

In 2024, seven new CMSL holders were approved. Meanwhile, there were 15 new registered entities approved which includes 14 venture capital and private equity (VCPE), and one Digital Asset Custodian (DAC). During the same period, the SC also registered three recognized market operators (RMO), consisting of two peer-to-peer financing platform operators and one digital asset exchange operator.

As of 31 December 2024, 937 CMSRL applications were approved and the total number of CMSRL holders stood at 10,314.

During 2024, four CMSL holders had surrendered their licenses as they were no longer in the business of the regulated activity(ies) for which they were licensed. In addition, 889 CMSRL holders had surrendered their respective licences due to retirement, resignation (due to better offer) and change in career path.

TABLE 13
License or registration ceased, revoked and suspended

CMSL holders	2024	2023
Ceased, revoked or suspended	4	3
CMSRL holders		
Ceased, revoked or suspended	889	962
Application for registration		
Ceased, revoked or suspended	5	8

SURVEILLANCE

Promoting Transparency and Accountability in Public-Listed Companies for Market Integrity

The integrity of capital markets is paramount for fostering investor confidence and ensuring the stability of the financial system. In this context, the SC plays a critical role in monitoring the conduct of public-listed companies (PLCs), with the aim of ensuring compliance with securities laws and regulations, ultimately safeguarding investors' interests.

The SC's surveillance efforts are risk-based, focusing on scrutinising corporate transactions, disclosures, and financial statements of PLCs. This year, with the greater enhancement of its in-house surveillance and analytics tools, the SC has employed greater automation and more effective analytics in identifying companies with heightened concerns. With better detection and more expeditious review of cases, the effectiveness of the SC's surveillance has been enhanced, resulting in a 60%

increase (in comparison to 2023) in the number of cases with potential issues being reviewed and appropriate actions taken.

In reviewing PLCs' corporate transactions and conduct, the SC engaged with directors, officers, and statutory auditors to gather insights and ensure accountability. Upon completion of review, cases with possible breaches of securities laws were referred for formal investigation and/or enforcement action by the SC, while cases with possible breaches of Listing Requirements were directed to Bursa Malaysia for further action.

Greater emphasis has also been placed on PLCs' adherence to approved financial reporting standards to ensure transparency and comparability in financial statements, thus providing investors with accurate information about the PLCs' financial health.

To ensure that its surveillance activities remain relevant and effective, the SC continuously reviews and, where appropriate, enhances and refines its approaches, taking into consideration, among others, emerging market trends and concerns regarding corporate behaviour and conduct. As the capital market continues to evolve amid global challenges, the SC's commitment to safeguarding investors' interests remains unwavering, making it a cornerstone of market stability and integrity.

Fostering Compliance with Take-over and Merger Regulations and Maintaining Effective Regulation

As part of its mandate, the SC also closely monitors compliance with the take-over requirements to detect misconduct and breaches which could jeopardise the interests of the investing public. In 2024, the SC had issued infringement notices for various non-compliances detected which include failure by advisers to ensure clients comply with the take-over regulations and non-compliances relating to dealings in securities during the offer period and/or disclosure of information to the SC (Table 14).

TABLE 14
Surveillance outcomes

Surveillance outcomes	2024	2023
Administrative actions*	0	1
Infringement Notices*	5	5

Note:

* Computed based on the offeree company involved rather than the number of notices issued or actions taken. Statistics also reflected under the SC's administrative actions (Table 20) and Infringement Notices (Table 25).

In addition, towards pre-empting and addressing major issues in take-over related transactions, the SC encourages early engagement through its consultation process. In undertaking this process, the SC is mindful of commercial sensitivity and expediency as well as confidentiality. By taking this approach, the SC provided a conducive environment for stakeholders to seek relevant clarifications and guidance with the goal of enhancing stakeholders' compliance with the regulatory requirements for take-over and merger transactions. In 2024, consultations with the SC involved diverse aspects of take-over regulations including identification of ultimate offeror and persons acting in concert, triggering of the mandatory offer obligation and eligibility for exemption, conditions and pre-conditions to offers, eligibility to act as independent adviser and other general enquiries.

During 2024, the SC and Bursa Malaysia also engaged in numerous discussions and dialogues with the board of directors of companies to be listed on the Main Market or the ACE Market in relation to pertinent requirements to be observed by listed companies, including the key take-over regulations. This initiative served as a vital platform for the sharing of key regulatory requirements while fostering a deeper understanding of some of the regulatory requirements among the newly listed companies.

In addition to its interactions with advisers during review of applications or consultations, the SC engaged with industry practitioners to address take-over related issues and/or clarify compliance. This open communication channel helped foster strong working relationships with stakeholders. On 11 October 2024, the SC hosted a dialogue on current take-over and merger issues, attended by representatives from 26 corporate finance advisory firms and the Malaysian Investment Banking Association (MIBA). The annual dialogue was well-received, with participants finding it insightful and helpful in providing clarity on the identified topics.

The SC also recognises the importance of having regular meetings with other take-over regulators to address issues of common interest and build relationships across borders. In line with this, the SC participated as one of the speakers in the 7th International Takeover Regulators' Conference held in Toronto, Canada in May 2024 and shared Malaysia's experience in navigating take-over transactions during the global pandemic of COVID-19 in one of the sessions. The conference was a closed meeting for regulators over two days followed by an open session participated by the broader Canadian financial community and included both regulators and other presenters with expertise in mergers and acquisitions as speakers on the last day.

These international engagements helped the SC to be apprised of the relevancy of its regulatory framework on take-over activities vis-à-vis the evolving market landscape and global best practices. In addition, these engagements with other regulators and experts were useful in, among others, providing better insights to the SC on emerging issues and trends as well as management of the same.

In summary, the SC's multifaceted approach to regulating take-overs and mergers-through proactive oversight, consultations, informative dialogues and international engagements-reinforces its commitment in maintaining a fair and well-regulated marketplace in Malaysia. To further enhance its regulatory framework, the SC had enhanced the Equity Guidelines in respect of significant changes in the business direction and policies of listed corporations. This initiative promotes adherence to regulatory standards while safeguarding the rights of minority shareholders. These measures underscore the SC's commitment to fostering a fair and transparent marketplace, ensuring that Malaysia's take-over activities remain aligned with evolving market conditions while upholding the interests of all stakeholders.

Preserving Market Integrity through Proactive Surveillance of Trading Activities

The SC remained steadfast in our commitment to ensure that the capital market operates in a fair and orderly manner. Working closely with Bursa Malaysia, the SC monitored, detected and responded to trading anomalies that posed potential risks to the integrity of the capital market.

The SC's oversight over Bursa Malaysia involved regular engagements to ensure, among others, that untoward trading practices were detected and addressed effectively at an early stage. Through these engagements, Bursa Malaysia took timely, proportionate actions, including engaging with capital market intermediaries to communicate concerns and potential interventions, ensuring that the intermediaries remain vigilant in discharging their roles and responsibilities in maintaining a fair and orderly market.

During periods of heightened market volatility, the SC undertook and ensured Bursa Malaysia undertook heightened scrutiny and proactive measures including issuing joint public communications to keep the market apprised of the stock market's condition. These co-ordinated activities were part of the SC's multi-pronged approach towards ensuring market integrity and investor protection is safeguarded at all times.

This included, among others, strategic communication so that investors are equipped with the relevant information and reminded to base investment decisions on fundamentals and corporate announcements by PLCs.

To further protect investors, Bursa Malaysia would issue Unusual Market Activity (UMA) queries, requiring the affected PLCs to provide responses that were promptly announced, ensuring timely dissemination of information to support informed investment decisions by the investing public. In May 2024, Bursa Malaysia introduced a new Trading Reminder to further strengthen investor protection. This measure alerts investors on stocks experiencing ongoing volatility, even after PLCs have responded to UMA queries, complementing existing investor protection measures.

In 2024, the SC's market surveillance efforts involved 1,477 assessments (2023: 1,405 assessments) of trading anomalies detected and in-depth analyses of market abuse cases including possible insider trading and market manipulation. Key areas of surveillance focus in 2024 included monitoring and assessment of material anomalies in price and volume movements, corporate disclosures and announcements, complaints and referrals received as well as other information sources such as the media. Cases with possible breaches of securities laws were escalated for investigation and appropriate enforcement action.

To enhance efficiency, the SC employed data analytic tools to complement the core market surveillance system while analysing trading activities. The data analytic tools are based on a quantitative model to support deep analyses of large and complex trading data and the identification of patterns such as potential trading clusters among market participants. This technology strengthened the SC's ability to achieve greater efficiency in analysing possible market misconducts.

Strengthening Cross-Border Surveillance Collaboration

A key component of the SC's success in surveillance activities lies largely in effective and mutual sharing of experience with international capital market regulators. The SC continued to play an active role in maintaining close collaboration with international surveillance counterparts through various information sharing and exchange platforms, such as the Asia Pacific Regulators' Dialogue on Market Surveillance (ARMS).

In 2024, the SC hosted the 9th ARMS in Kuala Lumpur, Malaysia, gathering surveillance counterparts from

Australia, Hong Kong, India, Indonesia, Japan, Saudi Arabia, Singapore and Thailand. The dialogue focused on the regulation and surveillance of digital assets exchanges and trading, SupTech and data analytics in market surveillance, trading misconduct typologies and the surveillance on unlicensed activities. Practical insights were shared on strategic surveillance approaches, various analytics tools and systems adopted in the respective jurisdictions to enhance surveillance analysis and improve efficiency in the detection of anomalous trading activities. These open and constructive discussions contributed meaningfully towards ensuring that participating jurisdictions' surveillance strategies and approaches remained relevant and aligned with international best practices.

In light of the increasing cross-jurisdictional nature of capital market activities, the SC took proactive steps to address cross-border market abuses. Conduct issues involving foreign participants and licensed persons were shared with international regulatory counterparts through the IOSCO Multilateral Memorandum of Understanding (MMOU). This collaboration aimed to combat cross-border trading misconduct that could compromise market integrity while achieving mutually beneficial regulatory outcomes. The sharing of surveillance observations also helped strengthen governance standards and accountability among intermediaries in handling cross-market trades.

Ongoing Monitoring and Surveillance over the Corporate Bonds and Sukuk Market

In 2024, domestic bond yields were stable with the benchmark 10-year MGS yield moving within the range of 3.7% to 4.0%. Headline Consumer Price Index (CPI) inflation in Malaysia rose from a low of 1.5% in January 2024 to 1.8% in November 2024 whereas headline CPI in the US declined from 3.1% in January 2024 to 2.7% in November 2024.

Domestically, BNM had maintained the Overnight Policy Rate (OPR) at 3.00% throughout 2024. The monetary policy stance remains supportive of the economy and is consistent with the current assessment of inflation and growth prospects.

In the US, the Federal Reserve cut interest rates for the first time in four years, by 50bps in September 2024 on the back of a cooling labour market and inflation. In November and December 2024, the interest rates were further cut twice by 25bps each as inflation continued to progress towards the Fed's 2% inflation target. The latest Fed dot plot indicates that most US Fed officials

project interest rates to settle at 3.75%-4.00% end-year, equivalent to a total of 50bps rate cut in 2025. The dot plot is published quarterly by the Fed and shows where each member of the policymaking committee expects the Federal Funds Rate will be by the end of the current year.

From the SC's observations, these events did not have any major impact on domestic corporate bonds issuers' ability to raise funds at competitive rates throughout the year. Long-term corporate bond and sukuk issuance in 2024 amounted to RM124.1 billion, within the SC's projection of RM120-RM130 billion issuance in 2024.

As part of the SC's continuous efforts to supervise the corporate bonds and sukuk market, the SC closely monitors corporate bonds issuers under credit stress. Presently, such corporate bonds issuers are minimal (less than 2% of the corporate bonds and sukuk market) and mainly originated from the energy and utilities, real estate and transportation sectors. These issuers have, for example, requested investors' indulgence for extension of time to meet agreed-upon financial ratios, delays in coupon or principal payment as well as other forms of refinancing.

The corporate bonds and sukuk market had witnessed no issuer default in 2024, compared to one issuer default worth RM200 million in 2023. Six rating downgrades were observed during the year 2024 (2023: 8). Out of the six rating downgrades, two were from the real estate sector, two from the industrial sector and one each from the transportation sector and the automobile and parts sector. As for rating outlook, there were 11 corporate bond issuers with a negative outlook in 2024 (2023: 10).

Strengthening Bond Market Surveillance Activity

In the corporate bonds and sukuk market, market participants play a pivotal role in upholding market integrity by ensuring adherence to regulations and safeguarding investors' interests. To this end, the SC has worked with various stakeholders, including credit rating agencies, bond pricing agencies, and bond and sukuk trustees, throughout 2024 to share knowledge, provide insights, and address both existing and emerging challenges.

In January 2024, the SC organised several engagements with law firms to understand the industry practice on bond and sukuk default from a legal perspective. In March 2024, the SC conducted a closed-door discussion with a credit rating agency to exchange insights on the latest developments impacting the local bond and sukuk market. Issues discussed included bond market outlook, interest rate expectations, foreign investments, domestic rating stability and accuracy, and China's property market. The SC will maintain its interactions with key market participants to stay updated on the latest market developments.

SUPERVISION

Supervision of Technology and Cyber Risk Assessments

In 2024, the SC observed a growing reliance on advancing technologies, such as blockchain, cloud, artificial intelligence (AI), and internet of things (IoT), to improve efficiency, automation and data-driven decision-making. While these technological advancements offer significant benefits, they also introduce new risks and challenges. This year saw increasing concerns over malware and ransomware attacks, resulting in data leaks for affected organisations. Additionally, technology resilience and preparedness within the market faced scrutiny following the CrowdStrike outage, underscoring the critical need to address supply chain vulnerabilities.

Revision of the Guidelines on Technology Risk Management

On 19 August 2024, the *Guidelines on Technology Risk Management* (GTRM) was revised and implemented. This implementation follows a one-year familiarisation period that began on 1 August 2023. The intention was to provide adequate time for capital market entities (CME) to prepare and enable themselves to meet the requirements of the GTRM. The GTRM superseded the *Guidelines on Management of Cyber Risk* (GMCR), which primarily addressed cyber security concerns. In contrast, the GTRM offers a more comprehensive framework that integrates technology risk management, effectively addressing a wider range of risks within the capital market.