

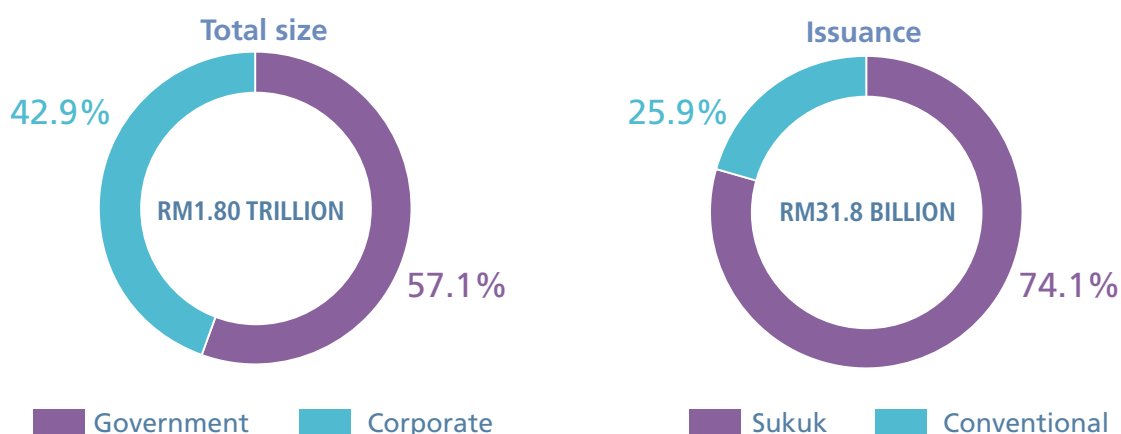
KEY DEVELOPMENTS

HIGHLIGHTS

- As at end Q2 2022, the size of the Malaysian bond and sukuk market stood at RM1.81 trillion, which represented an increase of 5.9% from Q2 2021.
- On 29 June 2022, the SC issued the revised *Venture Capital Tax Incentives Guidelines* (VCTI Guidelines).
- The SC launched the SRI-Linked Sukuk Framework (Framework) on 30 June 2022 to facilitate fundraising by companies in addressing sustainability concerns such as climate change and social agenda, with features that relate to an issuer's sustainability performance commitments.
- As of 30 June 2022, a total of 349 individual auditors and 37 audit firms were registered with the AOB.

CORPORATE BOND AND SUKUK ISSUANCES

BOND AND SUKUK MARKET AS AT END Q2 2022: RM1.81 TRILLION



At the end of Q2 2022, the size of the Malaysian bond and sukuk market stood at RM1.81 trillion. This represented a 5.9% increase from the corresponding period in 2021. Government bonds accounted for RM1,033 billion or 57.1% of total bonds outstanding while corporate bonds constituted the remaining amount of RM777 billion or 42.9%. Total outstanding sukuk stood at RM1.14 trillion or 63% of the total bond market (Q2 2021: RM1.07 trillion).

The issuance of corporate bonds amounted to RM31.8 billion in Q2 2022. Of this total, 74.1% comprised sukuk issues while conventional bonds constituted the remaining 25.9%. Total issuance in the corresponding period in 2021 amounted to RM27.8 billion.

Foreign investment in the bond market as at June 2022 amounted to RM253.3 billion which represented an increase of 2.4% from the corresponding period in 2021. Total foreign investment is presently equivalent to 14.1% of total outstanding bonds.

LAW REFORM AND SECURITIES REGULATION

Amendments relating to provision of investment advice by a Capital Markets Services Representative License holder

The SC issued the revised *Guidelines on Market Conduct and Business Practices for Stockbroking Companies and Licensed Representatives* (SBC Guidelines) on 4 April 2022 to expand the scope of a CMSRL's permitted activities to include the provision of general investment advice in relation to listed securities to the public.

The SBC Guidelines were amended to introduce a new Section 9A which sets out the requirements that both Capital Markets Services License (CMSL) and Capital Market Services Representative License (CMSRL) holders must comply with to offer investment advice.

Subsequently, the *Guidance Note on Provision of Investment Advice* (Guidance Note) was also amended in line with the amendments to the SBC Guidelines to clarify that any stock and derivatives trading seminars conducted by a CMSRL holder are open to the public.

The revised SBC Guidelines and Guidance Note took effect on 4 April 2022.

Amendments to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework

On 30 May 2022, the SC issued the revised *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework* (LOLA Guidelines) to facilitate post-issuance submissions for corporate bonds and sukuk based on feedback received from the industry.

The key amendments to the LOLA Guidelines focused on the suitability of the requirements and effectiveness of the prescribed timelines in relation to post-issuance submissions made to the SC to provide greater operational efficiency to the SC and the industry.

Concurrently, the LOLA Online Submission System was further enhanced and relaunched on 1 June 2022 to facilitate the revised requirements.

The revised amendments to the LOLA Guidelines took effect on 1 June 2022.

Amendments to the Prospectus Guidelines

On 22 June 2022, the SC issued the revised *Prospectus Guidelines* to enhance disclosure requirements and improve transparency to investors in relation to the offering of structured warrants.

Key amendments to the *Prospectus Guidelines* include the introduction of new disclosure requirements relating to, among others, potential tax implications for prospective investors and applicable fees and charges for the exercise of structured warrants.

The revised *Prospectus Guidelines* will take effect on 22 September 2022 to enable familiarisation of the new requirements within the industry.

Amendments to the Venture Capital Tax Incentives Guidelines

On 29 June 2022, the SC issued the revised *Venture Capital Tax Incentives Guidelines* (VCTI Guidelines) to reflect the new and revised incentives including tax deductions and exemptions granted in relation to venture capital investments via the tax orders

gazetted on 15 April 2022 i.e. P.U.(A) 115/2022, P.U.(A) 116/2022 and P.U.(A) 117/2022, in addition to operationalise the updated certification process by the SC.

Among the key amendments to the VCTI Guidelines:

- (a) Expansion of exempted income of VCMCs to include management fee and performance fees or carried interest for a period from the year of assessment 2018 until the year of assessment 2026;
- (b) Introduction of a tax deduction incentive on the amount of investment made in a qualified VCC;
- (c) Reduction of minimum investment threshold and tax exemption incentive period for VCCs; and
- (d) Revision of criteria for tax deduction incentive for direct investments in a qualified venture company.

The revised VCTI Guidelines took effect on 28 June 2022.

Amendments pursuant to launch of SRI-Linked Sukuk Framework

The SC launched the SRI-Linked Sukuk Framework (Framework) on 30 June 2022. The Framework aims to facilitate fundraising by companies in addressing sustainability concerns such as climate change and social agenda, with features that relate to an issuer's sustainability performance commitments.

The Framework will enable companies, particularly in high-emitting industries, to transition into a low-carbon or net zero economy.

The Framework is an extension of the SC's initiatives to broaden SRI products offerings under its *Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market* (SRI Roadmap)

introduced in 2019. More significantly, this initiative reflects the SC's commitment to expand the reach of the ICM to the broader stakeholders of the economy and build an enabling ICM ecosystem for the sustainability agenda.

Furthermore, the Framework also provides greater transparency for investors by requiring issuers to appoint an external reviewer before issuance and an independent verifier post-issuance to assess compliance with the Framework and issuer's sustainability performance, which can also be tracked by investors.

Pursuant thereto, the SC issued the revised LOLA Guidelines, *Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors* (Retail Bonds Guidelines), *Guidelines on Sales Practices of Unlisted Capital Market Products* (Sales Practices Guidelines) and *Prospectus Guidelines* to reflect the requirements in relation to the Framework.

The amendments to the LOLA Guidelines, Retail Bonds Guidelines, Sales Practices Guidelines and *Prospectus Guidelines* took effect on 30 June 2022.

Issuance of the new Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies

The SC issued a new *Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies* (Guidance Note on Managing ESG Risks for FMCs) on 30 June 2022.

The Guidance Note on Managing ESG Risks for FMCs was issued to-

- (a) provide guidance to fund management companies in establishing a responsible investment framework;
- (b) set the SC's expectations in relation to the development and implementation of practices, policies and procedures in managing ESG risks; and

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- (c) facilitate meaningful disclosure and drive a positive impact and change through stewardship activities.

The Guidance Note on Managing ESG Risks for FMCs took effect on 30 June 2022.

SC-Labuan Financial Services Authority Memorandum of Understanding

On 23 May 2022, the SC entered into a memorandum of understanding (MOU) with the Labuan Financial Services Authority (Labuan FSA) to strengthen regulatory co-operation and collaboration in areas of mutual interest, including monitoring risks and promoting stability of the capital market.

The MOU supersedes the Memorandum of Co-operation and Mutual Assistance signed between the SC and LFSA on 5 July 2004.

The following are key features of the MOU:

- (a) Policy co-ordination and rationalisation pertaining to potential regulatory overlap to prevent conflict arising from the legislation under the respective regulators' purviews and minimise regulatory arbitrage through consultations between the SC and LFSA;

- (b) Mutual assistance and co-operation relating to supervision and enforcement such as:

- (i) Working closely, collaboratively and consultatively in providing mutual assistance on onsite examination and ongoing supervision of entities undertaking capital market activities in their respective markets; and

- (ii) Co-ordination and working collaboratively, where relevant, in the conduct of investigations on entities regulated by the SC or Labuan FSA;

- (c) Access to and exchange of information for the purposes of authorisation, supervision, enforcement and assessment of risks to the stability of the capital market or the orderly functioning or integrity of the onshore market or Labuan International Business and Financial Centre. This includes protocols to ensure a smooth exchange of information as permitted by the respective laws and safeguards on confidentiality of information; and

- (d) Co-operation to provide technical assistance and capacity building including staff secondment, sharing of expertise and technical know-how.

MARKET DEVELOPMENT

SRI Investments

SRI awareness and capacity-building initiatives

In Q2 2022, the SC conducted awareness and capacity-building initiatives as well as participated in external engagements to further develop the knowledge and enhance the profiling of the SRI agenda while building the motivation and appreciation of the sustainability agenda among the various stakeholders in the Malaysian capital market. These initiatives which include the NaviGate programme and the Securities Industry Development Corporation SRI Virtual Conference 2022 were crucial to further accelerate the growth and development of a facilitative SRI ecosystem in Malaysia.

NaviGate: Capital Market Green Financing Series – Alternative Financing for MSMEs in the Halal Economy

The SC held its third NaviGate programme on 31 May 2022 which focused on the micro, small and medium enterprises (MSMEs) in the *halal* businesses and industry, which would benefit from funding and support from government agencies, banks, and alternative financing avenues (equity crowdfunding (ECF) / peer-to-peer financing (P2P financing)).

The NaviGate series aims to create greater awareness on SRI through the various capital market funding avenues as well as to encourage greater connectivity between green and sustainability-focused companies and the capital market. The third event, jointly organised with Capital Markets Malaysia (CMM), Halal Development Corporation and Halal Integrated Platform, was attended by more than 70 participants.

Securities Industry Development Corporation SRI Virtual Conference 2022 – Preserving the Climate Through Sustainable Business and Living

During the SRI Virtual Conference 2021 held on 22 and 23 June 2022, the SC Chairman delivered the opening address on the first day of the SRI Virtual Conference 2021 on the event's theme, 'Preserving the Climate Through Sustainable Business and Living'. The SC Chairman highlighted that the Malaysian capital market is well positioned to facilitate sustainable development, as it is an effective platform to mobilise capital for change which drives issuers, investors, and market participants to be increasingly sustainable.

In addition to the SC's involvement in the planning of the SRI Conference, the SC also moderated the panel session on '2022 and Beyond: Shaping a Greener Capital Market Landscape' with panellists from Maybank Investment Bank Bhd, MBSB Bank Bhd, World Bank (Malaysia) and Kumpulan Wang Persaraan (Diperbadankan) (KWAP). The panel session focused on the global and domestic outlook of sustainable finance, as well as the various challenges and opportunities in further advancing the sustainability agenda for the capital market.

On the second day of the conference, the SC moderated a panel session on 'Long-Term Investments Towards a Sustainable Future: Rising Up to The Green Challenge' with panellist members from Maybank Investment Banking Group, Areca Capital, Kenanga Investors Group, and Principal Malaysia. The panel discussed key investment themes shifting the future global asset allocation and risk/return landscape, including potential product innovation required in the sustainable investment landscape.

The two days conference aimed to help business leaders and policymakers to advance sustainability strategy into action in the wake of the 26th UN-Climate Change Conference (COP26) has become a mainstream business. It also provided an important platform in which leaders and wide-ranging stakeholders discuss various topics ranging from policy interpretations, sustainable business operations, and talent readiness to thrive in a dynamic landscape where global industry and business collaboration, society's activism, and innovation acceleration drive climate and biodiversity ambitions.

Joint Committee on Climate Change

On 26 April 2022, the SC hosted the 7th meeting of the Joint Committee on Climate Change (JC3). Discussions centred on the progress of action plans and priorities for 2022, and the effects of recent global developments on transition efforts and policy responses of countries. JC3 members noted that these developments could heighten the prospects of delaying the progress of transition efforts and underscore the need for the financial sector to strengthen its response to climate change.

Key initiatives discussed include the publication of the *JC3 Report on the Sustainable Finance Landscape in Malaysia* (JC3 Report); the exposure draft by Bank Negara Malaysia (BNM) on *Climate Risk Management and Scenario Analysis*; the issuance of the *Task Force on Climate-related Financial Disclosures* (TCFD) *Application Guide for Malaysian Financial Institutions* (Guide) in March 2022 for public consultation; completion of the first series of specialised level training programmes for the financial sector; as well as ongoing work on the development of a data catalogue and the *Climate Disclosure Guide for Malaysian Businesses*.

JC3 Report on the Sustainable Finance Landscape in Malaysia

The SC led the development of the JC3 Report, given the SC's role as the Chair of the JC3 Sub-committee 3 (Product and Innovation). The JC3 Report was published on 27 April 2022 which captured key insights from the extensive outreach programmes and a survey on sustainability practices

among financial institutions in Malaysia, which was undertaken by the JC3 SC3 in 2021. The JC3 Report also assesses the current state of sustainability practices and product offerings within the financial sector and highlights the opportunities and challenges for the financial industry to meaningfully support the climate transition.

Chief Sustainable Officer Roundtable: Strengthening Sustainable Practices within the Supply Chain

On 16 June 2022, the SC, via its role as the JC3 SC3 Chair, participated in the Chief Sustainable Officer Roundtable (Roundtable) jointly organised by CMM and United Nations Global Compact Network Malaysia and Brunei (UNGCMYB), together with other industry representatives from the JC3 SC3. The Roundtable, titled 'Strengthening Sustainable Practices within the Supply Chain', was attended by Chief Sustainability Officers (CSOs) and Heads of Sustainability from various corporations in Malaysia, where they discussed the challenges and opportunities in strengthening their organisation's sustainability practices including those within their respective supply chains.

Task Force on Climate-related Financial Disclosures Application Guide for Malaysian Financial Institutions

The SC was also involved in developing TCFD Guide, an initiative spearheaded by JC3 Sub-Committee 2 on Governance and Disclosure, issued on 29 June 2022.

The TCFD Guide outlines proposed recommendations and guidance to facilitate the adoption of TCFD Recommendations by, among others, Malaysian banks, insurers, *takaful* operators and asset managers/owners. The development of the Guide forms a key part of JC3's concerted efforts to ensure that financial institutions collectively manage all material risks and opportunities stemming from climate change in a comprehensive manner. This, in turn, would enhance the overall resilience of Malaysia's financial sector against climate-related risks and facilitate an orderly transition to a low-carbon economy.

CORPORATE GOVERNANCE INITIATIVES

Launch of the Principles of Good Governance for Government-Linked Investment Companies

The *Principles of Good Governance for Government-Linked Investment Companies* (GLICs) (PGG) was launched on 15 April 2022 by the Minister of Finance, YB Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz at the Ministry of Finance (MOF), Putrajaya. The event was attended by the Chairmen and Chief Executive Officers (CEOs) of GLICs and representatives from government bodies and agencies.

The PGG is the first deliverable under the Government's *Program Memperkukuh Syarikat Pelaburan Berkaitan Kerajaan* (PERKUKUH). It sets out the baseline governance requirements and best practices that GLICs are expected to adopt. Led by the MOF, the SC supported the development of PGG leveraging its experience as custodian of the *Malaysian Code on Corporate Governance* (MCCG) and advocating as well as monitoring the adoption of the MCCG by listed companies.

The PGG is available for download on the MOF website¹.

43rd Organisation for Economic Co-operation and Development Corporate Governance Committee Meeting

The 43rd Organisation for Economic Co-operation and Development (OECD) Corporate Governance Committee (CGC)² meeting was held from 7 to 8 June 2022 in Paris, where the SC was a representative for Malaysia³.

The CGC reviewed the first draft revision to the *G20/OECD Principles of Corporate Governance* (Principles)⁴. The SC was involved in making several interventions on the revisions including the proposed changes related to the oversight of sustainability risks and opportunities, the use of technology to conduct general meetings and role of stewardship codes in supporting shareholder activism.

The revisions to the Principles will be subject to public consultation in September 2022, before CGC's review in November 2022, with final approval in March 2023.

¹ <https://www.mof.gov.my/portal/pdf/pgg/Booklet-PGG-2022.pdf>.

² The CGC co-ordinates and guides the OECD's efforts on corporate governance and recommends policies to improve global corporate governance standards.

³ In 2018, the OECD accorded Malaysia the 'Participant' status in the CGC, for its active involvement and efforts to promote the adoption of good corporate governance practices in the Malaysian capital market.

⁴ The CGC is responsible for the *G20/OECD Principles of Corporate Governance* which is the global reference and standard for corporate governance.

SC and Monash University Malaysia MOU on corporate governance principles and practices

On 11 April 2022, the SC entered into a Memorandum of Understanding (MOU) with Monash University Malaysia (Monash) to promote early understanding of corporate governance principles and practices among youth. The MOU formalises a collaboration, which includes guest lectures by the SC and research collaborations on current corporate governance issues.

To kick-off the collaboration, a guest lecture on 'The Role of Financial Reporting in the Corporate Governance Landscape' was conducted with the attendance of 50 students from the Monash School of Business.

The SC and Monash are currently discussing a research collaboration related to the provision of audit and non-audit services to public-interest entities.

AUDIT OVERSIGHT BOARD ACTIVITIES

As of 30 June 2022, a total of 349 individual auditors and 37 audit firms were registered with the AOB. Also, 12 foreign individual auditors from 4 foreign audit firms were recognised by the AOB. During Q2 2022, the AOB completed inspections on 5 audit firms.

DEVELOPMENT OF ISLAMIC CAPITAL MARKET

Awareness on the Shariah Screening Assessment Toolkit for the Unlisted MSMEs

The SC's collaboration with the Halal Development Corporation Bhd (HDC) and CMM on the NaviGate series seek to create greater awareness and connectivity between the *halal* industry players and the Malaysian capital market. Acknowledging the importance of MSMEs to the Malaysian economy, the webinar focused on the development of market-based crowdfunding platforms with the introduction of equity ECF and P2P financing frameworks. The attendees were briefed on the SC's *Shariah Screening Assessment Toolkit for the Unlisted MSMEs* (Toolkit). Supporting access to these alternative funding avenues for MSMEs remains at the forefront of the SC's growth initiatives.

Shariah-Compliant Securities Review

In Q2 2022, the SC reviewed 8 pre-IPO applications, 1 IPO, 189 listed securities and 3 new securities on the LEAP Market for Shariah compliance. The SC released an updated list of Shariah-compliant securities which took effect on 27 May 2022. The list featured a total of 751 Shariah-compliant securities, representing 79% of the total 953 securities listed on Bursa Malaysia (including securities on the LEAP Market). It included 24 newly classified Shariah-compliant securities and excluded 19 from the previous list issued in November 2021.

Islamic Capital Market Talent Development

The Islamic Capital Market Talent Development (ICMTD) programme (formerly known as the Islamic Capital Market Graduate Training Scheme (ICMGTS)), is a capacity-building initiative developed by the SC and run by the Securities Industry Development Corporation (SIDC) to facilitate the development of human capital for the ICM. Its main objective is to produce entry-level professionals with strong fundamental knowledge and skills for the industry.

The marketing and application process for the ICMTD programme for cohort 2022 began in mid-May 2022 and the 2-month intensive virtual classroom training is expected to commence by August 2022, which will be followed by a 3-month internship at participating companies. SIDC is currently reaching out to potential companies to participate in the internship programme, especially Islamic finance institutions. The upcoming cohort is also expected to adopt virtual classroom delivery as per previous years' arrangement.

INVESTOR EMPOWERMENT INITIATIVES

Investor Empowerment Programmes

The SC continues to focus on digital media, television and radio to reach out to the public with its investor education initiatives. The SC also conducted physical talks as Malaysia begins to transition towards endemicity.

The initiatives conducted by InvestSmart® are as follows:

- (a) **InvestSmart® Online Series:** Monthly webinars for the public to learn the basics of capital market products and services, ways and where to invest. The following 3 webinars conducted had attendance of 250 participants.



- (b) **Digital Literacy for Seniors Programme:** Due to the impact of the MCO on business operations, there was concern that the 'silver' population may face certain challenges in embracing the technology, particularly in using digital financial services. In Q2 2022, the SC conducted 4 webinars under the Digital Literacy for Seniors Programme, attended by 214 participants.



- (c) **Ajen Bijak Labur Desa (ABJAD) Programme:** ABJAD is an investor education initiative by InvestSmart® targeting the rural population in Malaysia, to create financially literate rural communities by creating awareness in relation to investment products and improving their digital literacy.

The first rural engagement for ABJAD was held on 27 June 2022 in Pulau Redang during the Financial Education Network's Program Literasi Kewangan Digital. The engagement attracted 67 attendees.

- (d) **My Money & Me Programme 2022 by the Malaysian Financial Planning Council:** The SC once again participated as speakers in the Malaysian Financial Planning Council's (MFPC) online 'My Money and Me' Programme for 2022 with two workshops held on 28 May 2022 and 25 June 2022 respectively. The workshops were attended by over 1,550 participants.



- (e) **Other InvestSmart® Initiatives:** InvestSmart® published an infographic on anti-scam awareness in the Police Administrative and Civilian Staff Union's bi-annual publication titled, *Suara PACSU* and the *Ringgit Newsletter*, a publication by BNM and Federation of Malaysian Consumers Associations (FOMCA), respectively. The SC was also featured in a primetime special news segment on Astro Awani and the BFM Radio 89.9's Ringgit & Sense segment to raise awareness of investment scams and informed investing.