviews conducted by the AOB on the talent attrition of the 6 Major Audit Firms to understand the firms' working environment and the causes that contributed to staff resignations.

**DEVELOPMENT OF ISLAMIC CAPITAL MARKET** .....

**FIKRA ACE**

As a continuation to the Islamic fintech accelerator programme, FIKRA that was launched in 2021, the FIKRA ACE was announced through a media release on 27 June 2023 and builds upon the success of FIKRA with an expanded scope comprising 3 key components: Accelerator, Circle and Excel. Each component is designed to facilitate and spur the growth of Islamic fintech and nurture collaborations within the industry.

FIKRA ACE is a 3-year initiative and is expected to be implemented in phases. The main objective is to identify and scale up fintech players with innovative solutions in Malaysia through a structured approach with effective collaborators. This would enable them to thrive and connect within the ICM ecosystem across various segments. By providing a conducive environment, the initiative also aims to support the Islamic fintech space by building capacity and cultivating a talent pipeline for the Islamic finance industry.

FIKRA ACE is organised in collaboration with the Malaysia Digital Economy Corporation (MDEC) where MDEC plays a crucial role as the strategic and ecosystem partner, contributing its expertise and resources to facilitate the success of the initiative.

**SHARIAH**

The Shariah Advisory Council (SAC) held 4 meetings in Q2 2023. Below are the key outcomes from these meetings:

**Shariah Resolutions**

**SAC Resolution on Sukuk Wakalah bi al-Istithmar and its Tradability**

The SAC had deliberated on several issues in relation to *sukuk wakalah bi al-istithmar* (Sukuk Wakalah) where the *Wakalah* Portfolio comprises a combination of non-debt investment assets and debt investment assets.

After due deliberation the SAC resolved as follows:

- (a) **Minimum Percentage for Non-Debt Investment Assets in Wakalah Portfolio**
  - (i) At least 33% of the Sukuk *Wakalah* proceeds shall be invested in non-debt investment assets. This minimum percentage must be complied with at the time of each issuance of Sukuk *Wakalah*.
  - (ii) It is not required to maintain such a percentage throughout the tenure of the Sukuk *Wakalah*. However, the non-debt investment assets shall at all times be a component of the *Wakalah* Portfolio.
- (b) **Tradability of Sukuk Wakalah**
  - (i) Sukuk *Wakalah* that has a component of non-debt investment assets (even when its percentage is less than the percentage of debt investment assets) is considered a portfolio of assets. Therefore, such Sukuk *Wakalah* is not categorised as debt.

- (ii) Such Sukuk *Wakalah* can be traded in the secondary market at any negotiated price between the contracting parties without being subjected to the principle of *ba'i al-dayn* if the non-debt investment assets shall at all times be a component of the *Wakalah* Portfolio.

(c) **Review of SAC Resolution on Shariah Screening Methodology for the Unlisted MSMEs**

The SAC had deliberated on the applicability of the 49% financial ratio benchmark for total debt over total assets (Debt Ratio) that is applied in the SAC resolution on Shariah screening methodology for unlisted MSMEs which is due to expire in August 2023 particularly whether to reduce it to less than 33% or to extend the applicability of the same.

After due deliberation the SAC resolved that the 49% financial ratio benchmark for the Debt Ratio will be extended for another 3 years starting from August 2023.

(d) ***Maqasid Al-Shariah* Guidance**

The SAC had deliberated on the proposed *Maqasid al-Shariah Guidance* (Objectives of Shariah) which includes *maqsad* (objective) and the principles of ICM.

After due deliberation the SAC had endorsed the following:

- (i) A total of 6 proposed *maqsad* of ICM; and
- (ii) A total of 15 principles of the *Maqasid al-Shariah Guidance*.

(e) **Shariah Supervisory Concept for ICM in Malaysia**

The SAC had deliberated on the key material points in relation to the Shariah supervisory concept for ICM in Malaysia.

After due deliberation the SAC had resolved as follows:

- (i) The SAC supported the proposal to develop a Shariah supervisory concept for ICM focusing on post-issuance level; and
- (ii) to conduct further study on the feasibility of the Shariah supervisory concept, considering other measures and factors such as cost, implementation, market readiness, suitability and others.

# INVESTOR EMPOWERMENT INITIATIVES

## Complaints and Enquiries Management

As at Q2 2023, a total of 2,807 cases comprising 1,795 complaints and 1,102 enquiries were received. The charts below show the comparison of complaints and enquiries received for the period ended Q2 2022 and Q2 2023.

Chart 1  
Complaints (Q2 2022 vs Q2 2023)

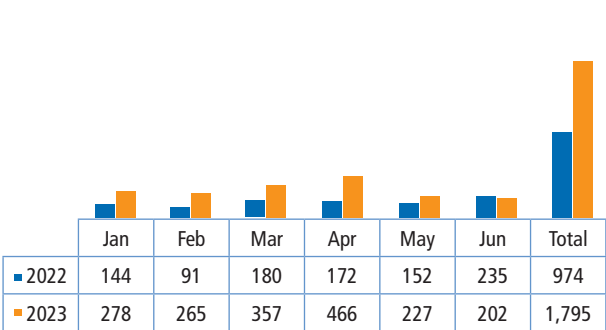
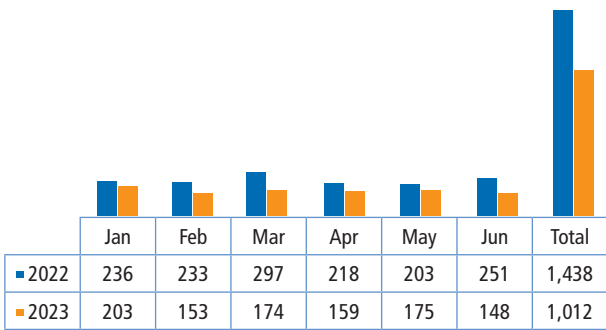


Chart 2  
Enquiries (Q2 2022 vs Q2 2023)



The total number of complaints and enquiries received in Q2 2023 increased by 16.38% compared to Q2 2022.

Classification of unlicensed activities:

Chart 3  
Category of unlicensed activities  
(Complaints only)

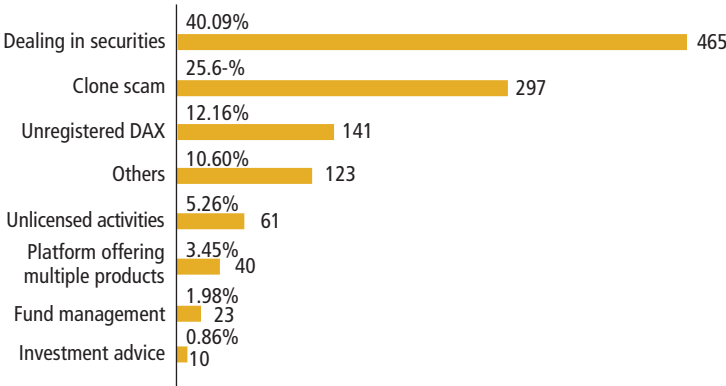
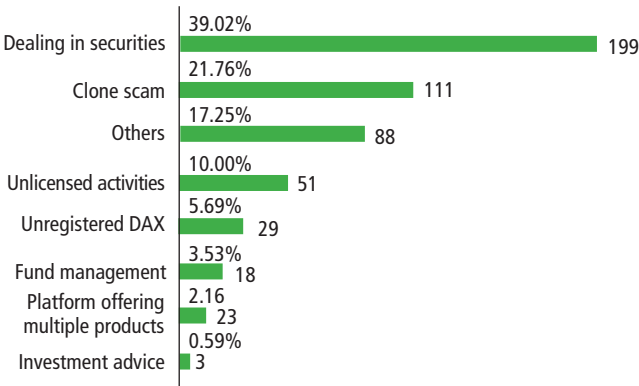


Chart 4  
Category of unlicensed activities  
(Enquiries only)



Actions taken on unlicensed activities for Q2 2023:

Actions taken	Total
Commence enforcement	3
Alert list inclusions	170
Block websites	95
Police reports	47
Facebook geo-block	58
Telegram block application	74
Instagram block application	6
Social media intervention	206
Referral to other agencies/foreign regulators	52

Removal of entities from the SC’s Alert List – status as at Q2 2023.

Application for removal	6
Removed from Alert List	4 (3 applied for removal in 2022)
Rejected	2

The SC continued with its investor empowerment programme efforts through InvestSmart®. Apart from organising and participating in on-the-ground physical events, InvestSmart® also retained its focus on leveraging digital media to reach out to the public with its investor education initiatives. The initiatives conducted by InvestSmart® are as follows:

- (a) **Bersama InvestSmart® @ Penang 2023:** The SC’s annual flagship investor education event for retail investors outside the Klang Valley with a view to promoting, among others, greater awareness of capital markets products and services, informed investment decisions, awareness of investors’ rights and responsibilities, better financial and retirement planning, enhanced wealth accumulation and greater participation in the capital market. The three-day event featured 38 exhibitors including capital market regulators, licensed and registered intermediaries, affiliates and governmental bodies and attracted over 12,000 visitors.



Further, the event also featured the #FinPlan4U service desk, which provided the public with an opportunity to obtain a free one-on-one consultation on financial planning. For this initiative, InvestSmart® collaborated with the Financial Planning Association of Malaysia (FPAM) and the Malaysian Financial Planning Council (MFPC).





- (b) **InvestSmart® @SC x Pusat Aktiviti Warga Emas Selangor:** The SC, in collaboration with the Jabatan Kebajikan Masyarakat Negeri Selangor organised a half-day financial literacy seminar for the public on 22 June 2023. The seminar included talks by representatives from BNM and a licensed financial planning company and was attended by 72 participants comprising of members from various Pusat Aktiviti Warga Emas (PAWE) in Selangor.



- (c) **InvestSmart® Online Series:** Monthly webinars for the public to gain knowledge on the basics of capital market products and services and awareness on scams and unlicensed activities.

A total of 135 individuals participated in a webinar titled 'Importance and Rights of an Investor during the 'Annual General Meeting' held on 22 May 2023.



- (d) **My Money & Me Programme 2023 by the Malaysia Financial Planning Council (MFPC):** The SC once again participated in MFPC's online 'My Money and Me' Programme for 2023. In Q2 2023, the SC was invited to speak at a workshop held in Penang on 17 June 2023. The SC's 'Semak Sebelum Labur' session attracted 300 participants.



- (e) **InvestSmart® @BNM's Karnival Celik Kewangan in Kelantan:** The SC was invited to be part of the Financial Education Network (FEN) booth at the BNM's Karnival Celik Kewangan in Kelantan and also participated as a panelist at the event's pocket talk together with BNM on sharing about financial literacy.



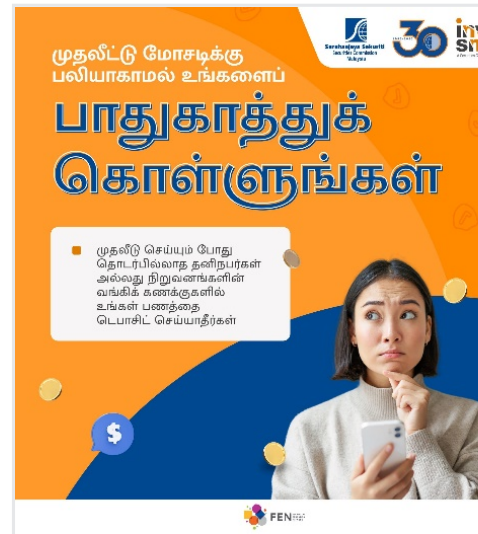
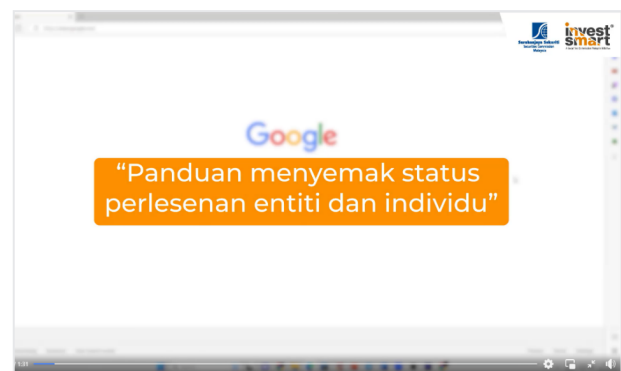
- (f) **Face-to-Face Digital Clinic for Urban B40 Including Seniors – Klinik Silap Labur Duit Lebur:** The Face-to-Face Digital Clinic for Urban B40 Including Seniors (Urban B40) programme is an initiative by InvestSmart® to create awareness of scams and unlicensed activities and to promote investors' knowledge of the capital market and investment opportunities. This programme is organised by the SC in collaboration with Pepper Labs Sdn Bhd, a social enterprise that has experience dealing with marginalised communities, B40 communities and microentrepreneurs.

The first session was held on 10 June 2023 at Projek Perumahan Rakyat Kerinchi in Kuala Lumpur with 35 participants.



- (g) **Public Service Announcement (PSA) on Television, Radio Stations, and public transport:** The SC, in collaboration with the Ministry of Communications and Digital, issued two PSAs in the form of a news crawler and radio announcement on all local tv and radio stations from 26 June to 22 September 2023. The focus of these PSAs was to increase the public's awareness of the capital market dispute resolution platform provided by SIDREC.

- (h) **InvestSmart® social media postings:** InvestSmart® also continues to make full use of its social media platforms to reach out to the public with bitesized information to further expose them to capital market products and services, and raise awareness about scams and unlicensed activities. Numerous social media postings in multi-languages were made on InvestSmart®'s Facebook, Instagram, Twitter and TikTok reaching out to more than 5 million users during Q2 2023.





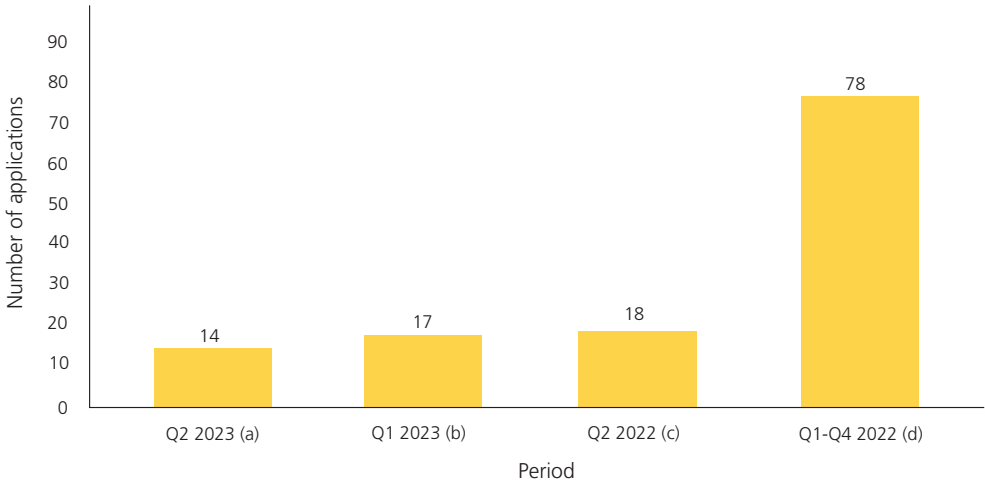
## HIGHLIGHTS

- The SC approved 5 substantive applications<sup>1</sup> for various corporate proposals by companies in Q2 2023.
- Total funds to be raised from the proposals approved by/lodged with the SC amounted to RM13.62 billion, out of which RM13.10 billion or 96% would be from corporate bonds and sukuk.
- The SC considered a total of 12 submissions in relation to take-overs, mergers, and compulsory acquisitions in Q2 2023.

## EQUITIES, CORPORATE BONDS AND SUKUK

The SC approved 5 substantive applications<sup>1</sup> for various corporate proposals by companies in Q2 2023. In addition, there were 9 corporate bonds and sukuk lodgements submitted under the *Lodge and Launch Framework* (LOLA Framework).

Chart 1  
Substantive applications approved and lodged

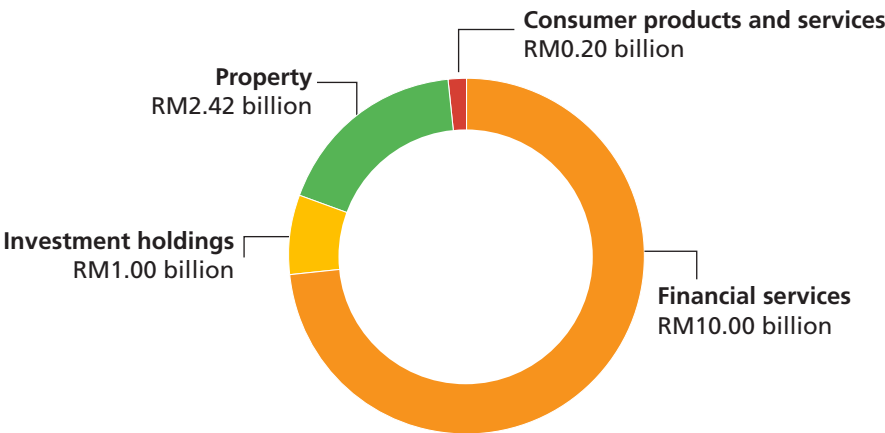


Note:  
(a) Include 9 corporate bonds and sukuk lodged under LOLA.  
(b) Include 14 corporate bonds and sukuk lodged under LOLA.  
(c) Include 14 corporate bonds and sukuk lodged under LOLA.  
(d) Include 62 corporate bonds and sukuk lodged under LOLA.

<sup>1</sup> Substantive application include IPOs, reverse takeovers, transfer listings to Main Market of Bursa Malaysia, secondary listing proposals and corporate bonds/sukuk proposals.

Chart 2

Funds approved/lodged to be raised by sectors: RM13.62 billion



The total funds to be raised from the proposals approved by/lodged with the SC in Q2 2023 amounted to RM13.62 billion, out of which RM13.10 billion or 96% would be from corporate bonds and sukuk. The remaining RM0.52 billion or 4% would be from the IPO proposals approved. The financial services sector would raise the largest amount of funds amounting to RM10 billion or 73%.

TAKE-OVERS AND MERGERS

The SC considered a total of 12 submissions in relation to take-overs, mergers, and compulsory acquisitions in Q2 2023, comprising the following:

- Clearance of 2 take-over offer documents including a document relating to a scheme for control;
- Clearance of 4 independent advice circulars including for whitewash exemption;
- Clearance of 1 circular for whitewash exemption;
- 3 applications for exemptions from the mandatory offer obligation; and
- 2 other applications in relation to the provisions of the CMSA / *Malaysian Code on Take-overs and Mergers 2016 (Code) / Rules on Take-overs, Mergers and Compulsory Acquisitions (Rules)*.

The 12 submissions considered during Q2 2023 represented a decrease of 20% compared with 15 submissions considered in Q2 2022.

The 2 take-over offers documents cleared by the SC in Q2 2023 involved a total offer value of RM0.09 billion, comprising the offer by Special Flagship Holdings Sdn Bhd for Minda Global Bhd with offer value of RM69.25 million and the proposed selective capital reduction and repayment exercise by MBf Corporation Bhd, an unlisted public company, with offer value of RM16.21 million.

The 3 applications for exemption from the mandatory offer obligation involved acquisitions or transfer of shares within members of a group of people acting in concert.

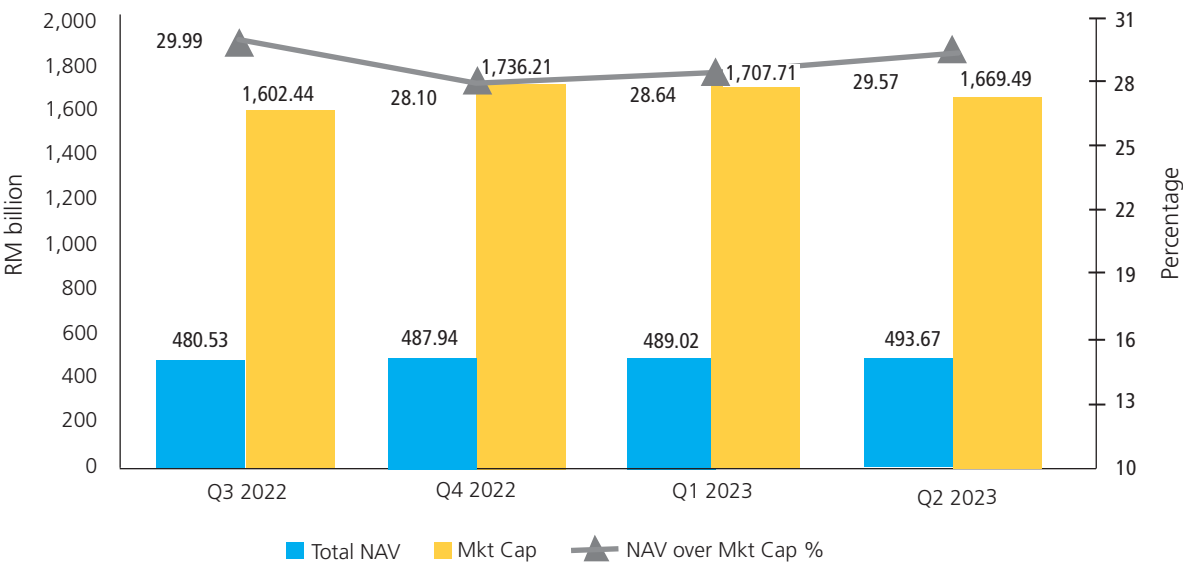
Of the other 2 applications considered by the SC, 1 application is for exemption from complying with paragraph 15.01 of the Rules in relation to the appointment of a director on the board of the offeree company and exercising his voting rights prior to the dispatch of the offer document for the take-over offer, while the other is in relation to an application to act as an independent adviser for take-over proposals.

## UNIT TRUST FUNDS

### NAV of unit trust industry

In Q2 2023, the NAV of unit trust funds increased from RM489.02 billion as at 31 March 2023 to RM493.67 billion as at 30 June 2023. The percentage of the total NAV against Bursa Malaysia Securities market capitalisation has increased from 28.64% as at 31 March 2023 to 29.57% as at 30 June 2023.

Chart 3  
NAV of unit trust industry and Bursa Malaysia market capitalisation



### New Funds

A total of 4 unit trust funds were launched while 4 funds were terminated<sup>1</sup>, which brought the total number of funds in operation to 757 funds as at 30 June 2023. Of the 4 new funds launched, 2 were from the equity category and 1 each in the feeder fund and mixed asset categories.

As at 30 June 2023, the number of management companies approved to offer unit trust funds was 38.

Table 1

	As at 30 June 2023	As at 31 March 2023
Total no. of launched funds	757	757
Units in circulation (billion units)	764.01	764.11

<sup>1</sup> 2 funds reached their maturity, 1 fund wound-up voluntarily pursuant to unitholders' approval as it's no longer economically viable and 1 fund had no assets/unitholders.

## Fund categories

As at 30 June 2023, a total of RM242.37 billion of the industry's total NAV was represented by mixed asset funds. Equity funds ranked second with NAV of RM110.67 billion.

Table 2

Fund category	NAV (RM billion)	%
Mixed asset	242.37	49.09
Equity	110.67	22.42
Money market	62.75	12.71
Fixed income/Bond/Sukuk/Debenture	51.63	10.46
Feeder	10.74	2.18
Balanced	6.91	1.40
Fund of funds	3.84	0.78
Others	4.76	0.96
<b>TOTAL</b>	<b>493.67</b>	<b>100.00</b>

## OTHER COLLECTIVE INVESTMENT SCHEMES

### Wholesale funds

As at 30 June 2023, there were 455 wholesale funds in operation with a total NAV of RM75.39 billion. A total of 7 new wholesale funds were launched in Q2 2023.

### Real Estate Investment Trusts

As at 30 June 2023, there were 19 REITs listed on the Main Market of Bursa Malaysia Securities. Five REITs, namely Axis REIT, Al-Aqar Healthcare REIT, Al-Salam REIT, KLCC REIT and AME REIT are Shariah-compliant.

One REIT, i.e. KLCC REIT, was listed as part of a stapled security group.

The market capitalisation of the listed REITs (including market capitalisation of the stapled group) was RM41.28 billion as at 30 June 2023.

### Exchange-traded funds

With the termination of 4 exchange-traded funds (ETFs) in Q2 2023, i.e. TradePlus NYSE® FANG+TM DAILY (2x) Leveraged Tracker, TradePlus NYSE® FANG+TM DAILY (-1x) Inverse Tracker, TradePlus HSCEI Daily (2x) Leveraged Tracker and TradePlus HSCEI Daily (-1x) Inverse Tracker, the total number of ETFs listed on the Main Market of Bursa Malaysia Securities as at 30 June 2023 was 15.

A total of 6 ETFs were Shariah-compliant, i.e. MyETF Dow Jones Islamic Market Malaysia Titans 25, MyETF MSCI Malaysia Islamic Dividend, MyETF MSCI SEA Islamic Dividend, MyETF Dow Jones U.S. Titans 50, TradePlus Shariah Gold Tracker and VP-DJ Shariah China A-Shares 100 ETF.

The market capitalisation of the listed ETFs was RM2.19 billion as at 30 June 2023.

**Closed-end funds**

As at 30 June 2023, one closed-end fund (CEF) was listed, i.e. icapital.biz Bhd. The market capitalisation of this fund was RM0.29 billion.

**PRIVATE RETIREMENT SCHEMES**

Upon the termination of a retirement fund in Q2 2023, there were 13 PRS comprising 74 private retirement funds offered by 9 providers as at 30 June 2023, with a total NAV of RM5.91 billion. There were 40 conventional funds and 34 shariah-compliant funds. Of the total NAV, conventional funds accounted for 66.54% while Shariah-compliant funds accounted for the remaining 33.46%.

**INVESTMENT PRODUCTS**

**Structured Warrants**

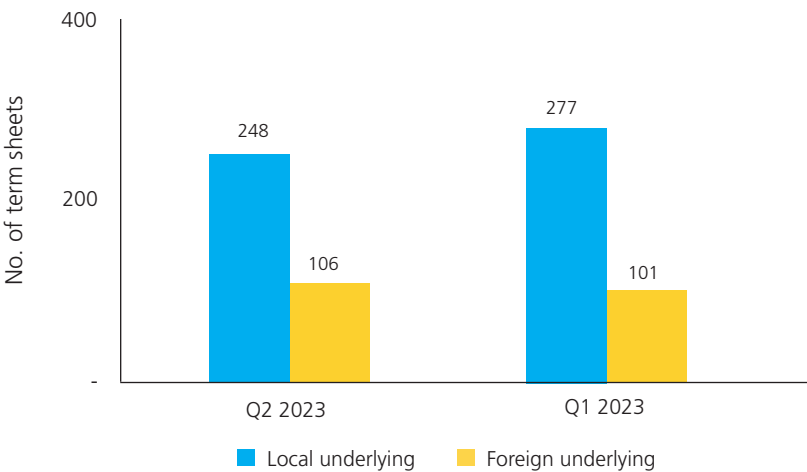
The SC registered a total of 2 base prospectus, 4 supplementary base prospectus and 354 term sheets in Q2 2023. There were 7 eligible issuers of structured warrants in Q2 2023 (Q2 2022: 6).

In Q2 2023, the SC registered a total of 106 term sheets with foreign underlying assets, such as shares or units in an ETF listed on a securities exchange outside Malaysia or an index based on a securities exchange outside Malaysia. The foreign underlying assets comprise shares in companies or units of ETF listed on the Hong Kong Stock Exchange as well as structured warrants over the Hang Seng Index, Hang Seng Tech Index, S&P 500 Index and Nasdaq-100 Index. This represented an increase of 4.95% from Q1 2023.

On the other hand, a total of 248 term sheets with local underlying assets were registered in Q2 2023, a 10.47% reduction from Q1 2023 (Q1 2023: 277 term sheets).

In Q2 2023, the number of structured warrants term sheets referencing to index increased by 31.67%, (Q2 2023: 79 term sheets, Q1 2023: 60 term sheets), while structured warrants term sheets referencing to shares reduced by 13.33% (Q2 2023: 273 term sheets, Q1 2023: 315 term sheets).

Chart 4  
**Structured warrants term sheets registered by listing domicile of underlying**



### Structured Products

In Q2 2023, a total of 6 issuers lodged 6 new structured product programmes with the SC under the LOLA Framework for unlisted capital market products. These programmes comprised a variety of underlying references and had an aggregate size of RM30 billion. Table 3 below shows the details on structured product programmes as at 30 June 2023.

Table 3  
**Structured product programmes**

New programmes lodged	Q1 - Q2 2023		2022	
	Number of programmes	Size (RM billion)	Number of programmes	Size (RM billion)
<b>Principle</b>				
– Conventional	9	45	20	100
– Islamic	1	5	2	10
<b>TOTAL</b>	<b>10</b>	<b>50</b>	<b>22</b>	<b>110</b>

## HIGHLIGHTS

- In Q2 2023, the FBMKLCI Index ended lower by 3.23% or -45.91 points to 1,376.68 points while the market remained cautious.
- The SC issued 3 new CMSL and 193 new CMSRL from 1 April 2023 to 30 June 2023. Meanwhile the SC has also approved 5 new CMSL during Q2 2023.

## DOMESTIC EQUITY MARKET PERFORMANCE

The FBMKLCI Index ended Q2 2023 lower by 3.23% or -45.91 points to 1,376.68 points. Market sentiment remained cautious as analysts downgraded the FBMKLCI's year-end targets citing the challenging global economic outlook and business conditions. Concerns surrounding cost pressures remain, as global central banks continued to tighten their monetary policy stance to control high inflation. Domestically, BNM surprised the market by raising the OPR by 25 basis points to 3%, highlighting that downside risks continue to stem from weaker-than-expected global growth and volatile global financial market conditions.

Among the FBMKLCI constituents, losses were led by banking stocks and Petronas Chemicals Group. Banking heavyweights such as Public Bank (-3.75%) and CIMB Group (-4.71%) traded lower amid renewed selling activity on global banking stocks following reports of large deposit withdrawals from the First Republic Bank in the US. Separately, the share price of Petronas Chemicals Group fell by more than 15% after reporting lower net profit for Q1 2023 due to lower product prices, coupled with higher energy and utility costs. On the other hand, some buying support emerged for IHH Healthcare (+4.15%) and Inari Amertron (+11.94%). IHH Healthcare was supported by increased patient volumes, higher net profit in Q1 2023 as well as positive stock recommendations by analysts. Meanwhile, Inari's share price gains were mainly supported by favourable analysts' stock recommendations due to better 5G prospects.

Across market sectors, most ended lower with Industrial Products (-8.28%) recording the largest losses while Utilities (+8.05%) outperformed. All market indices (Mid 70: -0.95%, Small Cap: -2.68%, Fledgling: -1.49%, ACE: -3.04%) also declined, reflecting a broad-based weaker performance in the local bourse. In terms of trading activity, the average daily value traded declined by 16.46% q-o-q to RM1.90 billion while average daily volume traded per day fell by 14.29% q-o-q to 3.17 billion shares.

## DOMESTIC EQUITY MARKET OUTLOOK

Rating agencies and economists are projecting Malaysia's GDP growth to moderate in 2H 2023 due to global headwinds. Economists anticipate that the effects of monetary tightening measures implemented since 2022 may continue to affect economic growth, with their full impact becoming more significant later in 2H 2023. Nonetheless, consumer spending, easing inflation, a pick-up in tourism activities and revival of infrastructure projects may provide some support to corporate earnings growth and investor sentiment. Furthermore, oversold banking stocks with attractive valuations may draw renewed buying interest among investors amid abating concerns surrounding the banking crisis in the US and Europe.

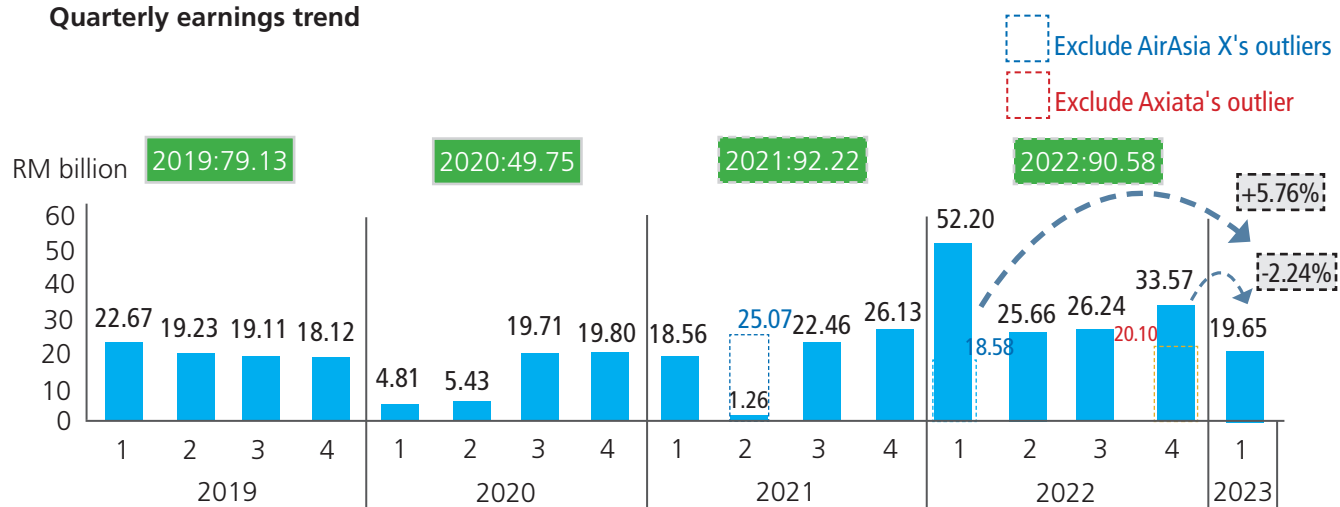
## CORPORATE SURVEILLANCE

### PLC Performance

A summary of PLCs' quarterly earnings trend is shown below:

Chart 1

#### Quarterly earnings trend



Source: Figures obtained from S&P Capital and Data Analysis.

Note:

Due to rounding, the numbers presented may not sum up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

- Excluding the outliers, overall earnings<sup>1</sup> declined by (RM0.45 billion (-2.24%) in Q1 2023 q-o-q as compared to Q4 2022, largely contributed by the Energy (-RM3.83 billion) sector due to Sapura Energy's (-RM3.31 billion) impairment of assets in its loss-making Engineering and Construction (E&C) and Drilling segments totaling RM2.62 billion, and Serba Dinamik's (-RM0.88 billion) impairment of trade receivables of RM0.87 billion. Followed by Plantation (-RM1.94 billion) sector whereby the majority of its PLCs reported declined earnings amid the lower production output and average selling prices (ASP) of Crude Palm Oil (CPO) and Palm Kernel (PK); and the Transport (-RM1.59 billion) sector, mainly due to Lingkar Trans (-RM1.35 billion) one-off gain from disposal of highway concessions in previous Q4 2022.
- A q-o-q decline was mostly off-set by the increase in the Telco and Media (+RM4.13 billion) sector mainly attributed by Axiata's (+RM3.57 billion) impairment in goodwill on overseas mobile operations reported in previous Q4 2022; and Healthcare (+RM1.85 billion) sector due to IHH's (+RM1.2 billion) one-off gain on divestment of subsidiaries in Q1 2023 and Pharmaniaga's (+RM0.65 billion) provision for COVID-19 vaccines reported in the previous Q4 2022.
- In contrast, y-o-y earnings increased by RM1.07 billion (+5.76%) with the majority of the sectors reporting higher earnings. This is largely from Energy (+RM2.9 billion) sector with Sapura Energy's (+RM3.46 billion) lower impairment of assets in the said segments y-o-y; followed by the Transport (+RM1.8 billion) sector benefitted from the revival of air travel and the Financial Services (+RM1.5 billion) sector in the absence of prosperity tax, higher operating income and lower loan impairment.

<sup>1</sup> Excluded outlier transactions, i.e.

- Airasia X's provision on liabilities of RM23.81 billion in Q2 2021 and reversal of the said provision of RM33.65 billion in Q1 2022 upon completion of its debt restructuring; and
- Axiata's gain on disposal of Celcom of RM13.47 billion in Q4 2022.



- The y-o-y increase was off-set by the weaker performance in the Manufacturing (-RM3.1 billion) sector mainly impacted by petrochemical PLCs, i.e. Petronas Chemicals (-RM1.54 billion) and Lotte (-RM0.33 billion), due to weakened demand of petrochemical products; followed by the Plantation (-RM2.84 billion) sector.

## INSTITUTION SUPERVISION

In Q2 2023, the SC registered Bursa Malaysia RAM Capital Sdn Bhd as an RMO-P2P operator pursuant to Section 34 of the CMSA.

## LICENSING

The SC issued 3 new CMSL and 193 new CMSRL, and also approved 5 new CMSL during Q2 2023.

The number of CMSL and CMSRL holders are provided in Table 1 and Table 2 respectively.

Table 1  
Total number of CMSL holders as at 30 June 2023

By core activity	CMSL
Dealing in securities <sup>2</sup>	37
Dealing in derivatives	5
Fund management	110
Advising on corporate finance	43
Investment advice	18*
Financial planning	37*
<b>TOTAL</b>	<b>250</b>

\* Includes 1 CMSL-individual for investment advice and 2 CMSL-individual for financial planning, respectively.

Table 2  
Total number of CMSRL holders as at 30 June 2023

By core activity	CMSRL
Dealing in securities	6,477
Dealing in derivatives	464
Fund management	837
Advising on corporate finance	756
Investment advice	299
Financial planning	1,452
<b>TOTAL</b>	<b>10,285</b>

Statistics on the status of license applications and its processing turnaround time during Q2 2023 are provided in Table 10 and 11 respectively.

## Registration

The SC registered 1 new private equity management corporation and 1 new venture capital management corporation during Q2 2023.

<sup>2</sup> Includes 5 CMSLs for dealing in securities restricted to unit trust and 1 dealing in securities restricted to listed securities.

CRIMINAL PROSECUTIONS AND APPEALS

As at 30 June 2023, there were 7 ongoing criminal trials at the Sessions Court for various offences in relation to the securities laws. The offences include unlicensed activities, securities fraud, and money laundering. As for criminal appeals, there were 10 ongoing appeals at the High Court and the Court of Appeal.

The highlights of the criminal cases for Q2 2023 are summarised in the table below:

No.	Nature of offence	Offender(s)	Outcome
1.	Under s.32(8)(a) of the <i>Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001</i> (AMLATFPUAA)	Amirruddin Nin (Amirruddin)	<p>On 28 June 2023, the High Court dismissed Amirruddin's appeal and sentence against conviction and sentence for the first charge.</p> <p>The High Court however allowed Amirruddin's appeal against conviction and sentence for the second and third charges, where the court set aside the sentences of one day's imprisonment and RM100,000 fine in respect of each charge.</p> <p>The High Court also held that no continuing offence had been committed in this case, and set aside the daily continuing fine of RM2,000 imposed by the Sessions Court, amounting to a total of RM1,958,000 fine for the continuing offence.</p> <p>To date, the SC has obtained the AGC's instructions to appeal against the acquittal on the second and third charges as well as the decision regarding the continuing offence.</p>

CIVIL ACTIONS

As at 30 June 2023, there were 10 ongoing civil cases at the High Court, Court of Appeal and Federal Court. No civil suits were filed by the SC in Q2 2023.

The highlight of PCE's civil cases for Q2 2023 are summarised in the table below:

No.	Breach	Defendant(s)	Outcome
1.	Under s.188(2) of the CMSA	<b>HPI</b> Toh Kai Fatt (Toh)	<p>On 13 September 2021, the SC initiated civil action against Toh for insider trading, a breach under s.188(2) of the CMSA.</p> <p>On 13 April 2023, upon conclusion of the trial, the High Court found that the SC had successfully proven its claim of insider trading against Toh. Consequent to the finding, the High Court granted the following reliefs to the SC:</p> <ul style="list-style-type: none"><li>A declaration that Toh had breached section 188(2) (a) of the CMSA;</li><li>A payment of the sum of RM2,363,122.50 which is equal to 3 times the profit made by Toh;</li></ul>

No.	Breach	Defendant(s)	Outcome
			<ul style="list-style-type: none"><li>• Civil penalty of RM250,000;</li><li>• Interest at the rate of 5% per annum on the judgement sums above from the date of judgement until full and final realisation thereof;</li><li>• An order that Toh is to be barred from being a chief executive or director and from being involved in the management, directly or indirectly, of any PLCs in Malaysia for a period of 5 years from the date of judgment;</li><li>• An order that Toh is to be restrained from trading in any securities on Bursa Malaysia Bhd for a period of 5 years from the date of judgment; and</li><li>• Costs of RM100,000.00.</li></ul>

**REGULATORY SETTLEMENTS** .....

The SC did not enter any regulatory settlements during Q2 2023.



# SERVICE DELIVERY – PERFORMANCE SCORECARD

## SC Scorecard and Statistics of Submissions Approved by the SC in Q2 2023

### A. Corporate Submissions to the SC

Table 1  
Status of substantive applications as at 30 June 2023

Applications	Equities	Corporate bonds and sukuk	Total
Balance brought forward from Q1 2023	8	-	8
Add: applications received in Q2 2023	5	10	15
<b>Total applications</b>	<b>13</b>	<b>10</b>	<b>23</b>
Less: applications considered/lodged in Q2 2023	(5)	(9)	(14)
Less: applications withdrawn in Q2 2023	-	-	-
<b>Balance carried forward to Q3 2023</b>	<b>8</b>	<b>1</b>	<b>9</b>

Table 2  
Substantive applications considered/withdrawn/lodged

Type of applications	Considered			Withdrawn	Lodged	Total
	Approved	Not approved	Returned			
IPO – Main Market	2	-	-	-	-	2
Acquisition, reverse take-overs and back-door listings	-	-	-	-	-	-
Transfer from ACE Market to Main Market	3	-	-	-	-	3
Corporate bonds and sukuk	-	-	-	-	9	9
<b>TOTAL</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>14</b>

Table 3  
Processing turnaround time for substantive applications considered

Total substantive applications considered	Approved	Rejected	Lapsed	Processing time	Time charter*	
					Within	Exceed
5	5	-	-	2-6 months	100%	-

**Note:**

- \* Based on number of queries issued.
- Time charter for substantive application:
  - (i) first round of query raised within 10 MDs from receipt of complete submission; and
  - (ii) subsequent queries raised within 5 MDs from receipt of complete replies.

## B. Corporate Applications Approved by the SC – Q2 2023

### (i) Applications approved/lodged

Table 4  
Number of applications approved/lodged

Type of applications	No. of applications approved/lodged		
	Q2 2023	Q1 2023	Q2 2022
Initial Public Offerings – Main Market	2	-	1
Acquisition, reverse take-overs and back-door listings	-	-	-
Transfers from ACE Market to Main Market	3	3	2
Corporate bonds and sukuk	9	14	15
<b>TOTAL</b>	<b>14</b>	<b>17</b>	<b>18</b>

### (ii) Corporate bonds and sukuk

Table 5  
Approved/lodged ringgit-denominated issues

Type	Q2 2023		Q1 2023		Q2 2022	
	No. of issues	Size (RM mil)	No. of issues	Size (RM mil)	No. of issues	Size (RM mil)
Conventional bonds	1	10,000.00	4	3,586.50	4	8,755.76
Sukuk	6	3,100.00	10	27,080.00	10	29,246.00
Combination <sup>(1)</sup>	-	-	-	-	-	-
<b>TOTAL</b>	<b>7</b>	<b>13,100.00</b>	<b>14</b>	<b>30,666.50</b>	<b>14</b>	<b>38,001.76</b>

**Note:**

<sup>(1)</sup> Combination of sukuk and conventional bonds.

Table 6  
Approved/lodged foreign currency-denominated issues by foreign corporations

Type	Q2 2023		Q1 2023		Q2 2022	
	No. of issues	Size (US\$ mil)	No. of issues	Size	No. of issues	Size (US\$ mil)
Conventional bonds	1	10,000.00	-	-	-	-
Sukuk	-	-	-	-	1	35,000.00
Combination <sup>(1)</sup>	-	-	-	-	-	-
<b>TOTAL</b>	<b>1</b>	<b>10,000.00</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>35,000.00</b>

**Note:**

<sup>(1)</sup> Combination of sukuk and conventional bonds.

Table 7

**Approved/lodged foreign currency-denominated issues by Malaysian issuers**

Type	Q2 2023		Q1 2023		Q2 2022	
	No. of issues	Size (US\$ mil)	No. of issues	Size	No. of issues	Size
Conventional bonds	-	-	-	-	-	-
Sukuk	1	5,000.00	-	-	-	-
Combinations <sup>(1)</sup>	-	-	-	-	-	-
<b>TOTAL</b>	<b>1</b>	<b>5,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note:**

<sup>(1)</sup> Combination of sukuk and conventional bonds.

**(iii) Take-overs and Mergers**

Table 8

**Number of submissions considered in relation to take-overs, mergers, and compulsory acquisitions**

Type	Number of applications considered		
	Q2 2023	Q1 2023	Q2 2022
<b>Clearance of offer/scheme documents<sup>1</sup></b>	<b>2</b>	<b>2</b>	<b>2</b>
• Offers	1	1	2
• Schemes	1	1	0
Total offer/scheme value	RM0.09 billion	RM0.75 billion	RM0.11 billion
<b>Clearance of independent advice circulars</b>	<b>4</b>	<b>1</b>	<b>3</b>
• Offers/schemes	3*	1*	1
• Whitewash exemptions	1	0	2
<b>Clearance of circulars for whitewash exemption<sup>#</sup></b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Applications for exemption from mandatory offer obligation</b>	<b>3</b>	<b>4</b>	<b>3</b>
• Whitewash exemptions	0	3	0
• Others	3	1	3
<b>Other applications<sup>2</sup></b>	<b>2</b>	<b>2</b>	<b>6</b>
<b>TOTAL APPLICATIONS CONSIDERED</b>	<b>12</b>	<b>9</b>	<b>15</b>

**Note:**

<sup>1</sup> Including documents relating to schemes for control and compensation scheme documents, where applicable.

<sup>2</sup> Refers to all other applications under the CMSA, Code and Rules.

\* One of the independent advice letters cleared by the SC in Q2 2023 relates to an offer to which the offer document was cleared in the preceding quarter.

# Pursuant to the revised Rules on 28 December 2021, circulars for whitewash exemption must be submitted to the SC for the SC's comments and clearance on the contents relating to the whitewash exemption.

(iv) CIS, PRS and Foreign ASEAN CIS

Table 9  
Number of applications approved relating to unit trusts, other CIS, PRS, and Foreign ASEAN CIS

Type	Number of applications approved		
	Q2 2023	Q1 2023	Q2 2022
Establishment of new CIS	5	5	8
Exemption/variation from Guidelines <sup>1</sup>	1	1	1
Other applications	4 <sup>2</sup>	4	5
<b>TOTAL</b>	<b>10</b>	<b>10</b>	<b>14</b>

**Note:**  
<sup>1</sup> Excludes applications submitted together with the establishment of new schemes.  
<sup>2</sup> Includes applications in relation to extension of time and conditions of approval.

C. Licensing

Table 10  
Status of licensing applications

New licence application	Brought forward from Q1 2023	Received	Withdrawn	Returned	Considered / Pending consideration	Approved	Rejected	Pending
Representative	46	216	7	8	247	193	-	54
Corporation	12	1	1	-	12	3	-	9
<b>TOTAL</b>	<b>58</b>	<b>217</b>	<b>8</b>	<b>8</b>	<b>259</b>	<b>196</b>	<b>-</b>	<b>63</b>

Table 11  
Processing turnaround time for licensing applications

New licence application	Within time charter		Exceeds time charter		Subtotal	Exception <sup>1</sup>	Total approved
	Total	%	Total	%		Total	
Representative	192	100	0	0	192	1	193
Corporation	3	100	0	0	3	0	3
<b>TOTAL</b>	<b>195</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>195</b>	<b>1</b>	<b>196</b>

**Note:**  
<sup>1</sup> This refers to an application which required exception handling, where further assessment and engagement were required due to issues related to the applicant’s fit and propriety.

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