

A key recommendation arising from the joint action plan was to enable financial planners to offer advice across a wider range of capital market products, including listed securities and unlisted debt securities. To that end, financial planners were required to meet enhanced competencies as well as conduct suitability assessments in providing specific advice to clients.

The SC also allowed for collaboration between financial planners and other CMSL holders in executing the client's financial plan. This collaboration would allow for a more efficient and holistic execution of the financial plan as well as provide a greater value added service for investors. In the interest of investor protection, financial planners are required to be transparent on any fees charged and to secure clients' consent before entering into any arrangements.

ACMF PROFESSIONAL MOBILITY FRAMEWORK

The Professional Mobility Framework is an initiative under the ASEAN Capital Markets Forum (ACMF) to develop common standards for cross-border recognition of professionals and services, enabling the movements of professionals and services offered within participating ASEAN countries. The two measures covered under this framework are the ACMF Pass and the cross-border publication of research reports.

Under the ACMF Pass, qualified professionals adhering to a common standard are allowed to carry out investment advice activities in other ASEAN participating member countries. Complementing this, the cross-border publication of research reports issued by a licensed entity in a participating country can be made available in another ASEAN participating country through a hosting platform of a domestic-licensed entity.

A Memorandum of Understanding (MoU) to facilitate the implementation of this framework was signed by four participating countries i.e. Malaysia, the Philippines, Singapore and Thailand. As at December 2020, 14 investment advisers from participating countries were approved by the SC to carry out investment advice activity in Malaysia.

PROMOTING VIBRANCY IN THE CAPITAL MARKET

The SC has also introduced a number of initiatives to promote vibrancy within the capital market for both businesses and investors alike.

Providing Efficient Financing Solution for SMEs and MSMEs

The current economic situation has resulted in many small and medium enterprises (SMEs) facing difficulties in meeting their funding needs as well as in preparing for recovery beyond the pandemic-induced crisis. In this regard, convertible notes can serve as an alternative fundraising instrument, and are typically used by venture capital (VC) and private equity (PE) firms as a form of short-to medium-term bridge financing to investee companies.

Therefore, flexibilities were granted for businesses issuing convertible notes and Islamic convertible notes to VC and PE firms registered with the SC. Such flexibilities and improved efficiencies on the issuance of the convertible notes and Islamic convertible notes were provided through the *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (LOLA Guidelines)*, which was revised on 28 April 2020. The new provisions allow businesses to lodge the issuances directly with the SC without requiring the services of a principal adviser, which helped to reduce time-to-market. Lodgement fees were also waived, further lowering the fundraising cost and allowing the fundraising process to be more cost-effective.

New provisions in the LOLA Guidelines outline the criteria for eligible convertible notes, including requirements for these convertible notes to be issued to and transferable only between VC and PE firms registered with the SC. The lodgement process has also been simplified by enabling the electronic submission of the required information via email.

Liberalising Alternative Investments for Fund Management Industry

The SC introduced liberalisation measures for investment in foreign real estate for the wholesale fund segment to recognise the importance for fund managers to remain competitive and responsive to the growing investor demand for a wider range of investment products.

Specifically, permitted investments of wholesale funds via special purpose vehicle (SPV) structures were expanded to include investments in foreign real estate. The categories of foreign real estate investment and the valuation requirements are set out in the LOLA Guidelines. To ensure appropriate property management, the LOLA Guidelines specify that the underlying foreign real estate must be managed by a manager that is licensed, registered, approved or authorised to carry out the said activity by the relevant regulator in its home jurisdiction.

These measures will expand growth boundaries by tapping investment opportunities in foreign properties offered by portfolio managers that possess real estate expertise. The proposition of such funds will encourage product innovation and add more depth to the Malaysian capital market.

Strengthening Long-Term Growth for PRS Members

The SC recognises the instrumental role that PRS plays as an investment vehicle for retirement savings. It continuously undertakes initiatives to ensure that the PRS framework remains current and relevant. In the interest of long-term growth for PRS members and the competitiveness of the industry, the SC introduced liberalisation measures through the revised *Guidelines on Private Retirement Schemes* (Guidelines on PRS), which provides more flexibility in PRS fund structures and asset allocation for PRS funds. A key measure pursuant to this is the liberalisation of the default option in the core fund that enables the gradual transition of members to a less risky fund as they age.

To further encourage retirement savings through PRS across different income levels, individual income tax relief of up to RM3,000 was extended for another four years under Budget 2021 from YA2022 to YA2025.

Despite the economic uncertainty, PRS continued to demonstrate positive growth in 2020 with total NAV reaching RM4.75 billion, which represents a growth of 35.7% compared to 2019. New members of PRS also increased by 7.6% from 2019.

Growth in PRS

