

## FOSTERING MARKET VIBRANCY THROUGH INNOVATION AND PARTICIPATION

The SC continued to broaden access and drive competitiveness of the capital market. Key initiatives included deepening the wealth management base through the SFO framework, enhancing clarity for private market participants, improving liquidity and efficiency in the derivatives market as well as strengthening the digital asset and tokenisation ecosystem. Collectively, these measures aim to foster a more vibrant capital market that responds effectively to evolving investor needs and industry opportunities.

### Deepening Malaysia's Wealth Management Investor Base through the Single Family Office Incentive Scheme

The SFO Incentive Scheme aims to unlock a new pool of long-term capital for Malaysia's financial markets. By consolidating family-controlled wealth that often sits in passive or closely-held assets, the framework

encourages families to shift from passive wealth preservation to strategic, purpose-driven investment.

Family offices are lean and agile, enabling faster investment decisions and longer-term planning compared with institutional investors. Their participation introduces a patient, stable investor base suited to projects with extended horizons such as infrastructure, sustainable finance and innovation.

To ensure tangible local benefits, each SFO must invest at least 10% of its AUM or RM10 million, whichever is lower, in Malaysian assets during its first 10 years, and 10% or RM10 million, whichever is higher, thereafter. These investments must be new in the first year of assessment, ensuring capital flows into productive domestic assets.

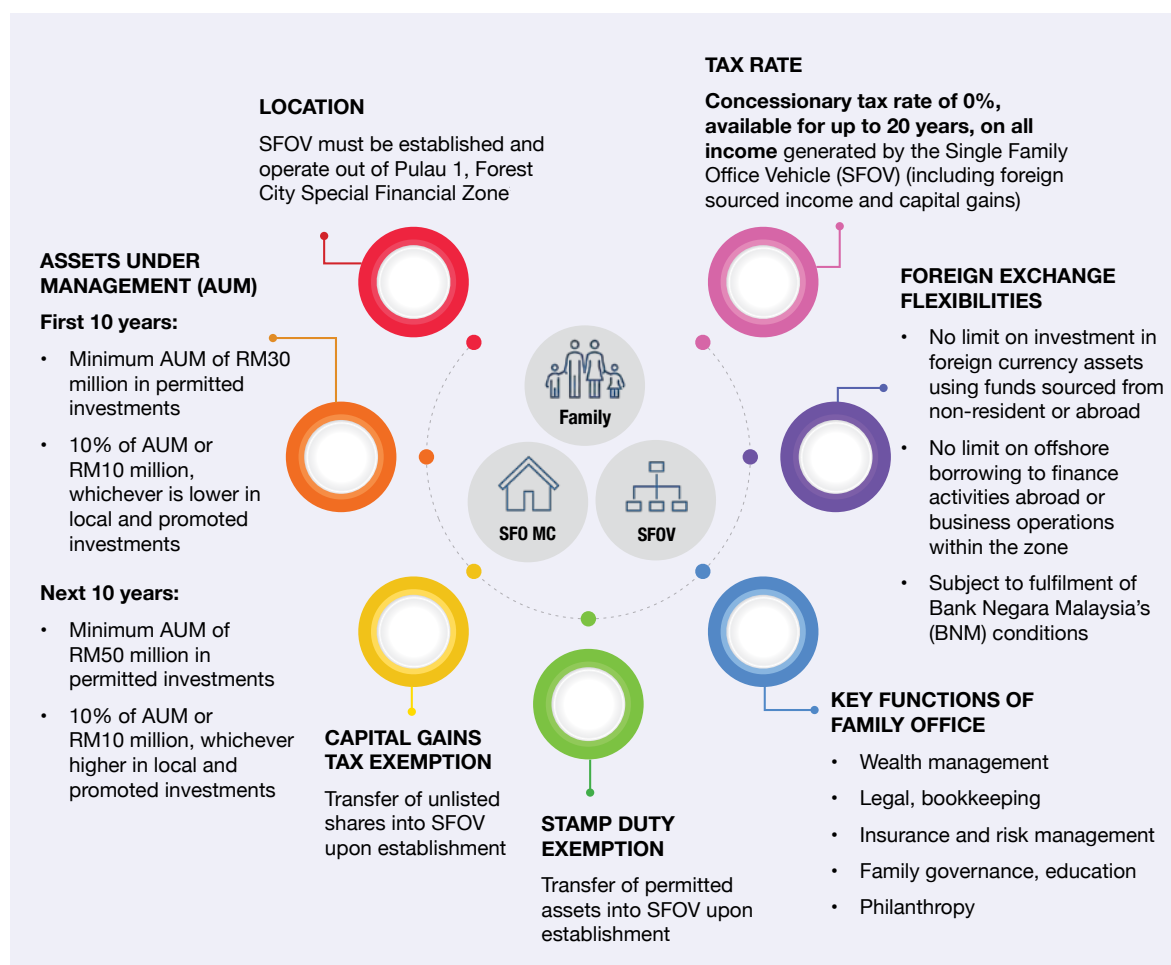
Investments in promoted sectors such as the *New Industrial Plan Master Plan 2030* (NIMP 2030), Johor–Singapore Special Economic Zone (JS-SEZ) and sustainability related investment that align with Malaysian or ASEAN standards, enjoy a 1.5x multiplier in AUM recognition, aligning family capital with national priorities and sustainable development goals.

## STRENGTHENING MALAYSIA’S FAMILY OFFICE ECOSYSTEM

The SFO Incentive Scheme, launched in September 2024, marks an important milestone in Malaysia’s efforts to deepen its wealth management industry and strengthen the ecosystem for family capital and asset owners. Anchored within the Forest City Special Financial Zone (FC SFZ) in Johor, the initiative provides a facilitative framework for families to formalise their wealth management and governance structures in Malaysia.

The SFO Incentive Scheme offers a 20-year tax incentive horizon (10+10 years) that grants exemption on all income including interest income, capital gains and foreign-sourced income. Through a two-step certification process, which includes initial conditional approval and annual tax certification, families and their advisers can operate with clarity, oversight and confidence.

### Key Requirements of the SFO Incentive Scheme



A key supporting measure is the Fast Track Resident Pass-Talent (FT RPT) visa, developed with the Ministry of Home Affairs, which provides 10+10-year residency for family principals and dependants. This visa enables families and their investment professionals to live, work and study in Malaysia, ensuring a long-term presence within the local ecosystem.

Since its launch, the SFO Incentive Scheme has received strong interest from both Malaysian and international families. To date, the SC has approved six conditional approvals, representing an indicative AUM of close to RM400 million. Over 40 Expressions of Interest (EOIs) have been received, reflecting growing confidence in Malaysia's transparent and cost-efficient framework.

This early success is supported by the SC's active engagement and promotional initiatives, including international roadshows to Taiwan and Oman, and continuous consultations with families, advisers and service providers. These efforts have enhanced awareness of Malaysia's family office proposition — one that blends robust governance, operational flexibility and competitive establishment costs, while fostering a culture of professional stewardship and intergenerational continuity.

### LIST OF LOCAL ELIGIBLE AND PROMOTED INVESTMENTS

#### Eligible Local Investments

1. Securities listed on Bursa Malaysia Sdn Bhd
2. Islamic capital market products including Shariah-compliant equities, Islamic Collective Investment Schemes (ICIS) and sukuk issued by an entity incorporated in Malaysia
3. Ringgit-denominated debentures and Malaysian Government Securities
4. Exchange traded derivatives listed on Bursa Malaysia Derivatives Bhd
5. Private equity (PE) and venture capital (VC) funds managed by SC-registered PE and VC managers
6. Assets under a portfolio management mandate, where at least 70% of the underlying assets is in Malaysia and the mandate is carried out by a holder of a Capital Markets Services Licence (CMSL) for fund management undertaking portfolio management
7. Shares of companies incorporated in Malaysia that are under technology-based sectors or relating to sustainable and responsible investments (SRI)

#### Promoted Investments

*These investments will count as 1.5x multiple towards the local AUM requirements*

1. Sustainability funds, bonds and sukuk that align with Malaysian or ASEAN standards for underlying Malaysian projects
2. Islamic capital market funds under the *Waqf Featured Fund Framework*
3. ECF campaigns on SC-registered ECF platforms
4. P2P financing campaigns on P2P financing platforms regulated by the SC
5. Shares of companies approved by Malaysian Investment Development Agency (MIDA) to carry out approved projects under the Johor–Singapore Special Economic Zone (JS-SEZ) Tax Incentive Package
6. Shares of companies operating within NIMP 2030 prioritised sectors

**BUILDING MOMENTUM THROUGH FACILITATION AND COLLABORATION**

The *Income Tax (Single Family Office Incentive Scheme) (Pulau 1 Of Forest City Special Financial Zone) Rules 2025*, which was gazetted in October 2025, formalised Malaysia’s first long-term tax incentive framework for family offices, providing policy certainty and clarity for families and their advisers. Together with the SC’s one-stop facilitation platform, this milestone has streamlined processes and reduced complexity for families establishing operations in Malaysia.

A major highlight of 2025 was the inaugural Single Family Office Summit (SFO Summit) which received strong industry feedback, highlighting the appetite for continued dialogue and collaboration across the ecosystem. Moving forward, the SC will continue to host the SFO Summit as an annual flagship platform to promote knowledge exchange, highlight investment opportunities and strengthen Malaysia’s position as a trusted base for family office activity.

Complementing this, the SC will broaden its international outreach through upcoming promotional missions and partnerships to attract quality participation and deepen engagement with global families and advisers.

With these measures in place, the SC remains confident in achieving its target of RM2 billion in AUM by end-2026. This progress reflects not only strong market response but also the emergence of a vibrant, facilitative ecosystem that aligns family capital with Malaysia’s long-term growth and wealth-management ambitions.



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## Revised Edition of Practical Guide on Venture Capital and Private Equity in Malaysia

The SC is cognisant of the importance of regulatory clarity for private markets industry players, and strives to continuously improve the clarity of guidance intended for the Malaysian private markets. In this, the SC published the revised edition of the *Practical Guide on Venture Capital and Private Equity in Malaysia* (VC/PE Practical Guide) online on 30 May 2025. This VC/PE Practical Guide is intended to aid prospective venture capital (VC) and private equity (PE) fund managers, service providers and investors in navigating the Malaysian policy landscape critical to VC/PE fund management operations, including capital market regulations, fund structuring, taxation and foreign exchange policy.



This revised edition is a result of collaboration between SC, BNM, Labuan FSA, Malaysian Venture Capital and Private Equity Association and service providers including law firms.

Among the key revisions made to the revised edition of the VC/PE Practical Guide include the recognition of Labuan structures in SC's VC/PE registration framework, and enhancements to BNM's foreign exchange policy (FEP) fund flow approval process for VC/PE managers based on total fund size mandate. The revisions made serve the dual purpose of providing regulatory clarity and fulfilling SC's role in facilitating conducive regulatory structures for VC/PE under the *Malaysia Venture Capital Roadmap*.

## Enhancing Market Liquidity and Efficiency in the Derivatives Market

In 2025, the SC facilitated key market enhancements through initiatives that refined trading parameters and operational practices to promote a more active and well-functioning derivatives market. These enhancements sought to facilitate greater market vibrancy in line with market participants' needs.

## Shortening of After-hours (T+1) Trading Session for Bursa Malaysia Derivatives' Agricultural Products

The SC facilitated Bursa Malaysia Derivatives' (BMD) initiative to shorten the after-hours (T+1) night trading session for agricultural products by 30 minutes, with the session now ending at 11.00pm instead of 11.30pm previously.

The alignment is expected to promote more concentrated trading activity, enhancing market liquidity and leading to higher trading volumes in agricultural derivatives contracts. The initiative received broad support from market participants, as reflected in engagement sessions conducted by the SC and BMD, underscoring industry consensus on the benefits of harmonising trading hours to strengthen Malaysia's position as a key global palm oil pricing centre.

The amended after-hours (T+1) trading session took effect on 12 January 2026.

## Revision of FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures Contract's Position Limit

Introduced in 1995, the benchmark index futures, FKLI contract has demonstrated steady growth, accounting for 16% of the derivative exchange traded volume in 2024.

To accommodate the evolving needs of market participants, the position limit was increased to 15,000 contracts from its current threshold of 10,000 contracts. This strategic adjustment strengthens market participants' hedging capabilities and is expected to improve the efficiency of real-time trading executions by enabling participants to respond better to market opportunities.



The revision to the FKLI's position limit took effect on 1 December 2025.

## Advancing the Digital Asset Frontier – Fostering a Competitive and Resilient Market

Malaysia's digital asset market continued to evolve in 2025, characterised by expanding opportunities and growing participation across the ecosystem. Globally,

regulatory developments and market adoption of digital assets gained momentum, alongside the increasing integration of blockchain technology within the financial sector.

In response to these parallel trends, the SC strengthened its strategic focus on digital assets through a two-pronged approach aimed at:

- 1  Ensuring responsible access to digital asset investments.
- 2  Facilitating meaningful tokenisation use cases within the capital market.

To advance these objectives, the SC issued two consultation papers, underscoring a market-driven and forward-looking approach to regulatory enhancement. These initiatives reflect the SC's openness to fostering innovation within a sound regulatory framework, ensuring that market development proceeds in a responsible and well-governed manner.

Complementing this, the SC's regulatory sandbox continued to serve as a controlled environment for testing innovative business models related to digital asset offerings and blockchain adoption.

### **Responsible Access towards Digital Asset Investment**

Interest in digital assets continued to grow as trading activity across DAXs increased by 23% in 2025, rising from RM13.93 billion in 2024 to RM17.14 billion in 2025. This is attributed to global developments, including increased institutional adoption through ETFs and greater regulatory clarity in major jurisdictions such as the US. This is complemented by onshore developments with a total of 23 digital assets listed on RMO-DAX and the increase in number of investors by approximately 29% from 2024.

In 2025, the SC observed broader participation by other capital market intermediaries. Licensed stockbrokers offered access to digital asset futures while fund managers continued to offer digital asset exposure through variety of strategies to cater to the varying risk appetites and needs of investors.

These developments underscore the growing investor interest in digital assets and reflect the SC's continued commitment to developing a more competitive and resilient digital asset ecosystem. In support of this objective, the SC released a *Consultation Paper on the Proposed Amendments to the Guidelines on Recognised Markets – Digital Asset Exchange* in June 2025, setting out the key principles that will guide the next phase of digital asset market development. The proposals aim to:

- Encourage a more competitive digital asset market and onshore a wider range of crypto-asset activities within Malaysia by facilitating our regulated markets to offer greater selection of offerings.
- Enhance investor protection through stronger safeguards for clients' assets, enhanced internal governance frameworks as well as regulatory oversight.
- Strengthen the resilience and integrity of the digital asset market by raising the bar on prudential and operational requirements for DAX operators, thereby promoting confidence and promoting deeper integration with Malaysia's broader financial ecosystem.

Through these proposals, the SC aims to enhance the competitiveness of Malaysia's regulated digital asset market, improve investor protection, and strengthen the resilience and integrity of DAX operators. Collectively, these measures reflect the SC's commitment to fostering a well-regulated and forward-looking digital asset ecosystem that balances innovation with robust governance.

### **Facilitating Meaningful Tokenisation Use Cases within the Capital Market**

The SC adopts the principle of regulatory neutrality in regulating the capital market, ensuring that similar products and services are subject to consistent regulatory treatment, regardless of the underlying technology. This approach reflects the SC's commitment to technology-agnostic regulation, designed to remain fair, relevant and adaptable in a rapidly evolving technology landscape.

Tokenisation presents new possibilities for capital market innovation, including the creation of programmable assets, fractional ownership of traditionally large ticket and illiquid instruments, and enhanced transparency and efficiency.

In view of the growing interest of existing capital market participants in exploring the use of blockchain technology and the issuance of tokens, through the *Capital Markets and Services (Prescription or Securities) (Digital Currency and Digital Token) (Amendment) Order 2025*, the SC has recognised and provided regulatory clarity that any tokenised securities shall be subject to the same underlying regulations applicable to conventional securities regardless of its technology.

Understanding the need for regulatory clarity to enable innovative adoption of blockchain technology while managing the regulatory expectations on risk management for investor protection, the SC published a *Consultation Paper on the Proposed Regulatory Framework for Offering and Dealing in Tokenised Capital Market Products* highlighting key risk areas for capital market participants to consider while exploring tokenisation of securities such as technology and cybersecurity risks, operational risks especially towards the record of ownership, legal risks towards the enforceability of rights and obligations and possible money laundering risks with the misuse of anonymity features.

Beyond regulatory clarity, the SC has been participating in various projects towards building a broader and deeper understanding within the industry and capital market participants through consultations and roundtable discussions.

### **Regulatory Sandbox: Enabling Responsible Innovation in Capital Market**

Launched during the SCxSC Fintech Summit 2024, the SC introduced the Regulatory Sandbox to promote responsible innovation in the capital market. This initiative provides a controlled environment for testing new products and services, enabling market players to experiment while ensuring regulatory oversight. It also fosters collaboration between the SC and industry participants, helping to shape more effective and responsive regulatory frameworks.

In February 2025, the SC published the *Guidelines on Regulatory Sandbox*, detailing eligibility criteria and

application requirements. Operated on a cohort basis, the Regulatory Sandbox requires potential applicants to undergo a pre-consultation session with the SC to discuss their proposed business models and testing plans.

The initiative has garnered strong industry interest:



These participants are exploring innovations across several domains:



The successful participants will be provided with a testing period of approximately 12 months to deploy and assess their proposed solutions in accordance with the defined testing parameters and requirements.

## **BUILDING A MORE INCLUSIVE CAPITAL MARKET**

In 2025, the SC intensified efforts to advance inclusivity across Malaysia's capital market, ensuring that opportunities for wealth creation and financing are accessible to a broader spectrum of participants. Initiatives focused on lowering entry barriers, empowering informed decision-making and strengthening participation among retail investors, MSMEs and underrepresented groups.

Key measures included introducing new access mechanisms in the securities and derivatives markets, enhancing advisory practices to incorporate sustainability preferences, expanding capital-raising avenues for MSMEs and MTCs, and scaling up ESG disclosure capabilities across local and regional SMEs.