



PART
05

**STATEMENTS, STATISTICS
AND ACTIVITIES**



BOARD MEMBERS



1. **Datuk Syed Zaid Albar**
2. **Datuk Zainal Izlan Zainal Abidin**
3. **Dato' Wee Hoe Soon**
@ Gooi Hoe Soon
4. **Datuk D.P. Naban**
5. **Dr Zunika Mohamed**
6. **Datin Rashidah Mohd Sies**



<https://www.sc.com.my/about/board-members>

1 DATUK SYED ZAID ALBAR

Appointed 1 November 2018

Datuk Syed Zaid Albar is the Executive Chairman of the Securities Commission Malaysia (SC). Prior to his appointment as the SC Chairman on 1 November 2018, he was the Managing Partner of an established law firm in KL.

Currently, Datuk Syed Zaid chairs the Capital Market Development Fund (CMDF) and is a member of the Board of Trustees of the Financial Reporting Foundation. He was also appointed as a Board member of Securities Industry Development Corporation (SIDC) in January 2020. As the Chairman of the SC, Datuk Syed Zaid is a member of Bank Negara Malaysia's Financial Stability Executive Committee (FSEC) chaired by the Governor of BNM.

Datuk Syed Zaid represents the SC as the Asia Pacific representative on the governing Board of the International Organisation of Securities Commissions (IOSCO), the global body of capital market regulators. He is also the Vice Chair of the Management Committee of the IOSCO Asia Pacific Hub based in Kuala Lumpur. Syed Zaid also represents the SC in the ASEAN Capital Markets Forum (ACMF).

Datuk Syed Zaid is a Barrister at Law of the Lincoln's Inn, UK. He has a degree in law from the United Kingdom. Prior to joining the SC he has been an active practitioner for over 38 years, predominantly in the fields of corporate law, banking and capital market (debt and equity) in the area of both conventional and Islamic finance. His contribution and achievements in the legal practice has been recognised through numerous domestic and international awards.

2 DATUK ZAINAL IZLAN ZAINAL ABIDIN

Appointed 5 April 2018

Datuk Zainal Izlan Zainal Abidin was appointed Deputy Chief Executive of the SC on 5 April 2018. He joined the SC in January 2011 as Executive Director, Islamic Capital Market and was appointed Managing Director, Development and Islamic Markets in November 2016. He currently provides direct oversight on the SC's Surveillance and Supervision functions as well as the People and Corporate Resources division.

He is also Chairman of Capital Markets Malaysia, an entity established by the SC to promote the Malaysian capital market. Datuk Zainal Izlan has over 30 years' experience in the financial services industry. He began his career with Citibank before moving to MIDF Amanah Asset Management. Just before joining the SC, Datuk Zainal Izlan was the CEO of i-VCAP Management.

Datuk Zainal Izlan holds a Bachelor of Science in Economics (dual concentration in Accounting and Finance) from The Wharton School, University of Pennsylvania, US, and is a Chartered Financial Analyst (CFA) charterholder.

3

DATO' WEE HOE SOON @ GOOI HOE SOON*Appointed 1 January 2019*

Dato' Gooi Hoe Soon has over 35 years of experience in the fields of accounting and corporate finance. He was instrumental in the successful implementation of several corporate exercises, which includes merger and acquisition and corporate debt restructuring exercises by PLCs. He currently sits on the Board of Yinson Holdings Bhd, Red Ideas Holdings Bhd, Perusahaan Sadur Timah Malaysia Bhd and is an alternate director of Hup Seng Industries Bhd. Dato' Gooi is also a member of the Debt and Liability Management Committee.

Dato' Gooi was the former Chairman of the Board of EON Bank Bhd from 2009 to 2012, Chairman of Amity Bond Sdn Bhd, Deputy Chairman of Avenue Capital Resources Bhd and board member of AIA Bhd. He was also the CEO/Executive Director-Dealing of Avenue Securities Sdn Bhd. Dato' Gooi is a Member of the Malaysian Association of Certified Public Accountants and Malaysian Institute of Accountants.

4

DATUK D.P. NABAN*Appointed 1 January 2019*

Datuk Naban is currently a Senior Partner at Rosli Dahlan Saravana Partnership. He was called to the Malaysian Bar in 1981. He is a litigator who specialises in civil, commercial and tax disputes.

Datuk Naban holds a Bachelor of Laws from the University of London and is a Barrister at Law of the Lincoln's Inn, UK.

5 DR ZUNIKA MOHAMED

Appointed 1 June 2020

Dr Zunika Mohamed is currently the Deputy Director General (Macro), Economic Planning Unit of the Prime Minister's Department. She is a trained economist and has served in various capacities at several ministries over the last 25 years, including an earlier stint at the Economic Planning Unit.

She holds a doctorate in Economics from Universiti Putra Malaysia and obtained her postgraduate and undergraduate economics degrees at the International Islamic University, Malaysia and University of Texas, US respectively. Dr Zunika also has a diploma in Public Administration from the National Institute of Public Administration (INTAN) Malaysia.

6 DATIN RASHIDAH MOHD SIES

Appointed 15 September 2020

Datin Rashidah Mohd Sies is currently the Under-Secretary of the Government Investment Companies Division of the Ministry of Finance, a position she has held since 1 April 2018. Datin Rashidah has served the Ministry of Finance for more than 29 years. She brings on-board a wealth of knowledge and experience, being at the forefront of issues pertaining to investment, finance, economic policies, federal budgeting, and financial legislation and regulation, among others.

Datin Rashidah obtained a Master of Business Administration from International University California, US, following a Bachelor's degree in Business Administration (Finance) from Idaho State University, US. She holds a Diploma from INTAN.

EXECUTIVE TEAM



Datuk Syed Zaid Albar
Chairman



**Datuk Zainal Izlan
Zainal Abidin**
Deputy Chief Executive



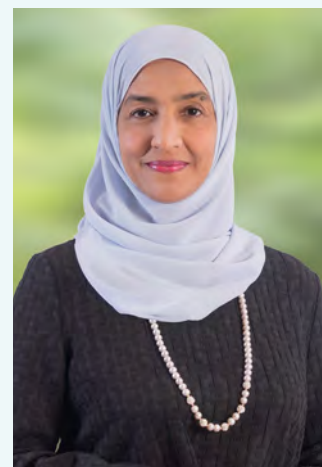
Foo Lee Mei
Chief Regulatory Officer



Chin Wei Min
Executive Director, Digital
Strategy & Innovation



Kamarudin Hashim
Executive Director
Market & Corporate Supervision



Salmah Bee Mohd Mydin
Executive Director
Market Development



Sharifatul Hanizah Said Ali
Executive Director, Islamic
Capital Market Development



Dato' Zain Azhari Mazlan
Executive Director
Corporate Finance & Investments



Yew Yee Tee
Director, Intermediary & Fund
Supervision

SHARIAH ADVISORY COUNCIL MEMBERS

1. **Datuk Dr Mohd Daud Bakar – Chairman**
2. **Associate Professor Dr Aznan Hasan – Deputy Chairman**
3. **Dr Shamsiah Mohamad**
4. **Professor Dr Engku Rabiah Adawiah Engku Ali**
5. **Professor Dr Ashraf Md. Hashim**
6. **Professor Dr Asmadi Mohamed Naim**
7. **Associate Professor Dr Mohamed Fairouz Abdul Khir**
8. **Professor Dato' Dr Mohd Azmi Omar**
9. **Dr Zaharuddin Abdul Rahman**

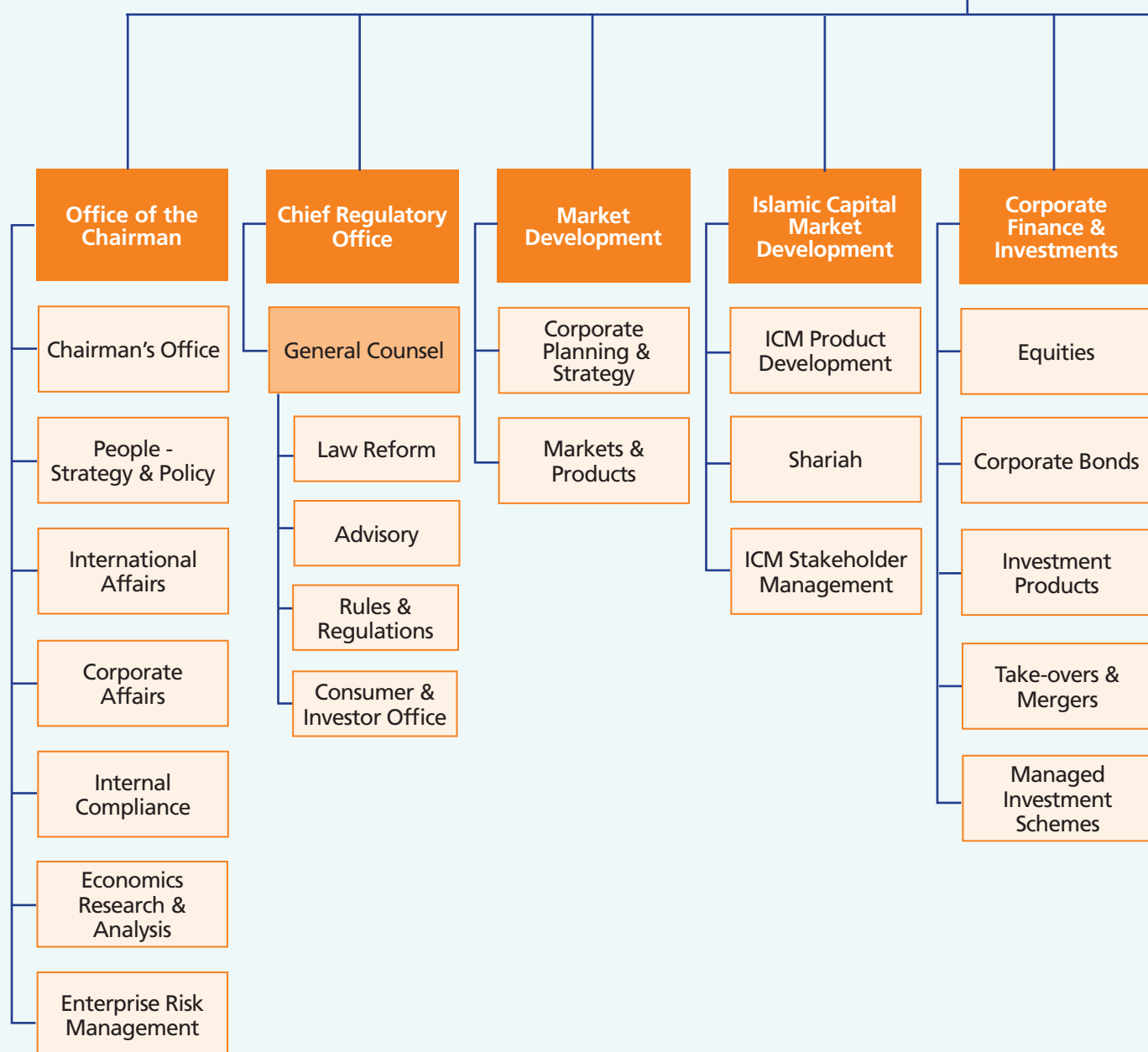


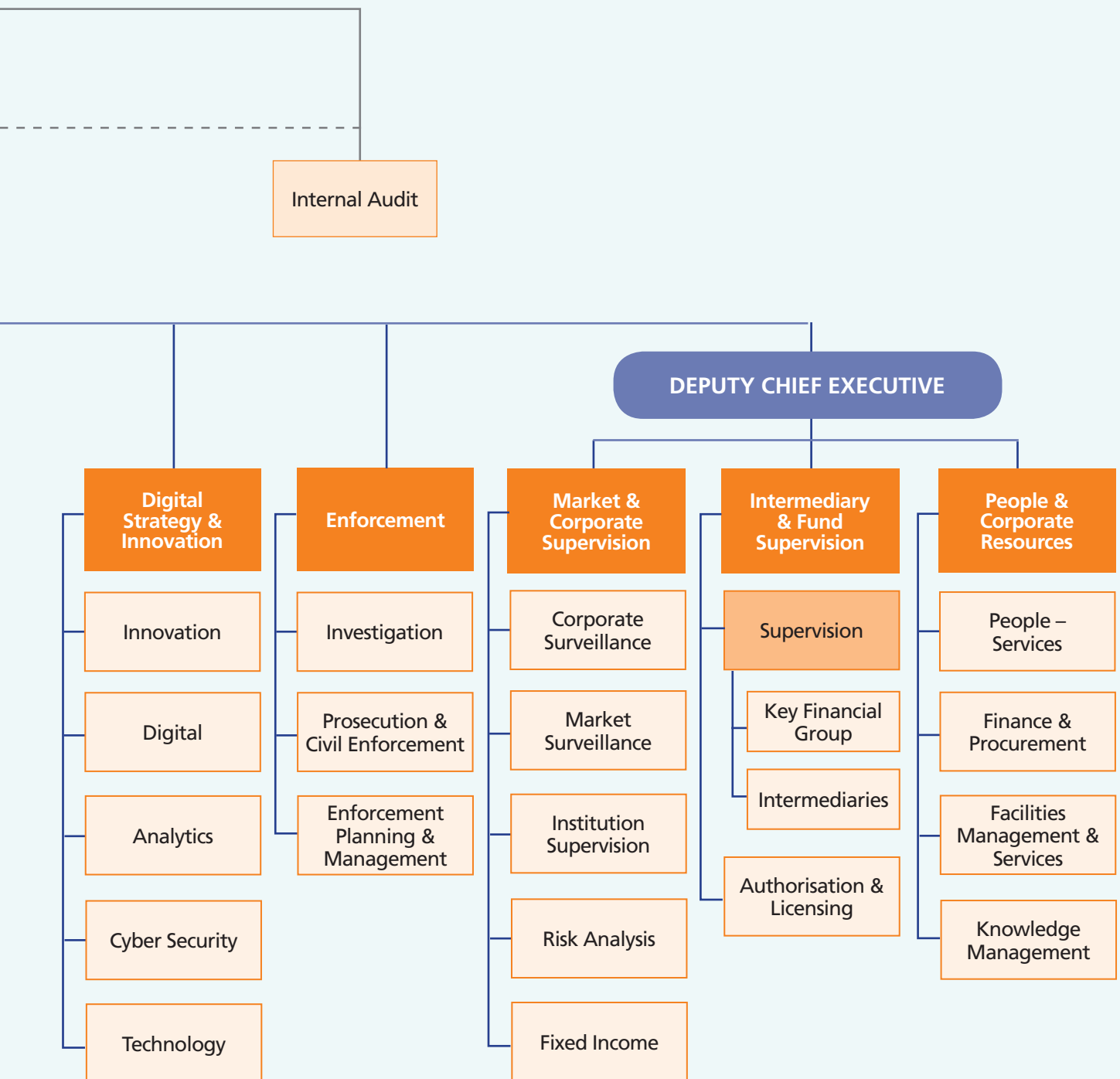
ORGANISATION STRUCTURE

BOARD MEMBERS OF
SECURITIES COMMISSION MALAYSIA

CHAIRMAN

Audit
Oversight





STATEMENT ON GOVERNANCE

The Securities Commission Malaysia (SC) is a statutory body established under the SCMA to regulate and develop the Malaysian capital market. The SC's mission is to promote and maintain fair, efficient and transparent securities and derivatives markets and to facilitate the orderly development of an innovative and competitive capital market. It is committed to ensure investor protection, fair and orderly markets; and monitor, mitigate and manage systemic risks arising from the capital market. The SC's responsibilities, powers and authorities are clearly defined and transparently set out in the securities laws, namely the SCMA, CMSA and *Securities Industry (Central Depositories) Act 1991* (SICDA).

ABOUT THE COMMISSION

Board Members

The Board is responsible for the overall governance of the Commission. The Minister of Finance appoints Board members. The Board comprises an Executive Chairman, a Deputy Chief Executive and 7 other members who may include persons representing the government and private sector. The Executive Chairman is entrusted with the day-to-day administration of the SC as provided by section 4B(1) of the SCMA. Datuk Syed Zaid Albar assumed the position of Executive Chairman on 1 November 2018. A profile of Board members is featured on pages 102 to 105 and their involvement in the various committees established by the Board is provided on page 112.

The Executive Chairman is appointed for a term of 3 years, and is eligible for reappointment upon completion of his or her term. Other Board members are appointed for a term of 2 years, and are eligible for reappointment upon completion of the term.

A person is disqualified from holding the office of a Board member if he or she holds a full time office in any PLC, becomes a member of either Houses of Parliament, or becomes an officer or director of an entity that is regulated by the Commission. Furthermore, a Board member will also be disqualified if he or she:

- Is convicted of an offence under the law involving fraud, dishonesty, corruption or violence;
- Is declared a bankrupt;
- Is not capable of discharging his or her duties;
- Fails to attend 3 consecutive meetings of the Board without leave;
- Conducts himself in such a way as to bring disrepute to the Commission;
- Fails to disclose his or her interests; or
- Becomes involved in any activity which may interfere with his or her independence in discharging his or her functions.

The SCMA requires a Board member to manage conflicts of interest by disclosing his or her interest in any matter under discussion by the Board or any of its committees. Once a disclosure has been made, he or she:

- Shall neither take part nor be present in any deliberation or decision of the Board or its committees; and

- Shall be disregarded for the purposes of constituting quorum of the Board or its committees, relating to the matter.

Functions of the Commission

The Commission shall have the following functions:

- To advise the Minister on all matters relating to the capital market;
- To regulate all matters relating to the capital market;
- To ensure that the provisions of the securities laws are complied with;
- To regulate the take-overs and mergers of companies;
- To promote and regulate all matters relating to fund management, including unit trust schemes (UTS) and PRS;
- To be responsible for supervising and monitoring the activities of any exchange holding company, stock exchange, derivatives exchange clearing house and central depository;
- To take all reasonable measures to maintain the confidence of investors in the capital market by ensuring adequate protection for such investors;
- To promote and encourage proper conduct among participating organisations, participants, affiliates, depository participants and all licensed or registered persons of an exchange, clearing house and central depository, as the case may be;
- To suppress illegal, dishonourable and improper practices in the capital market, and the provision of investment advice or other services relating to the capital market;
- To consider and make recommendations for the reform of the securities laws;
- To encourage and promote the development of the capital market in Malaysia including research and training in connection thereto;
- To encourage and promote self-regulation by professional associations or market institutions in the capital market;
- To license, register, authorise, approve and supervise all persons engaging in regulated activities or providing capital market services as may be provided for under any securities law;
- To promote and maintain the integrity of all licensed persons, registered persons, approved persons and participants in the capital market;
- To register or recognise all auditors of PIEs or schedule funds, and to exercise oversight over any person who prepares a report in relation to financial information of PIEs or schedule funds, in relation to capital market activities;
- To promote confidence in the quality and reliability of audited financial statements in Malaysia, and to promote and develop an effective and robust audit oversight framework in Malaysia;
- To take all reasonable measures to monitor, mitigate and manage systemic risks arising from the capital market;
- To promote and regulate corporate governance and approved accounting standards of listed corporations; and
- To set and approve standards for professional qualification for the capital market.

The Commission also has the functions and powers conferred upon it by or under the securities laws.

Board Meetings

Ten Board meetings were held in 2020. The quorum required is 5. The attendance record is set out in Table 1.

The work of the Board in governing the SC is facilitated by various board committees established under section 18 of the SCMA, as listed in Table 2. Membership of these board committees comprise of Board Members as well as any other person as may be appointed by the Board. In this regard, in January 2020, the Board had appointed an independent member to the Take-Overs and Mergers Committee pursuant to section 18(2)(b) of the SCMA

TABLE 1

Attendance at Board meetings

Board Member	Number of meetings attended
Datuk Syed Zaid Albar	10/10
Datuk Zainal Izlan Zainal Abidin	10/10
Tan Sri Noorul Ainur Mohd Nur ¹	3/10
Datuk Dr Khaw Lake Tee ²	6/10
Johan Mahmood Merican ³	2/10
Ahmad Faris Rabidin ⁴	8/10
Dato' Gooi Hoe Soon	10/10
Datuk D.P Naban	10/10
Dr Zunika Mohamed ⁵	5/10
Datin Rashidah Mohd Sies ⁶	3/10

¹ Retired from the Board on 4 April 2020.

² Retired from the Board on 16 August 2020.

³ Retired from the Board on 16 August 2020.

⁴ Retired from the Board on 3 November 2020.

⁵ Appointed to the Board on 1 June 2020.

⁶ Appointed to the Board on 15 September 2020.

AUDIT COMMITTEE

The Audit Committee comprises non-executive members of the SC as shown in Table 2, who are appointed by the Board. The purpose, authority and responsibilities of the Audit Committee are set out in the Audit Committee Charter as approved by the

TABLE 2

Board Committees

Committee	Key Responsibility
1. Audit Committee	Review effectiveness of the SC's risk management and internal control systems; and review the annual financial statements.
2. Issues Committee	Review and decide on primary listings of corporations and business trusts on the Main Market; acquisition of assets which results in a significant change in business direction or policy of a corporation or business trust listed on the Main Market; secondary or cross listings of foreign corporations or foreign business trusts on the Main Market; and the establishment of listed schemes.
3. Take-Overs and Mergers Committee	Review take-over and merger related applications of a novel and/or complex nature and matters relating to national policy.
4. Managed Investment Schemes Committee⁸	Approve the establishment of listed REITs.
5. Licensing Committee	Evaluate and approve (or reject) application for the grant of a new Capital Markets Services Licence (CMSL), application for new licensed representatives, directors, key management or compliance officers that are submitted together with the new CMSL application, application relating to PRS providers and consider any policy recommendations relating to licensing issues.
6. Nomination and Remuneration Committee	Assess and formulate the remuneration of the Executive Chairman and Deputy Chief Executive and make appropriate recommendations to the Minister of Finance.

Members

- Dato' Gooi Hoe Soon (Chairman)
- Tan Sri Noorul Ainur Mohd Nur¹
- Datuk Dr Khaw Lake Tee²
- Ahmad Faris Rabidin⁴
- Datuk DP Naban
- Dr Zunika Mohamed⁵

- Datuk Syed Zaid Albar (Chairman)
- Datuk Zainal Izlan Zainal Abidin
- Ahmad Faris Rabidin⁴
- Dato' Gooi Hoe Soon
- Datuk D.P Naban
- Datin Rashidah Mohd Sies⁶

- Datuk Syed Zaid Albar (Chairman)
- Datuk Zainal Izlan Zainal Abidin
- Tan Sri Noorul Ainur Mohd Nur¹
- Johan Mahmood Merican³
- Datuk D.P Naban
- Dato' Gooi Hoe Soon
- Datin Rashidah Mohd Sies⁶
- Lynette Yeow Su-Yin⁷

- Datuk Syed Zaid Albar (Chairman)
- Datuk Zainal Izlan Zainal Abidin
- Tan Sri Noorul Ainur Mohd Nur¹
- Datuk Dr Khaw Lake Tee²

- Datuk Syed Zaid Albar (Chairman)
- Datuk Zainal Izlan Zainal Abidin
- Datuk Dr Khaw Lake Tee²
- Ahmad Faris Rabidin⁴
- Dato' Gooi Hoe Soon
- Dr Zunika Mohamed⁵

- Ahmad Faris Rabidin⁴ (Chairman)
- Datuk D.P Naban (Chairman)
- Dato' Gooi Hoe Soon
- Dr Zunika Mohamed⁵

¹ Retired from the Board on 4 April 2020.

² Retired from the Board on 16 August 2020.

³ Retired from the Board on 16 August 2020.

⁴ Retired from the Board on 3 November 2020.

⁵ Appointed to the Board on 1 June 2020.

⁶ Appointed to the Board on 15 September 2020.

⁷ Appointed on 10 Jan 2020 pursuant to Section 18(2)(b) of the SCMA.

⁸ On 21 November 2020, the functions were merged with Issues Committee.

Board. Essentially, the Audit Committee provides oversight of the SC's governance, risk management and internal control practices.

The Audit Committee also provides oversight of internal audit activities, including approving Internal Audit Charter and Annual Internal Audit Plan. The Audit Committee is responsible for the review of the external auditors' proposed audit scope, approach and performance, including reviewing all significant matters relating to the financial statements with Management and the external auditors. For the current financial year, the Audit Committee had convened 6 meetings.

SHARIAH ADVISORY COUNCIL

The SAC is mandated to ascertain the application of Shariah principles on any matter relating to Islamic capital market (ICM) and plays an important role in the development of Malaysia's ICM. It advises the Commission on any Shariah issue relating to ICM and issue rulings on ICM which are published for the benefit of the industry.

The 9 SAC members as listed in Table 3, serve for a 3-year period commencing 1 July 2020, as assented by the Yang di-Pertuan Agong under Section 31ZK of the SCMA.

TABLE 3

Shariah Advisory Council members

No.	SAC Members
1.	Datuk Dr Mohd Daud Bakar (Chairman)
2.	Associate Professor Dr Aznan Hasan (Deputy Chairman)
3.	Dr Shamsiah Mohamad
4.	Professor Dr Engku Rabbiah Adawiah Engku Ali
5.	Professor Dr Ashraf Md. Hashim
6.	Professor Dr Asmadi Mohamed Naim
7.	Associate Professor Dr Mohamed Fairouz Abdul Khir
8.	Professor Dato' Dr Mohd Azmi Omar
9.	Dr Zaharuddin Abdul Rahman

AUDIT OVERSIGHT BOARD

The AOB was established under Part IIIA of the SCMA and its mandate is to assist the SC in discharging its regulatory function in respect of developing an effective audit oversight framework, promoting confidence in the quality and reliability of audited financial statements, and regulating auditors of PIE and scheduled funds.

The AOB also exercises oversight over any person who prepares a report relating to the financial information of PIE and schedule funds, in relation to capital market activities. The AOB members are appointed by the Board (Table 4).

TABLE 4

Audit Oversight Board members

No.	AOB Members
1.	Dato' Gumuri Hussain (Non-Executive Chairman) ¹
2.	Dato' Anantham Kasinather (Non-Executive Chairman) ²
3.	Alex Ooi Thiam Poh (Executive Officer)
4.	Salmah Bee Mohd Mydin
5.	Hew Ee-Lu
6.	Nor Azimah Abdul Aziz
7.	Dato' Darawati Hussain
8.	Dato' Seri Ahmad Johan Mohammad Raslan ³

¹ Retired as Non-Executive Chairman on 23 November 2020.

² Appointed as AOB Non- Executive Member on 1 January 2020. and thereafter as Non-Executive Chairman on 1 December 2020.

³ Appointed on 1 December 2020.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Commission is committed to maintaining strong risk management and internal control, which is an integral component of its governance arrangement.

Risk Management

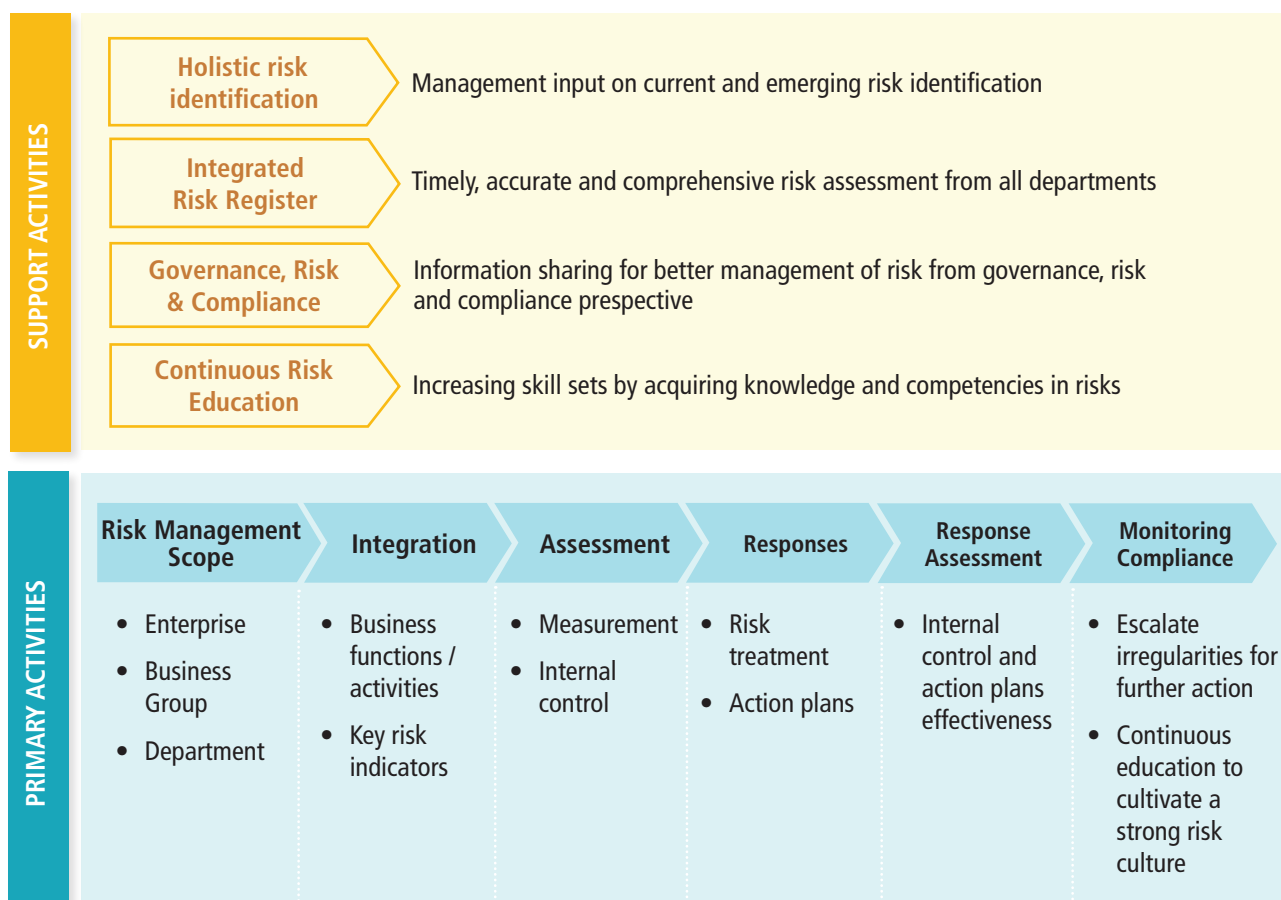
The SC has put in place various measures to manage and mitigate possible risks associated with the operations of the SC. The Board is responsible for reviewing and adopting appropriate systems and controls to manage the enterprise risks of the SC. The Audit Committee, on behalf of the Board, provides an independent assessment of the effectiveness of the Enterprise Risk Management (ERM) framework.

The Executive Chairman with the assistance of the Executive Team is responsible for the effective management of risk and internal control within the SC. The risk committee led by the Executive Chairman provides the necessary challenges, deliberation and strategic direction on risks faced by the SC. At the departmental level, risk officers are responsible to identify and manage the risks faced by the respective departments in carrying out their day to day operations. The roles undertaken by the three lines of defence also support the Board and the SC Management in managing risk of the SC.

Management of internal risks of the SC is guided by the ERM framework which aims to assess risks across all facet of the Commission. This framework is consistent with the International Organization for Standardization (ISO) for risk management (ISO: 31000). It involves systematically identifying, analysing, measuring, monitoring and reporting on risks that may affect the achievement of the Commission's business objectives. The ERM framework is based on the primary and support activities outlined in Diagram 1.

DIAGRAM 1

ERM approach and activities



Furthermore, the Board and Management drive a proactive risk management culture with regular risk awareness and engagement sessions being carried out to ensure risks officers and the SC employees have a good understanding and application on the expectations and management of risk. This also facilitates the strengthening of risk management initiatives for effective and efficient response to the constantly evolving operating environment.

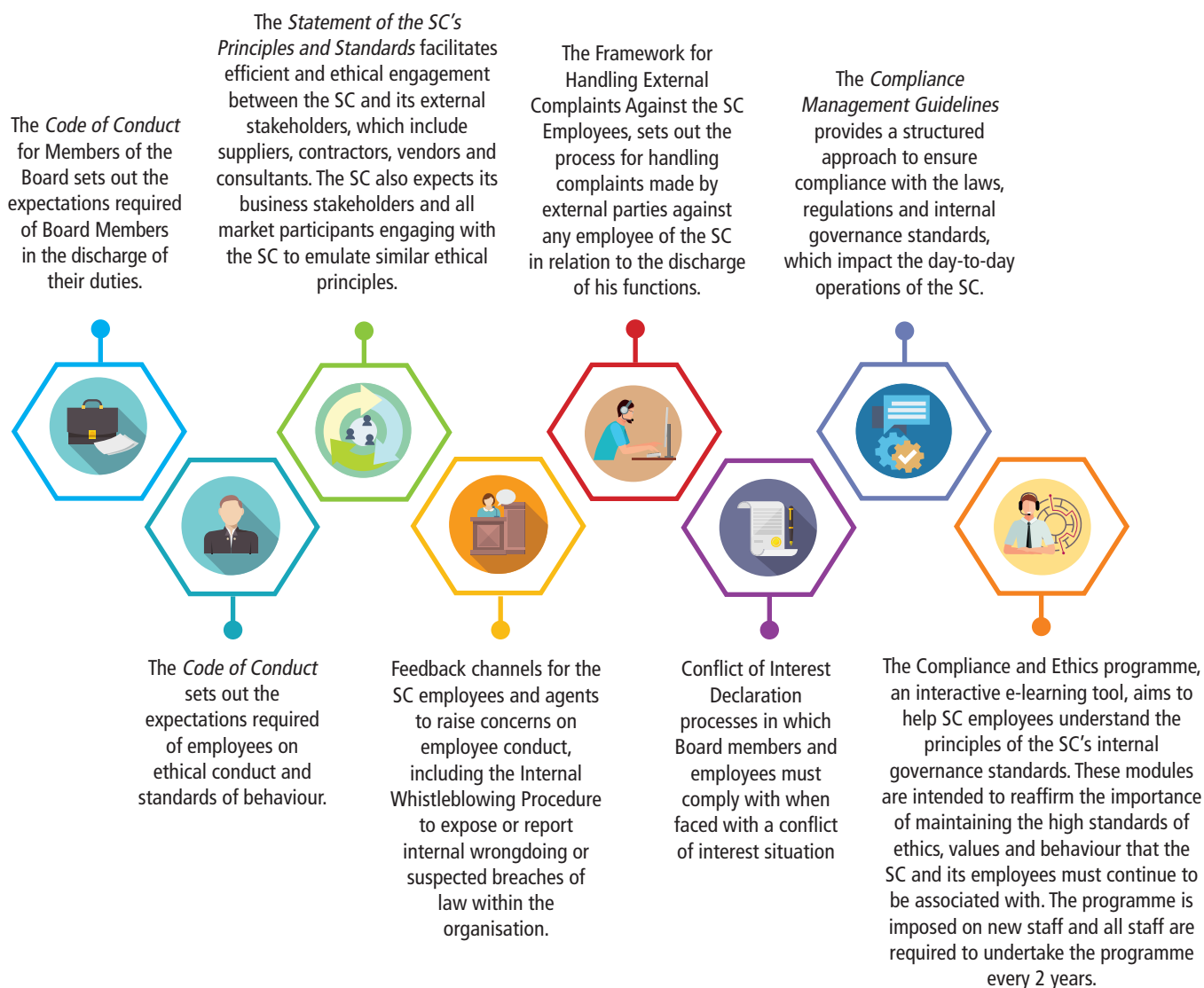
As part of growth and embracing a culture of continuous improvement, during the year, the SC undertook a maturity assessment on the ERM Framework by an independent external consultant.

Enhancement recommendations to the various components of the framework have been identified along with an implementation timeline.

Internal Controls

The SC has put in place a suite of internal control measures in the form of policies and procedures covering operational matters in terms of governance, staffing, procurement, operations resiliency, data protection and risk management with the objectives to provide assurance on the effectiveness of control environment.

GOVERNANCE AND COMPLIANCE



Business Processes and Procedures

- As part of building the employees' understanding of the SC's operations, Business Process Flows and other relevant business process guidance documents, which serve as guide for employees in the discharge of their functions, are made available on the SC's intranet. These business process flows and guidance documents are subject to annual review by respective owners.
- The *Procurement Policy and Guidelines* was established to ensure fair and orderly sourcing and acquisition of goods and services for the SC. It includes a procurement strategy outlining proper guidance on the end-to-end procurement process as well as the reinforcement of good procurement governance and control.
- The *Asset Management Policy and Guidelines* sets out the treatment of assets in the SC to

ensure that the SC's fixed assets are safeguarded and properly recognised and maintained in good working condition.

Information and Knowledge Management

- Authorisation for Disclosure of Information Policy governs the release of information from the SC that is not in the public domain.
- The *Data Loss Mitigation Guidelines* acts as a reference point for employees in handling both physical and electronic records containing sensitive information. The Guidelines ensure sensitive information is appropriately secured from unauthorised disclosure and protected from alteration, corruption, loss or misuse, while preventing reputational damage and adversely impacting our stakeholders.
- The *Records Management Policy* was established to give clear guidance of the standards and procedures that need to be put in place to ensure that records are fit to be used as evidence and/or information by the SC, in carrying out business operations or legal obligations.
- Retention and dissemination process was improved to allow staff better access to knowledge and information to assist in their daily tasks.

OPERATIONAL RESILIENCE

- Business continuity management arrangements were put to test in the fullest extent due to COVID-19 pandemic in 2020. The established business continuity arrangements have responded well throughout the various phases of the movement control order period. These arrangements ensured continuity of operations from all angles; premise, human capital, technology and business processes. The SC has in place the following protocols and procedures to allow its staff to continue to work in a safe and secure environment:

- Pandemic plan;
- Assurance in the continuity of critical functions;
- Remote / WFH protocols including technology infrastructure;
- Human capital mobilisation and allocation;
- Premise sanitisation procedures;
- Continuous and open communications avenues; and
- Workplace safety and return to work protocols.

- The existing *IT User Policy* and *IT Policy* was reviewed annually to ensure the effective protection and proper usage of the SC's computer systems.

Anti-Corruption Measures

As a public institution, the SC is highly committed to provide an environment that promotes a strong sense of accountability and professionalism among its employees. In line with the requirements of the National Anti-Corruption Plan, the SC has developed its own Organisational Anti-Corruption Plan (OACP) with the strategic objective of strengthening the SC's governance, integrity and anti-corruption measures. The OACP covers key elements such as an explicit anti-corruption commitment from key stakeholders, relevant policies and procedures, controls, training and communication, reporting mechanisms and importantly, regular auditing and monitoring.

INTERNAL AUDIT

The SC's Internal Audit Department (IAD) assists the Audit Committee in the discharge of its duties and responsibilities. IAD reports directly to the Audit Committee, which determines the adequacy of scope and function of the department. IAD accomplishes its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

IAD carries out its responsibilities by conducting reviews based on the approved internal audit plan, which is developed using a risk-based methodology. The main activities of IAD for the year 2020 included performing predominantly risk-based audits for the areas identified in the internal audit plan. The results of the audit and activities performed by the internal audit function were presented to the Audit Committee for its review. Where applicable, internal audit conducted follow-up audits to ensure that Managements' corrective actions were implemented appropriately and provided updates on the status of the key actions to the Audit Committee. In addition, IAD played an advisory role in the course of performing its audit activities.

IAD also reviewed the Audit Committee Charter and the Internal Audit Charter to ensure these were in line with The Institute of Internal Auditors' International Professional Practices Framework.

EXTERNAL STAKEHOLDER AND PUBLIC COMMUNICATION

Consistent and constant communication with capital market participants is necessary to facilitate the effective discharge of the SC's responsibilities. Regular meetings and discussions with our key stakeholders enable the SC to provide facilitative policies, a robust regulatory framework and encourage continuous growth and development of the capital market. All media releases, publications, guidelines, annual reports as well as consultation and response papers are posted on the SC's official website – www.sc.com.my.

The SC's Consumer and Investor Office acts as one of the key channels in engaging investors and the public. The office receives and handles public complaints and enquiries relating to the capital market. In addition, it is responsible for the SC's investor empowerment strategy under the InvestSmart® brand, targeted towards the public and investors of all life stages.

Through InvestSmart®, the SC undertakes various initiatives via different modalities such as exhibitions, seminars, roadshows, digital and social media on the fundamentals of making sound investment decisions.

SIDREC is a body approved by the SC to handle capital market-related disputes involving monetary claims by investors against its members. SIDREC's members are licensed intermediaries and registered persons specified under Part 1 of Schedule 4 of the CMSA, carrying out dealings in securities, derivatives, PRS and fund management in Malaysia. Members of SIDREC comprise banks, stockbrokers, futures brokers, fund management companies, unit trust management companies, PRS providers and distributors as well as two specified development financial institutions (DFIs).

SIDREC provides an independent and impartial avenue for redress for disputes between investors and SIDREC's members. Provision of effective and affordable access to redress is in line with international best practices and it supports the Commission's investor protection and empowerment initiatives.

Under SIDREC's Mandatory Scheme for claims of up to RM250,000, SIDREC's members are required to participate in SIDREC's dispute resolution process. Services under the Mandatory Scheme are free to investors. Under its Voluntary Scheme, where both parties must agree to use SIDREC's expert services, SIDREC is able to accept claims exceeding RM250,000 for mediation and adjudication as well as court-referred case management and mediation.

Apart from its involvement in the dispute resolution process with both SIDREC's members and investors, SIDREC also interacts with the investing public through its awareness initiatives. In addition, SIDREC concurrently engages its members, the Commission and other stakeholders such as related industry associations and self-regulatory organisations (SROs) to provide insights, positive observations as well as concerns stemming from its dispute resolution process. This provides valuable feedback to the market, investors and the regulator.

FINANCIAL STATEMENTS

Financial statements
for the year ended
31 December 2020

SECURITIES COMMISSION MALAYSIA

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Non-current assets			
Property, plant and equipment	3	151,677	152,515
Right-of-use assets	4	6,751	6,843
Other receivables	5	4,110	5,207
Other investments	6	75,423	165,182
		<u>237,961</u>	<u>329,747</u>
Current assets			
Other investments	6	788,233	581,421
Trade and other receivables	7	50,983	27,141
Cash and cash equivalents	8	90,649	95,230
		<u>929,865</u>	<u>703,792</u>
Total assets		<u>1,167,826</u>	<u>1,033,539</u>
Reserves			
Compensation fund reserve	9	100,000	100,000
Accumulated surplus		848,450	767,234
		<u>948,450</u>	<u>867,234</u>
Total reserves		<u>948,450</u>	<u>867,234</u>
Non-current liabilities			
Post-employment benefits	10	140,416	80,650
Deferred income	11	-	607
		<u>140,416</u>	<u>81,257</u>
Current liabilities			
Deferred income	11	704	1,984
Other payables and accruals	12	78,256	83,064
		<u>78,960</u>	<u>85,048</u>
Total liabilities		<u>219,376</u>	<u>166,305</u>
Total reserves and liabilities		<u>1,167,826</u>	<u>1,033,539</u>

The notes on pages 124 to 146 are an integral part of these financial statements.

SECURITIES COMMISSION MALAYSIA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Revenue			
Levies		285,601	130,880
Fees and charges		13,887	12,188
Licence fees		1,380	3,223
Finance income		28,651	32,166
Registration fees		3,043	3,099
Other income		12,587	36,572
	13	345,149	218,128
Less: Expenditure			
Staff costs	14	164,475	155,744
Administrative expenses		28,972	32,211
Depreciation of property, plant and equipment	3	11,259	10,896
Depreciation of right-of-use assets	4	92	92
Rental expense		282	1,816
		205,080	200,759
Net operating surplus		140,069	17,369
Less: Funds to affiliates	15	(7,500)	(7,300)
Surplus before tax for the year	16	132,569	10,069
Tax expense	17	-	-
Surplus after tax for the year		132,569	10,069
Other comprehensive expense, net of tax			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	18	(51,353)	-
Surplus and total comprehensive income for the year		81,216	10,069

The notes on pages 124 to 146 are an integral part of these financial statements.

SECURITIES COMMISSION MALAYSIA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Compensation fund reserve RM'000	Accumulated surplus RM'000	Total RM'000
At 1 January 2019	100,000	757,165	857,165
Surplus and total comprehensive income for the year	-	10,069	10,069
At 31 December 2019/1 January 2020	100,000	767,234	867,234
Surplus for the year	-	132,569	132,569
Remeasurement of defined benefit liability	-	(51,353)	(51,353)
Surplus and total comprehensive income for the year	-	81,216	81,216
At 31 December 2020	100,000	848,450	948,450
	Note 9		

The notes on pages 124 to 146 are an integral part of these financial statements.

SECURITIES COMMISSION MALAYSIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Cash flows from operating activities			
Surplus before tax		132,569	10,069
Adjustments for:			
Depreciation of property, plant and equipment	3	11,259	10,896
Depreciation of right-of-use assets	4	92	92
Amortisation of deferred income		(1,887)	(1,984)
Recognition of recovery of legal/enforcement costs		(8,683)	(11,210)
Finance income		(28,651)	(32,166)
Gain on disposal of property, plant and equipment		(11)	(50)
Adjustment of property, plant and equipment costs		-	396
Operating surplus/(deficit) before working capital changes		104,688	(23,957)
Changes in working capital:			
Post-employment benefits		8,413	4,960
Trade and other receivables		(21,747)	(1,086)
Other payables and accruals		3,875	14,240
Net cash generated from/(used in) operating activities		95,229	(5,843)
Cash flows from investing activities			
Maturity of investments in Malaysian Government Securities and Government Guaranteed Bonds		20,672	91,251
Increase in restricted deposits placed with licensed banks		(2,236)	(12,730)
Increase in deposits placed with licensed banks		(137,725)	(100,343)
Finance income received		27,653	30,950
Proceeds from recovery of legal/enforcement costs		-	22,506
Proceeds from disposal of plant and equipment		19	59
Acquisition of property, plant and equipment		(10,429)	(7,374)
Net cash (used in)/from investing activities		(102,046)	24,319
Net (decrease)/increase in cash and cash equivalents		(6,817)	18,476
Cash and cash equivalents at 1 January		44,553	26,077
Cash and cash equivalents at 31 December		37,736	44,553
Cash and cash equivalents comprise:			
Cash and bank balances	8	15,853	23,155
Deposits placed with licensed banks	8	74,796	72,075
		90,649	95,230
Less: Restricted deposits		(52,913)	(50,677)
		37,736	44,553

The notes on pages 124 to 146 are an integral part of these financial statements.

SECURITIES COMMISSION MALAYSIA

NOTES TO THE FINANCIAL STATEMENTS

The Securities Commission Malaysia (SC) is a statutory body established under the *Securities Commission Malaysia Act 1993* (SCMA) for the regulation and development of capital markets. The SC has direct responsibility for supervising and monitoring the activities of market institutions including the exchanges and clearing houses and regulating all persons licensed under the *Capital Markets and Services Act 2007*. The address of the SC is at:

3, Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur, Malaysia

These financial statements were authorised for issue by the Board Members on 25 January 2021.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the SC have been prepared in accordance with *Malaysian Financial Reporting Standards* (MFRSs) and International Financial Reporting Standards.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the SC:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The SC plans to apply the abovementioned accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2021 for the amendment that is effective for annual periods beginning on or after 1 June 2020.
- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for MFRS 3, *Business Combinations* and MFRS 14, *Agriculture* which is not applicable to the SC.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, *Insurance Contracts* which is not applicable to the SC.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have any material financial impact to the current period and prior period financial statements of the SC.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the SC's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

(i) Post-employment benefits

The provision is determined using actuarial valuation prepared by an independent actuary. The actuarial valuation involved making assumptions about discount rate, medical inflation rate and life expectancy. As such, the estimated provision amount is subject to significant uncertainty. The assumptions used to estimate the provision are as disclosed in Note 10.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the SC, unless otherwise stated.

(a) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the SC becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the SC changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is

reduced by impairment losses. Finance income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Finance income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(e)(i)) where the effective interest rate is applied to the amortised cost.

Financial liabilities

Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Finance cost is recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the SC currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts, if any, of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the SC and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative year are as follows:

Buildings	50 years
Office equipment, furniture and fittings	5 – 10 years
Computer and application systems	3 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period and adjusted as appropriate.

(c) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the SC assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- as a lessee, it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- as a lessee, it has the right to direct the use of the asset. The SC has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the SC has the right to direct the use of the asset if either the SC has the right to operate the asset; or the SC designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the SC allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the SC is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

As a lessee

The SC has classified leasehold land which in substance was a finance lease as right-of-use assets.

The SC has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The SC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with licensed banks which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the SC in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of restricted deposits.

(e) Impairment

(i) Financial assets

The SC recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The SC measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and cash equivalents for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the SC considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the SC's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the SC is exposed to credit risk.

The SC estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the SC assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the SC determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the SC's procedures for recovery of amounts due.

(ii) Other assets

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(f) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer, excluding amounts collected on behalf of third party. The SC recognises revenue when (or as) it transfers control over a service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The SC transfers control of a good or service at a point in time unless one of the following over-time criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the SC performs;
- (b) the SC's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the SC's performance does not create an asset with an alternative use and the SC has an enforceable right to payment for performance completed to date.

(ii) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the SC will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the SC for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

(iii) Registration fees and licence fees

Registration fees and licence fees are recognised as they accrue in profit or loss.

(iv) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss.

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the SC has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The SC's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

Post-employment benefits

The SC provides post-employment medical coverage to eligible employees engaged prior to 1 January 2003.

The SC's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligations is performed by an independent qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the SC, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The SC determines the net finance cost or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Costs and expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The SC recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(h) Funds to affiliates

The SC provides funds to eligible affiliates to undertake capital market activities. These funds are recognised in profit or loss when payments have been made.

(i) Contingencies

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(j) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the SC uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the SC can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The SC recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

	Buildings RM'000	Office equipment, furniture and fittings RM'000	Computer and application systems RM'000	Motor vehicles RM'000	Capital work-in progress RM'000	Total RM'000
Cost						
At 1 January 2019	232,162	113,350	76,565	1,702	2,220	425,999
Additions	-	891	2,854	51	3,578	7,374
Disposals	-	(194)	(1,127)	-	-	(1,321)
Write off	-	-	(983)	-	-	(983)
Transfer from/(to)	-	161	2,463	-	(2,624)	-
Adjustment	-	-	-	-	(396)	(396)
At 31 December 2019/1 January 2020	232,162	114,208	79,772	1,753	2,778	430,673
Additions	-	1,001	2,160	-	7,268	10,429
Disposals	-	(24)	(312)	-	-	(336)
Transfer from/(to)	-	4,702	2,018	-	(6,720)	-
At 31 December 2020	232,162	119,887	83,638	1,753	3,326	440,766
Depreciation and impairment loss						
At 1 January 2019						
Accumulated depreciation	90,640	106,428	70,976	1,404	-	269,448
Accumulated impairment loss	109	-	-	-	-	109
	90,749	106,428	70,976	1,404	-	269,557
Depreciation for the year	4,643	1,963	4,105	185	-	10,896
Disposals	-	(193)	(1,119)	-	-	(1,312)
Write off	-	-	(983)	-	-	(983)
At 31 December 2019/1 January 2020						
Accumulated depreciation	95,283	108,198	72,979	1,589	-	278,049
Accumulated impairment loss	109	-	-	-	-	109
	95,392	108,198	72,979	1,589	-	278,158
Depreciation for the year	4,643	2,274	4,264	78	-	11,259
Disposals	-	(16)	(312)	-	-	(328)
At 31 December 2020						
Accumulated depreciation	99,926	110,456	76,931	1,667	-	288,980
Accumulated impairment loss	109	-	-	-	-	109
	100,035	110,456	76,931	1,667	-	289,089
Carrying amounts						
At 1 January 2019	141,413	6,922	5,589	298	2,220	156,442
At 31 December 2019/ 1 January 2020	136,770	6,010	6,793	164	2,778	152,515
At 31 December 2020	132,127	9,431	6,707	86	3,326	151,677

4. Right-of-use assets

	Leasehold land RM'000
At 1 January 2019	6,935
Depreciation	(92)
At 30 December 2019/1 January 2020	6,843
Depreciation	(92)
At 31 December 2020	6,751

The SC leases two leasehold land that run for 99 years which expire in 2094 and 2096.

5. Other receivables

	2020 RM'000	2019 RM'000
Staff financing	5,347	6,486
Less: Unearned profit		
- Islamic financing on housing and motor vehicles	(189)	(286)
	5,158	6,200
Less: Amount due within 12 months (Note 7)	(1,048)	(993)
Amount due after 12 months	4,110	5,207

The rates and tenure of staff financing are as follow:

	Rate charged (per annum)	Maximum repayable period
Islamic financing and conventional housing loans	2%	25 years
Islamic financing and conventional motor vehicle loans	4%	7 years
Study loans	-	5 years
Computer loans	-	4 years

The Islamic and conventional housing and motor vehicle financing are secured over the properties and motor vehicles of the borrowers, respectively.

The maturity structure of the financing to staff as at the end of the financial year is as follows:

	2020 RM'000	2019 RM'000
Within 1 year	1,048	993
More than 1 year and up to 5 years	2,887	3,218
More than 5 years	1,223	1,989
	5,158	6,200

6. Other investments

	Non-current		Current		Total	
	2020	2019	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amortised costs:						
– Malaysian Government Securities and Government Guaranteed Bonds	75,423	131,182	55,195	20,108	130,618	151,290
– Deposits placed with licensed banks	-	34,000	733,038	561,313	733,038	595,313
	75,423	165,182	788,233	581,421	863,656	746,603

Included in deposits placed with licensed banks are amounts restricted for stockbroking industry development of RM14.1 million (2019: RM13.6 million) and amount restricted for planning and implementing capacity building programmes in relation to the accounting and auditing profession of approximately RM1.9 million (2019: RM1.6 million).

7. Trade and other receivables

	2020	2019
	RM'000	RM'000
Levies	36,372	12,854
Finance income receivable	9,562	8,564
Other receivables	877	1,031
Deposit	252	624
Prepayments	2,872	3,075
Short term staff financing (Note 5)	1,048	993
	50,983	27,141

8. Cash and cash equivalents

	2020	2019
	RM'000	RM'000
Cash and bank balances	15,853	23,155
Deposits placed with licensed banks	74,796	72,075
	90,649	95,230

The deposits placed with licensed banks earned income at rates ranging from 1.50% to 3.05% per annum (2019: 2.90% to 3.75% per annum).

Included in deposits placed with licensed banks are amounts restricted for brokers' security deposits of approximately RM1.3 million (2019: RM1.3 million), and cash and deposits of approximately RM51.6 million (2019: RM49.4 million) held on behalf of government agencies or funds.

The bank balances are placed with licensed banks.

9. Compensation fund reserve

This represents an amount allocated from the accumulated surplus for the Capital Market Compensation Fund Corporation.

10. Post-employment benefits

	2020 RM'000	2019 RM'000
Net defined benefit liability	80,650	75,690
Expense recognised in profit or loss	10,373	6,747
Expense recognised in OCI	51,353	-
Benefits paid	(1,960)	(1,787)
Total employee benefit liabilities	140,416	80,650

The defined benefit plan is an unfunded post-employment medical plan, which provides medical benefits for participants and their eligible dependants after retirement age until the death of the participant or spouse, or for child dependants up to age 18 or age 24, if they are still studying.

As such, the ultimate cost of the plan depends on the longevity of the retirees and their eligible dependants, the incidence and cost of events resulting in claims under the plan, and the inflation of such costs in the future.

Funding

The plan is unfunded. Employer contributions to the plan refer to the medical claim amounts paid directly by the SC. The SC expects to pay approximately RM2.3 million in contributions to its defined benefit plan in 2021.

Movement in net defined benefit liability

	2020 RM'000	2019 RM'000
Net defined benefit liability at 1 January	80,650	75,690
Included in profit or loss		
Current service cost	3,953	2,321
Finance cost	6,420	4,426
	10,373	6,747
Other		
Benefits paid	(1,960)	(1,787)
Remeasurement of defined benefit liability	51,353	-
Net defined benefit liability at 31 December	140,416	80,650

Defined benefit obligation Actuarial assumptions

Principal actuarial assumptions at the end of reporting period (expressed as weighted averages):

	2020	2019
Discount rate	4.9%	5.8%
Medical cost inflation	10%, reducing to 6% in 4 years	10%, reducing to 5% in 4 years
Normal retirement age	60 years	60 years

Assumptions regarding future mortality are based on published statistics and mortality tables.

At 31 December 2020, the weighted-average duration of the defined benefit obligation was 20 years (2019: 20.6 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below.

	Defined benefit obligation	
	Increase RM'000	Decrease RM'000
2020		
Discount rate (1% movement)	(21,343)	26,819
Medical cost inflation rate (1% movement)	26,819	(21,764)
2019		
Discount rate (1% movement)	(13,630)	17,501
Medical cost inflation rate (1% movement)	16,856	(13,388)

11. Deferred income

	2020 RM'000	2019 RM'000
At 1 January 2020/2019	2,591	4,575
Less: Recognised in profit or loss during the year	(1,887)	(1,984)
Deferred income	704	2,591
Current liabilities	704	1,984
Non-current liabilities	-	607
	704	2,591

12. Other payables and accruals

	2020 RM'000	2019 RM'000
Other payables	70,730	75,909
Accruals	5,735	5,475
Brokers' security deposits	1,791	1,680
	<u>78,256</u>	<u>83,064</u>

13. Revenue

	Note	2020 RM'000	2019 RM'000
Revenue	13.1	300,868	146,291
Other income			
- finance		28,651	32,166
- others		15,630	39,671
		<u>44,281</u>	<u>71,837</u>
Total revenue		<u>345,149</u>	<u>218,128</u>

13.1 Nature of goods and services

The following information reflects the typical transactions of the SC:

Nature of services	Significant payment term	Timing of recognition or method used to recognise revenue
Levies	30 days	Revenue is derived from Malaysia and recognised at a point in time.
Fees and charges	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.
Licence	Not applicable	Revenue is derived from Malaysia and recognised over time.

14. Staff costs

	2020 RM'000	2019 RM'000
Remuneration, bonus, staff medical, staff training and overtime	133,814	129,710
Employees Provident Fund and SOCSO contribution	18,103	17,442
Private Retirement Scheme	2,185	1,845
Post-employment benefits	10,373	6,747
	<u>164,475</u>	<u>155,744</u>

15. Funds to affiliates

SC provides funds to various entities involved in projects and programmes that develop, promote and enhance the well-being of the Malaysian capital market.

16. Surplus before tax

	Note	2020 RM'000	2019 RM'000
Surplus before tax is arrived at after charging:			
Auditors' remuneration		100	100
Executive members' emoluments		4,942	4,287
Non-executive members' allowance		1,123	1,288
Rental expense:			
Property	(a)	86	1,540
Plant and equipment	(b)	199	276
Depreciation of property, plant and equipment	3	11,259	10,896
Depreciation of right-of-use assets	4	92	92
Adjustment of property, plant and equipment costs		-	396
		<u> </u>	<u> </u>
and after crediting:			
Gain on disposal of plant and equipment		11	50
		<u> </u>	<u> </u>

Note (a)

The SC leases an office building on a short-term lease and has elected not to recognise right-of-use assets and lease liabilities for the arrangement.

Note (b)

The SC leases IT equipment considered as leases of low-value items and short-term leases. The SC has elected not to recognise right-of-use assets and lease liabilities for these arrangements.

17. Tax expense

The SC was granted approval from the Minister of Finance to be exempted from taxation with effect from Year Assessment (YA) 2007 onwards.

18. Other comprehensive expense

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2020			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	51,353	-	51,353

19. Related parties

Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the SC if the SC has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the SC and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the SC either directly or indirectly.

The SC has related party relationship with Securities Industry Development Corporation (SIDC), as the Chairman of the SC is also the Chairperson of SIDC.

Lee Hishammuddin Allen & Gledhill (LHAG) is deemed to be a related party of the SC by virtue of a Board Member of the SC is also a partner of LHAG.

Significant related party transactions

The significant related party transactions of the SC are shown below:

	2020 RM'000	2019 RM'000
Related party		
Management fee	129	509
Legal fees	(34)	(289)
Provision of funds to affiliates	(3,500)	(2,500)

The balances which arose from the transactions above are included in Note 7 and Note 12.

20. Capital commitments

	2020 RM'000	2019 RM'000
Capital expenditure commitments		
Plant and equipment		
<i>Approved but not contracted for:</i>		
Within one year	18,170	25,470
Within two – three years	1,700	-

21. Financial instruments

21.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised costs (AC).

	Carrying amount RM'000	AC RM'000
2020		
Financial assets		
Other receivables	4,110	4,110
Other investments	863,656	863,656
Trade and other receivables*	47,852	47,852
Cash and cash equivalents	90,649	90,649
	<u>1,006,273</u>	<u>1,006,273</u>
Financial liabilities		
Other payables and accruals*	<u>(77,824)</u>	<u>(77,824)</u>
2019		
Financial assets		
Other receivables	5,207	5,207
Other investments	746,603	746,603
Trade and other receivables*	24,066	24,066
Cash and cash equivalents	95,230	95,230
	<u>871,106</u>	<u>871,106</u>
Financial liabilities		
Other payables and accruals*	<u>(71,624)</u>	<u>(71,624)</u>

* Exclude non-financial instruments

21.2 Gains arising from financial instruments

	2020 RM'000	2019 RM'000
Gains on:		
Financial assets at amortised cost	<u>28,651</u>	<u>32,166</u>

21.3 Financial risk management

The SC has policies and guidelines on the overall investment strategies and tolerance towards risk. Investments are managed in a prudent manner to ensure the preservation and conservation of the fund. The SC has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

21.4 Credit risk

Credit risk is the risk of a financial loss to the SC if a counterparty to a financial instrument fails to meet its contractual obligations. The exposure to credit risk arises principally from the individual characteristics of each customer. There are no significant changes as compared to prior periods.

Receivables

Risk management objectives, policies and processes for managing the risk

The SC has a formal credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Recognition and measurement of impairment loss

In managing credit risk of receivables, the SC manages its debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, receivables will pay within 30 days.

The SC uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

The following table provides information about the exposure to credit risk and ECLs for receivables as at 31 December 2020 which are grouped together as they are expected to have similar risk nature.

	Gross-carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Not past due	54,941	-	54,941
Past due 1 - 30 days	-	-	-
Past due 31 - 90 days	-	-	-
Past due 91 - 180 days	-	-	-
Past due more than 180 days	152	-	152
	55,093	-	55,093
2019			
Not past due	32,087	-	32,087
Past due 1 - 30 days	-	-	-
Past due 31 - 90 days	-	-	-
Past due 91 - 180 days	-	-	-
Past due more than 180 days	261	-	261
	32,348	-	32,348

The receivables that are past due has not recognised any loss allowance as the receivables are supported by collateral in the form of residential properties with respective fair value exceeding its outstanding debts.

The fair values of these collateralised properties are determined using the comparison method based on professional valuation.

No impairment was performed on the receivables.

Cash and cash equivalents

The cash and cash equivalents are held with licensed banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These licensed banks and financial institutions have low credit risk. In addition, some of the bank balances are insured by government agencies. Consequently, the SC is of the view that the loss allowance is not material and hence, it is not provided for.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have credit rating that are sovereign or near sovereign.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the SC has only invested in Malaysian government securities and government guaranteed bonds. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

21.5 Liquidity risk

Liquidity risk is the risk that the SC will not be able to meet its financial obligations as they fall due. The SC monitors and maintains a level of cash and cash equivalents deemed necessary by the SC to finance its operations and to mitigate the effects of fluctuations in cash flows.

Maturity analysis

The table below summarises the maturity profile of the SC's financial liabilities as at the end of the reporting period. There is no contractual interest rate for other payables and accruals.

	Carrying amount RM'000	Contractual cash flow RM'000	Under 1 year RM'000
2020			
Financial liabilities			
Other payables and accruals	77,824	77,824	77,824
2019			
Financial liabilities			
Other payables and accruals	71,624	71,624	71,624

21.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates, that will affect the SC's financial position or cash flows.

21.6.1 Interest rate risk

The interest rate profile of the SC's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2020 RM'000	2019 RM'000
Fixed rate instruments		
Financial assets	938,452	818,678

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The SC does not have any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

21.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of fixed deposits is assumed to reasonably approximate their fair values.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statement of financial position.

Fair value of financial instruments not carried at fair value

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2020					
Non-current Financial assets					
Long term receivables Malaysian Government Securities and Government Guaranteed Bonds	-	-	4,110	4,110	4,110
	-	77,444	-	77,444	75,423
	-	77,444	4,110	81,554	79,533
2019					
Non-current Financial assets					
Long term receivables Malaysian Government Securities and Government Guaranteed Bonds	-	-	5,207	5,207	5,207
	-	133,206	-	133,206	131,182
	-	133,206	5,207	138,413	136,389

Level 1 fair value

Level 1 fair value is derived from unadjusted quoted price in active markets for identical financial assets that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets.

Financial instruments not carried at fair value

Type	Description of valuation technique and input used
Long-term receivables	Discounted cash flows using a rate based on the current market rate of borrowing.

22. Reserves management

The SC's financial management objective is to maintain adequate reserves to safeguard the SC's ability to perform its duties and functions independently and effectively. Management monitors the long-term capital commitments to ensure that sufficient funds are available to meet the obligations. The SC's investments are managed in a prudent manner to ensure the preservation of the funds.

23. Contingencies

The SC is of the opinion that the recognition of the following penalty imposed and corresponding receivable is not required, as the case is currently still ongoing.

Contingent asset

In previous financial year, the Audit Oversight Board (AOB) has imposed 3 sanctions against an audit firm and its partners amounting to RM631,000 for breaching the AOB's registration condition imposed under section 31O(3) of the SCMA.

The involved parties have applied to the High Court for judicial review on the AOB's decision. On 10 August 2020, the High Court quashed the sanctions imposed against the audit firm and its partners.

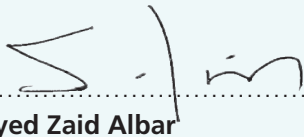
On 13 August 2020, the SC and AOB have filed an appeal to the Court of Appeal to set aside the High Court decision. The matter is pending hearing in the Court of Appeal.

SECURITIES COMMISSION MALAYSIA

STATEMENT BY BOARD MEMBERS

In the opinion of the Board Members, the financial statements set out on pages 120 to 146 are drawn up in accordance with *Malaysian Financial Reporting Standards* and *International Financial Reporting Standards* so as to give a true and fair view of the financial position of the Securities Commission Malaysia as of 31 December 2020 and of its financial performance and cash flows for the financial year then ended.

On behalf of the Board Members:



Syed Zaid Albar
Chairman



Wee Hoe Soon @ Gooi Hoe Soon
Member

Kuala Lumpur

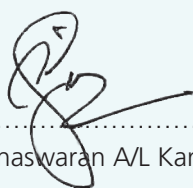
Date: 25 January 2021

SECURITIES COMMISSION MALAYSIA

STATUTORY DECLARATION

I, **Vignaswaran A/L Kandiah**, the officer primarily responsible for the financial management of the Securities Commission Malaysia, do solemnly and sincerely declare that the financial statements set out on pages 120 to 146 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the *Statutory Declarations Act, 1960*.

Subscribed and solemnly declared by the abovenamed **Vignaswaran A/L Kandiah**, NRIC No. 561128-10-6171, at Kuala Lumpur in the Federal Territory on 25 January 2021.



Vignaswaran A/L Kandiah
Officer

Before me:



H-2-10,
Plaza Damas,
Jalan Sri Hartamas 1,
50480 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE BOARD MEMBERS OF THE SECURITIES COMMISSION MALAYSIA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Securities Commission Malaysia (SC), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 120 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the SC as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the SC in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants (By-Laws) and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of Board Members of the SC for the Financial Statements

The Board Members are responsible for the preparation of financial statements of the SC that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Board Members are also responsible for such internal control as the Board Members determine is necessary to enable the preparation of financial statements of the SC that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the SC, the Board Members are responsible for assessing the SC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the SC or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the SC as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the SC, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the SC.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- Conclude on the appropriateness of the Board Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the SC to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the SC or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the SC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the SC, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

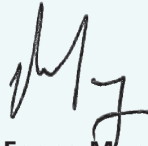
This report is made solely to the Board Members, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.



KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Malaysia

Date: 25 January 2021



Foong Mun Kong
Approval Number: 02613/12/2022 J
Chartered Accountant

CORPORATE PROPOSALS

EQUITY

In 2020, the SC received 9 equity applications of which 3 applications were for IPO, which included a proposed secondary listing on the Main Market, 1 was in relation to a proposed acquisition resulting in a significant change of business direction or policy and 5 were for transfer of listings to the Main Market. A total of 5 equity applications were considered in 2020 (Table 1).

There were 19 new listings, of which 2 were on the Main Market, 10 were on the ACE Market and the remaining 7 were on the LEAP Market with a total market capitalisation of RM11.9 billion. The total amount of funds raised from these new listings in 2020 was approximately RM2 billion.

Despite the unprecedented challenges faced due to the COVID-19 pandemic, the Malaysian capital market saw the entrance of Mr D.I.Y Group (M) Bhd (Mr DIY), a prominent home improvement and mass merchandise retailer with a market capitalisation of RM10.04 billion and a total of RM1.51 billion raised (Table 2). Mr DIY's market capitalisation is the largest since the listing of Lotte Chemical Titan Holding Bhd on the Main Market in 2017.

The SC also registered 38 equity prospectuses in 2020, comprising 11 prospectuses for IPO and 27 abridged prospectuses (Table 3).

TABLE 1

Status of equity applications

Applications	2020	2019
Brought forward from the previous year	3	4
Received during the year	9	5
Total for consideration	12	9
Approved during the year	(5)	(5)
Not approved during the year	-	-
Returned during the year	-	-
Total considered during the year	(5)	(5)
Withdrawn during the year	(1)	(1)
Carried forward to the next year	6	3

TABLE 2

Equity applications approved by type of proposals

Type of proposals	2020		2019	
	No. of proposals approved	Estimated amount to be raised (RM million)	No. of proposals approved	Estimated amount to be raised (RM million)
IPO on Main Market: – Domestic companies	1	1,506.38	4	459.94
Transfer from ACE Market to Main Market	4	–	1	–
TOTAL	5	1,506.38	5	459.94

TABLE 3

Registration of equity prospectuses

Applications	2020	2019
Prospectus	11	13
Abridged prospectus	27	12
TOTAL	38	25

CORPORATE BONDS AND SUKUK

The Malaysian corporate bonds and sukuk market reported total issuances of RM104.58 billion in 2020, a 21.26% decrease from RM132.82 billion issued in 2019.

In 2020, the SC received 64 lodgements under the LOLA Framework for issuances of corporate bonds and sukuk, as compared to 77 lodgements in the previous year (Table 4). Ringgit-denominated corporate bonds and sukuk issues continued to form the majority of the proposals lodged with the SC with a total nominal value of RM124.79 billion, of which 79.33% or RM99 billion were sukuk (Table 5).

There has been an overall decline in the maturity profile of ringgit-denominated corporate bonds and

sukuk lodged with the SC in 2020. The number of ringgit-denominated corporate bonds and sukuk with tenures of 1 to 7 years and 8 to 15 years have decreased by 9.09% and 52.63% respectively, while ringgit-denominated corporate bonds and sukuk with tenures of above 15 years have remained the same (Chart 1).

In 2020, a total of 40 ratings were assigned by credit rating agencies to ringgit-denominated corporate bonds and sukuk issues lodged with the SC. The number of unrated issues has decreased by 41.86% as compared to 2019 (Chart 2).

There were 4 foreign currency-denominated corporate bonds and sukuk lodged with the SC in 2020, comprising 2 corporate bonds and 2 sukuk.

TABLE 4

Number of corporate bonds and sukuk lodgements and applications

	2020	2019
Lodgements ¹	64	77
Applications		
- Received	-	1
- Approved	-	1

Note:

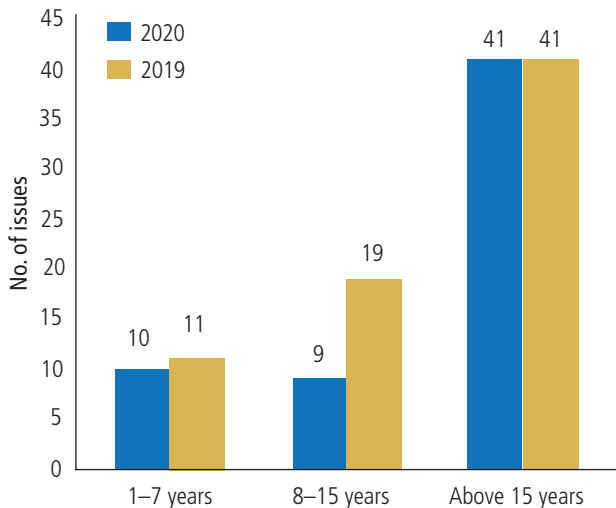
¹ Pursuant to the LOLA Framework.

TABLE 5

Lodged/approved ringgit-denominated corporate bonds and sukuk issues

Type of issues	2020		2019	
	No. of issues	Nominal amount (RM million)	No. of issues	Nominal amount (RM million)
Corporate bonds				
- Commercial papers/Medium-term notes	13	23,791.00	26	36,788.00
- Bonds	-	-	6	13,670.00
- Loan stocks	-	-	1	172.47
Subtotal	13	23,791.00	33	50,630.47
Sukuk				
- Islamic commercial papers/ Islamic medium-term notes	43	95,010.00	33	88,943.84
- Islamic bonds	1	3,000.00	3	4,700.00
- Islamic loan stocks	1	990.00	-	-
Subtotal	45	99,000.00	36	93,643.84
Combination of corporate bonds and sukuk				
- Commercial papers/Medium-term notes	2	2,000.00	2	20,000.00
Subtotal	2	2,000.00	2	20,000.00
TOTAL	60	124,791.00	71	164,274.31

CHART 1

Tenure of lodged/approved ringgit-denominated corporate bonds and sukuk issues

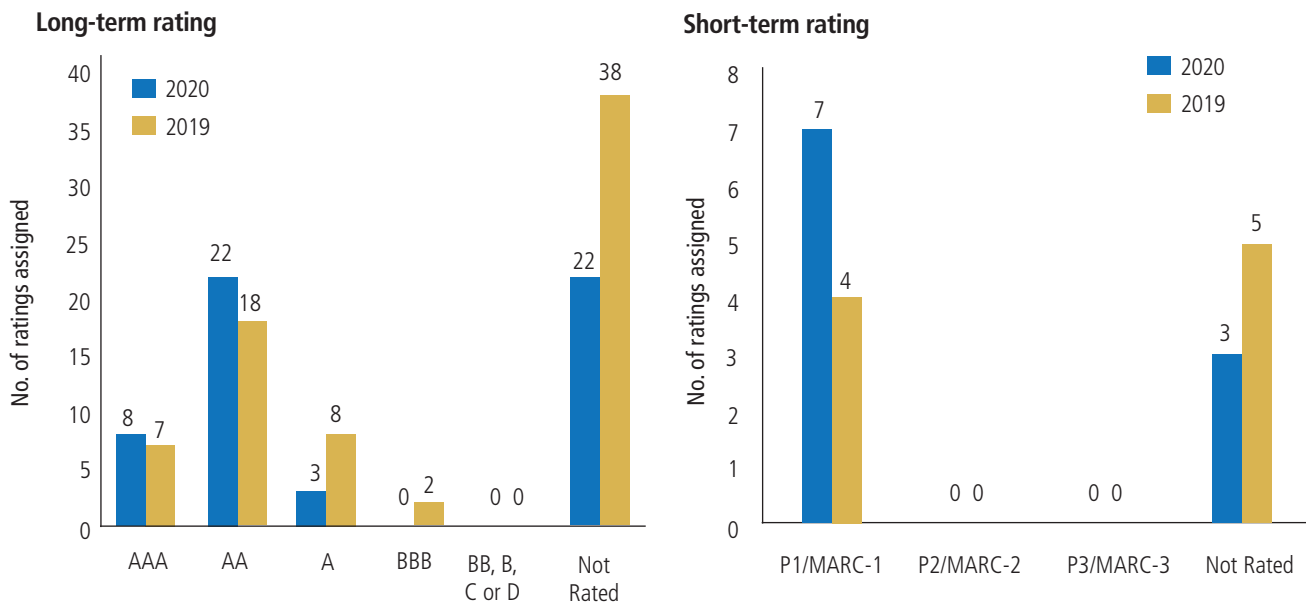
Note:
Tenure of facility, and not the respective notes or papers under the facility.

TAKE-OVERS AND MERGERS

Take-overs, mergers and acquisitions in Malaysia are primarily governed by the SC under the CMSA, the *Malaysian Code on Take-overs and Mergers 2016* (Code) and the *Rules on Take-overs, Mergers and Compulsory Acquisitions* (Rules) to ensure that the acquisition of voting shares or control of companies takes place in an efficient, competitive and informed market. The Code/Rules provides an orderly framework within which take-overs, mergers and compulsory acquisitions are to be conducted.

In 2020, the SC considered 80 applications under the Rules, compared to 81 applications in 2019. A total of 25 offer documents were cleared by the SC involving a total offer value of RM3.49 billion or an average of RM139.57 million per offer, which represented a decrease of RM1.41 billion against the previous year (2019: 22 offers with total offer value of RM4.90 billion or an average of RM222.50 million per offer).

CHART 2

Rating summary of lodged/approved ringgit-denominated corporate bonds and sukuk issues

Note:
A corporate bond or sukuk issue may be assigned more than 1 credit rating (e.g. for commercial papers/medium-term notes programmes, both short-term rating accorded for commercial papers and long-term rating for medium-term notes are taken into account).

Of these 25 offers, 6 offers were undertaken by way of schemes whereby 2 of the schemes involved unlisted public companies (2019: 6 schemes).

The offer in relation to TA Enterprise Bhd, was the largest offer during the year at RM0.74 billion in offer value, representing 21% of the total offer value for 2020. Other notable offers in term of offer values include TA Global Bhd and Caring Pharmacy Group Bhd with offer values of RM0.59 billion and RM0.26 billion, respectively.

In 2020, there were 11 proposed privatisation offers (2019: 11 proposed privatisation offers), whereby one such scheme, namely for Cycle & Carriage Bintang Bhd, was unsuccessful as it failed to obtain the requisite approval from its shareholders. As at 31 December 2020, save for the ongoing offer for TA Enterprise Bhd, all the other privatisation offers were either completed with the companies already delisted from the stock exchange or being implemented. The remaining 14 take-over offers were not privatisation offers, of which 2 offers were for unlisted companies, 2 offers were still ongoing as at 31 December 2020 and 3 offers namely for MESB Bhd, Watta Holding Bhd and Advance Information Marketing Bhd were not sufficiently attractive to garner the acceptances required to meet the acceptance condition.

A total of 21 offers were in relation to companies listed on the Main Market with the remaining 2 listed on the ACE Market of Bursa Malaysia Securities Bhd. The industrial products and services sector garnered the most interest with total offer value of RM0.93 billion (representing 27% of total offer value involving 7 target companies or 27% of total number of offers).

Additionally, the SC cleared 30 independent advice circulars comprising 23 circulars in relation to take-over offers/schemes and 7 circulars in relation to exemptions from the mandatory offer obligation pursuant to the whitewash procedures.

The SC also approved 13 applications for exemptions from having to undertake a mandatory take-over offer. Furthermore, the SC had considered 12 applications for various ancillary matters under the Rules and

other rulings, including the application by TA Enterprise Bhd to withdraw its take-over offer for TA Global Bhd due to the adverse impact of the COVID-19 pandemic on the financial performance of TA Global Bhd and its subsidiaries. The application for the withdrawal of offer was declined by the SC for reasons explained in its ruling published on 2 June 2020.

TABLE 6

Applications considered in relation to take-overs, mergers and compulsory acquisitions

Type of applications/ documents cleared	2020	2019
Clearance of offer/scheme documents	25	22
Clearance of independent advice circulars	30	26
Applications for exemption from mandatory offer obligation	13	17
Other applications	12	16
TOTAL	80	81

As part of its mandate, the SC also undertakes surveillance on take-over transactions to ensure compliance with the take-over requirements. In 2020, non-compliances identified included breaches of the mandatory offer obligation and failure by an adviser in its responsibility to ensure that its client complies with the Rules, for which appropriate actions have been taken, ranging from the issuance of reprimand and imposition of fine to issuance of infringement notices.

The SC encourages timely consultations to clarify the application of the Code/Rules and the SC's expectations to ensure compliance. In 2020, consultations with the SC involved various aspects of take-overs regulation including on take-over implications arising from certain deal structures, concert party matters, pre-conditions to take-over offers, possible favourable deals or action that tantamount to frustration of offers, and other general enquiries.

INVESTMENT MANAGEMENT

FUND MANAGEMENT

Total AUM of licensed FMCs in Malaysia increased by 9.99% to RM905.46 billion as compared to RM823.19 billion in 2019. In 2020, top 5 FMCs contributed to 55.27% of total AUM as compared to 56.57% in 2019 (Chart 1).

Source of funds under management were largely from unit trust funds, EPF, corporate bodies, and wholesale funds (Table 1). The funds were allocated in various asset classes and locations, of which, investment inside Malaysia by FMCs amounted to RM649.54 billion, representing 71.74% of the total AUM as at end of 2020 (Chart 2). The bulk of investment was allocated in equities with 48.32% at end of 2020, as compared to 48.61% in 2019 (Chart 3). Similar trends was observed on assets allocation inside and outside Malaysia (Chart 4).

TABLE 1

Source of clients' funds under management

Source of funds	2020 (RM billion)	2019 (RM billion)
Unit trust funds	519.53	482.09
Employees Provident Fund	150.77	131.42
Wholesale funds	67.65	58.10
Corporate bodies	86.49	80.67
Statutory bodies and government agencies	35.90	32.35
Others	24.38	21.52
Individuals	16.74	13.04
Private pension funds	4.00	4.00
TOTAL	905.46	823.19

CHART 1

Asset managed by FMCs (%)

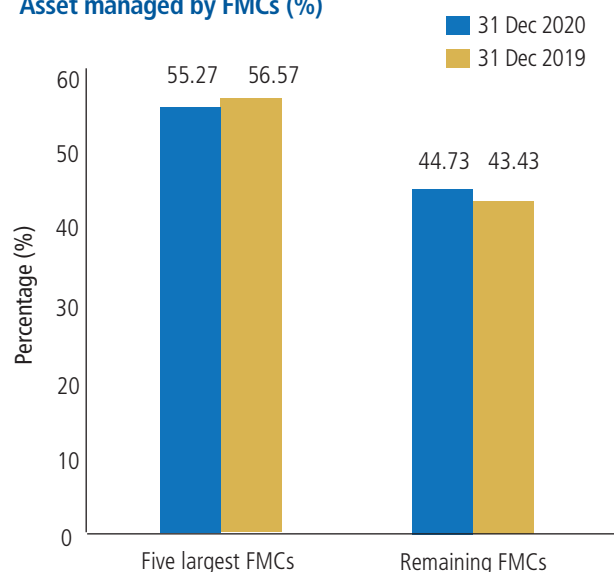


CHART 2

Assets invested inside and outside of Malaysia (RM billion)

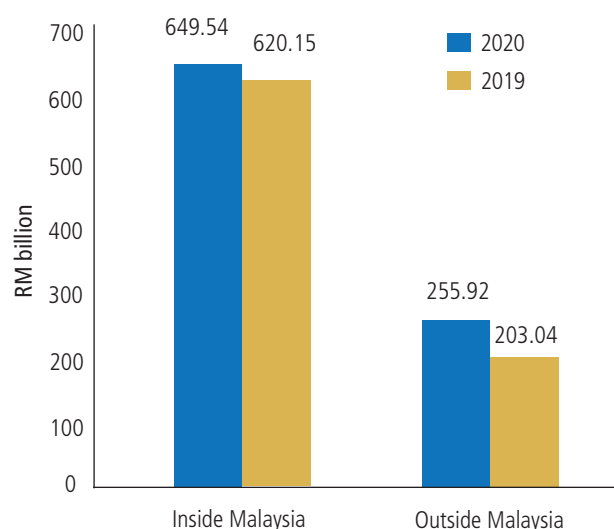


CHART 3

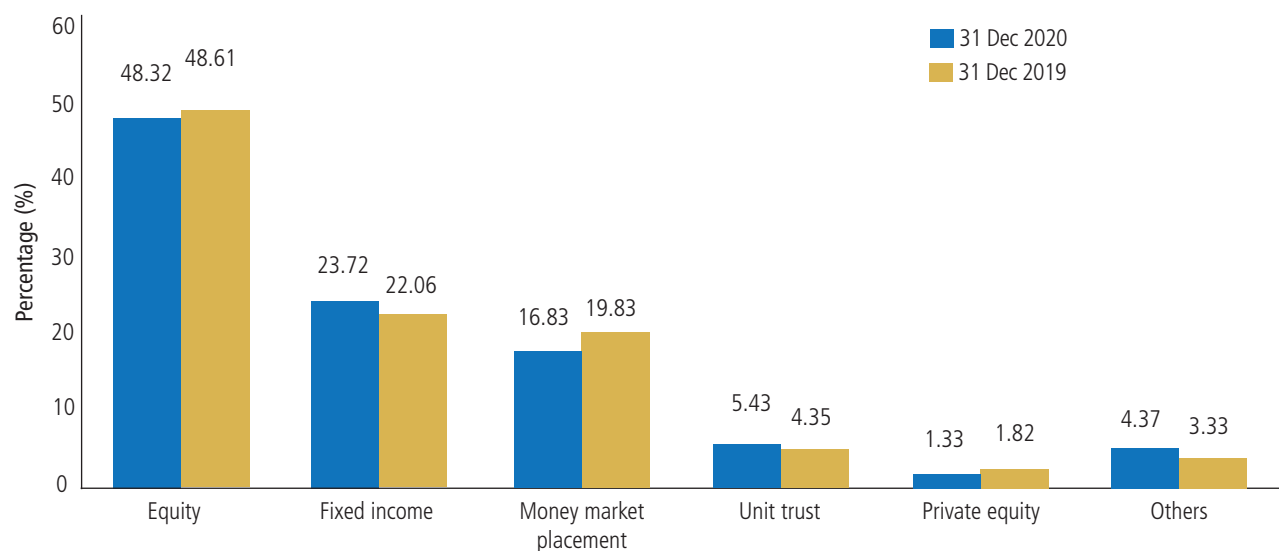
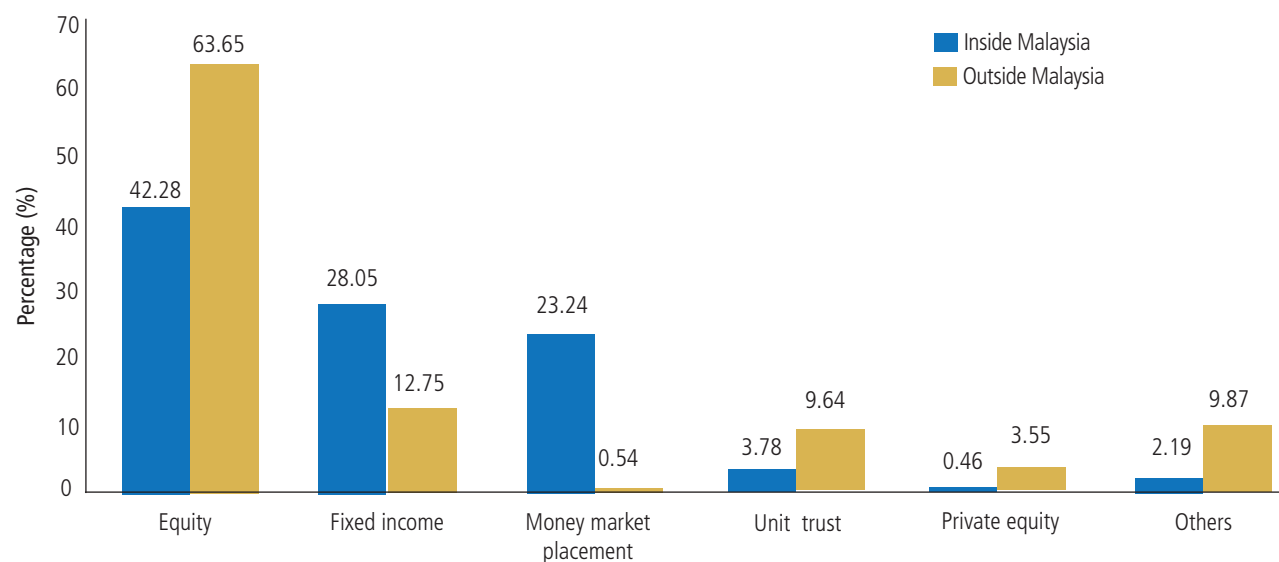
Assets allocation

CHART 4

Assets allocation inside and outside of Malaysia as at 31 December 2020 (%)

COLLECTIVE INVESTMENT SCHEMES AND PRIVATE RETIREMENT SCHEMES

Unit trust funds continued to be the largest component of the Malaysian Collective Investment Schemes (CIS) industry with a total NAV of RM519.53 billion recorded as at 31 December 2020, representing an increase of

7.77% from RM482.09 billion as at 31 December 2019. The percentage of the total NAV of unit trust funds industry against Bursa Malaysia's market capitalisation is 28.59% (2019: 28.16%). In 2020, a total of 37 unit trust funds were launched while 14 funds were terminated and 12 funds matured, which brought the total number of unit trust funds offered by 38

TABLE 2

Overall status of unit trust fund industry

	31 December 2020	31 December 2019
No. of Funds offered	696	685
– Conventional	456	449
– Shariah-compliant	240	236
Units in circulation (billion units)	745.05	696.40
No. of accounts (million)*	21.34	20.65
Total NAV (RM billion)	519.53	482.09
– Conventional (RM billion)	391.00	374.77
– Shariah-compliant (RM billion)	128.53	107.32
% of NAV to Bursa Malaysia market capitalisation^	28.59	28.16

Notes:

* No. of Accounts include number of unitholders accounts with institutional UTS advisers (IUTA) that operate nominee account system.

^ The comparison made between the total NAV of the unit trust funds industry and Bursa Malaysia's market capitalisation is not an indication of the actual amount invested in Bursa Malaysia by the unit trust funds.

locally-incorporated unit trust management companies to 696 funds as at 31 December 2020 (Table 2).

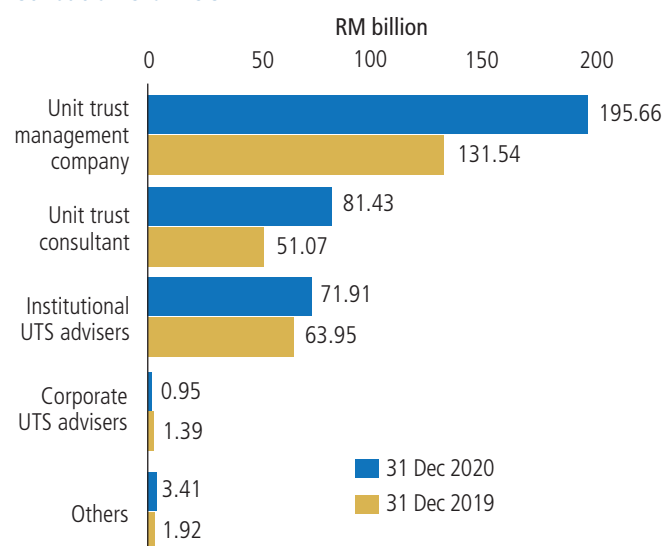
The unit trust funds industry recorded total gross sales (excluding reinvestment of distribution) of RM353.36 billion (2019: RM249.87 billion). The majority of which were distributed by unit trust management companies with total gross sales of RM195.66 billion (Chart 5).

In the wholesale funds segment, a total NAV of RM67.65 billion (2019: RM58.10 billion) was recorded as at 31 December 2020. A total of 65 funds were launched under the LOLA Framework to sophisticated investors while 19 funds were terminated and 12 funds matured in 2020, which brought the total number of wholesale funds offered by 42 FMCs to 357 funds as at 31 December 2020.

In 2020, 5 funds qualified as SRI funds under Guidelines on SRI Funds. With the termination of 1 SRI fund during the year, there were a total of 7 SRI funds, comprising 4 unit trust funds and 3 wholesale funds offered to investors as at 31 December 2020.

As of 31 December 2020, there are a total of 18 REITs listed on the Main Market of Bursa Malaysia with a total market capitalisation (including a stapled group) of RM39.34 billion (2019: RM43.83 billion). The total

CHART 5

Distribution channels

asset size grew marginally from RM54.44 billion to RM56.36 billion for the same period. As of 31 December 2020, there is 1 unlisted REIT offered to sophisticated investors.

With the listing of 4 ETFs in 2020, i.e. Kenanga KLCI Daily 2X Leveraged ETF, Kenanga KLCI Daily (-1X) Inverse ETF, TradePlus MSCI Asia ex Japan REITs Tracker and TradePlus DWA Malaysia Momentum Tracker, the total number of ETFs listed on Main Market of Bursa

Malaysia as at 31 December 2020 was 19 with a total market capitalisation of RM2.23 billion (2019: RM2.14 billion).

As of 31 December 2020, there continued to be only 1 closed-end fund (CEF) listed on the Main Market of Bursa Malaysia with a market capitalisation of RM298 million (2019: RM336 million).

As at 31 December 2020, the number of PRS remained unchanged with 12 schemes comprising 57 funds offered by 8 PRS providers. The total NAV of RM4.75 billion as at 31 December 2020, represented an

increase of 35.71% compared to a total NAV of RM3.50 billion as at 31 December 2019.

Overall, there was a significant increase in withdrawals from PRS with pre-retirement withdrawals in 2020 increasing to 52% of total withdrawals, compared to only 18% of total withdrawals in 2019. This increase is due to new categories of permitted pre-retirement withdrawals for housing and healthcare as well as for temporary exemption accorded to PRS members from payment of 8% tax penalty for withdrawals from sub-account B of up to RM1,500 per PRS Provider.

CHART 6

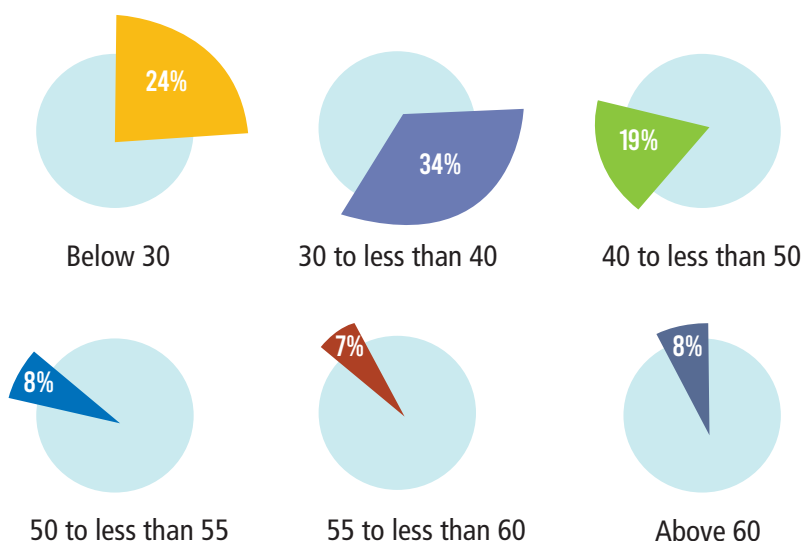
PRS members by age group

CHART 7

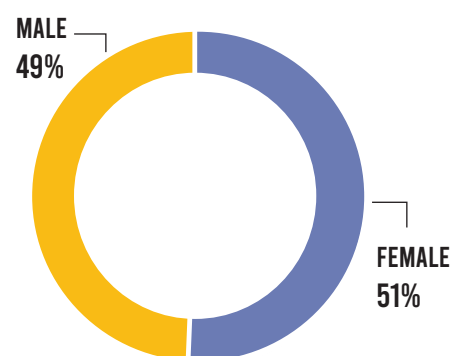
PRS members by gender

CHART 8

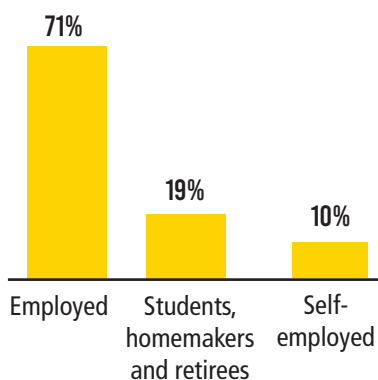
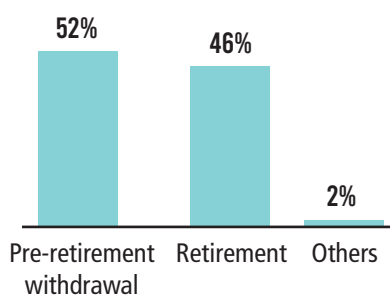
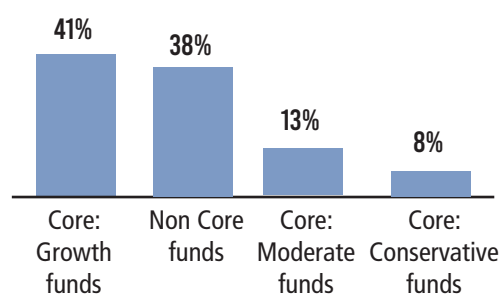
PRS members by type of employment**Withdrawals by PRS members****PRS members' fund preference**

TABLE 3

Number of applications and lodgements relating to CIS and PRS

(i) Lodgement	Lodged		Launched	
	2020	2019	2020	2019
Wholesale funds (WF)	69	59	65	60
(ii) Application	Considered		Pending consideration	
	2020	2019	As at 31 December 2020	As at 31 December 2019
Establishment of CIS	50	60	8	10
– Unit trust funds (UTF)	47 ¹	54 ²	7	7
– ETF	3	6	-	3
– REITs	-	-	1	-
Establishment of private retirement funds	1	2	-	-
Recognition of foreign Qualifying CIS	-	1	-	-
Exemption/variation from guidelines	23	17	4	3
Registration of prospectuses/disclosure documents	138	162	12	21
Registration of deeds	136	152	9	19
Other applications	22 ³	25 ⁴	1	-
TOTAL	370	419	34	53

Notes:

¹ Includes 4 funds, which were qualified as SRI fund.² Includes 1 fund, which was qualified as SRI fund.³ Includes 1 existing fund, which was qualified as SRI fund.⁴ Includes 2 existing funds, which were qualified as SRI fund.

In 2020, the SC considered 370 applications relating to CIS and PRS, comprising applications to establish new funds, register prospectuses/disclosure documents, register deeds and other ancillary matters (Table 3).

INVESTMENT PRODUCTS

Structured warrants

There were 6 eligible issuers of structured warrants in 2020. The SC received and registered 6 base prospectuses and 11 supplementary prospectuses from these issuers in 2020 (Table 4).

TABLE 4

Structured warrants considered

	2020	2019
No. of eligible issuers	6	6
Base prospectuses registered	6	6
Supplementary prospectuses registered	11	12
Term sheets registered	1,235	1,106
Issue size (billion warrants)	58.52	56.87

A total of 1,235 term sheets for the offering of structured warrants were registered in 2020, representing an increase of 11.7% compared to the 1,106 term sheets registered in 2019. The increase was attributable to the active issuance by issuers in meeting investor interest in 2020.

The year 2020 also saw an increase in issuances of structured warrants based on shares from 916 in 2019 to 1,032 in 2020 and the return of the put warrants based on shares after a 3-year absence. The last issuance of put warrants based on shares was in 2017 with the registration of 1 term sheet relating to the offering of put warrants over shares. In 2020, a total of 19 term sheets relating to the offering of put warrants over shares were registered. In addition, issuances of structured warrants based on indices increased to 187 in 2020 compared to 181 in the previous year.

The term sheets registered in 2020 enabled the structured warrants issuers to offer up to a total of 58.52 billion units of structured warrants.

Structured products

In 2020, a total of 9 issuers lodged 18 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 RM90 billion with each programme having a size limit of up to RM5 billion (Table 5).

Contracts for difference

In line with the SC's *Capital Market Masterplan 2* to promote and develop the derivatives market, the SC introduced the *Guidelines on Contracts for Difference* (CFD) on 6 April 2018. A CFD is a leveraged derivatives product that allows investors to participate in the price movement of an underlying instrument. Given the complexity of CFDs, the framework is implemented on a phased approach starting with sophisticated investors.

In 2020, there were 2 CFD providers offering CFD in Malaysia based on shares and indices compared to 1 CFD provider offering CFD based on shares in 2019.

TABLE 5

Structured product programmes

	2020		2019	
New programmes lodged	No. of programmes	Size (RM billion)	No. of programmes	Size (RM billion)
Principle				
– Conventional	18	90	5	25
– Islamic	-	-	1	5
TOTAL	18	90	6	30

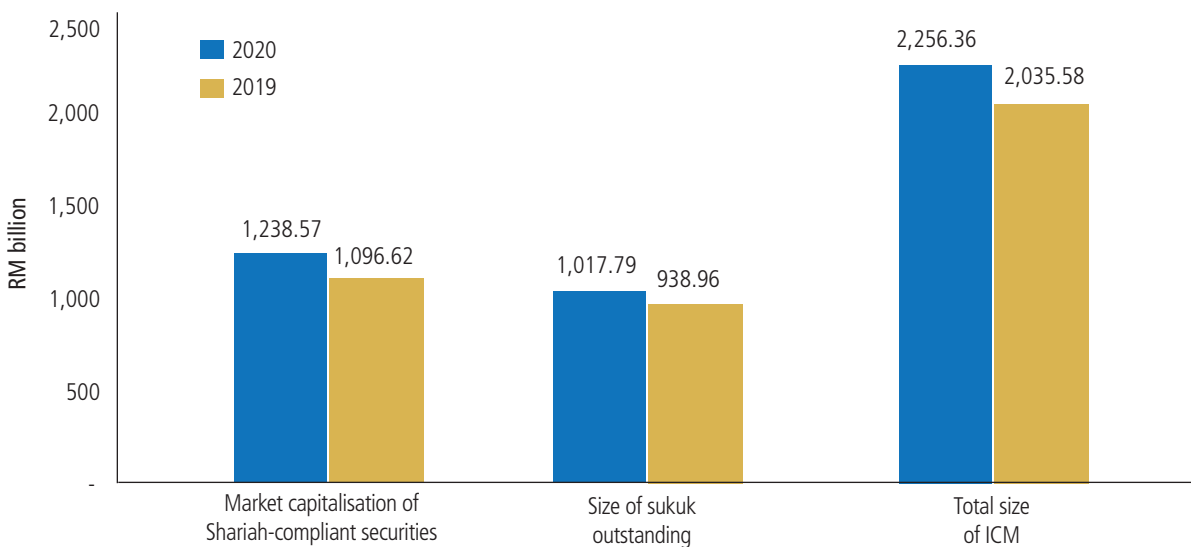
ISLAMIC CAPITAL MARKET

Malaysia's Islamic capital market continues to garner a larger share of the overall capital market, with a commanding 65.85%. Its market size recorded RM2,256.36 billion as at December 2020 in

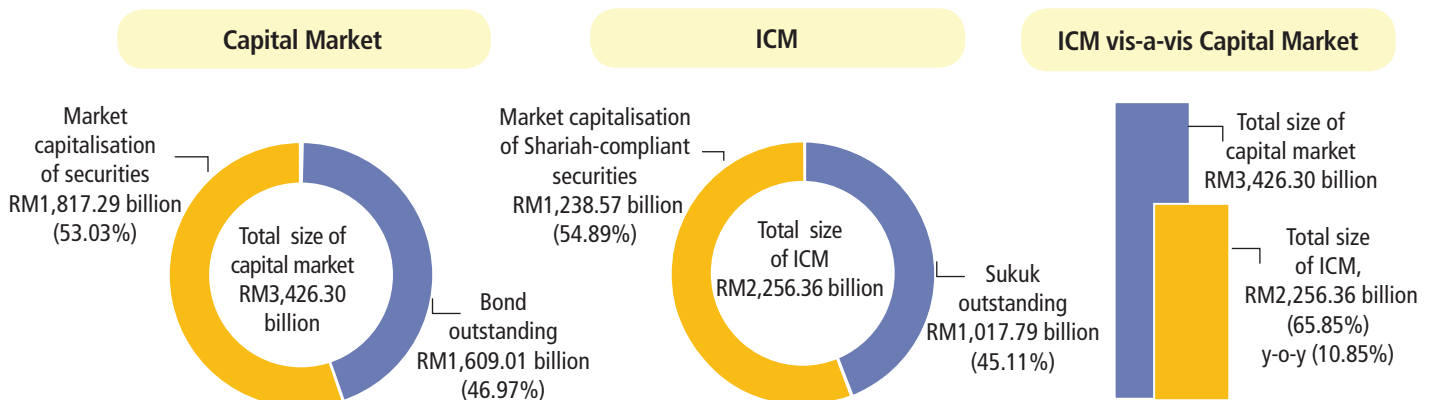
comparison with RM2,035.58 billion as at end 2019. This comprises total market capitalisation of Shariah-compliant equities of RM1,238.57 billion and total sukuk outstanding amounting to RM1,017.79 billion.

CHART 1

Size of Islamic capital market



Size of Capital Market and ICM as at December 2020



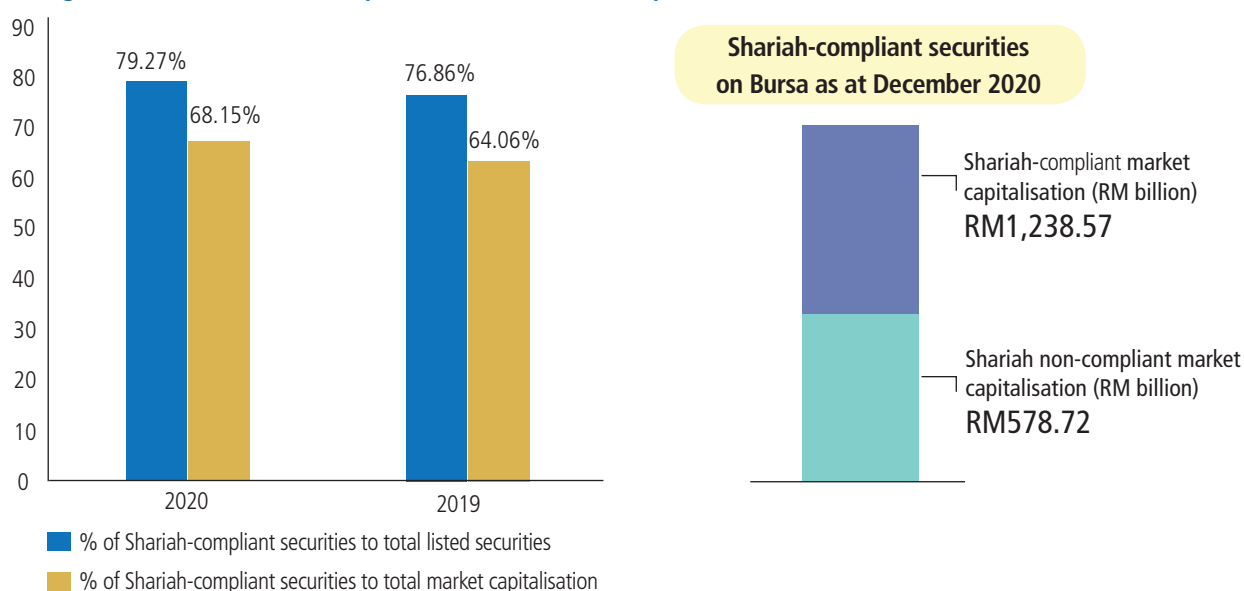
SHARIAH-COMPLIANT SECURITIES

As at December 2020, Shariah-compliant securities increased from 714 as at end 2019 to 742, which constituted 79.27% of the 936 listed securities on Bursa Malaysia. The market capitalisation of Shariah-compliant securities stood at RM1,238.57 billion or 68.15% of the total market

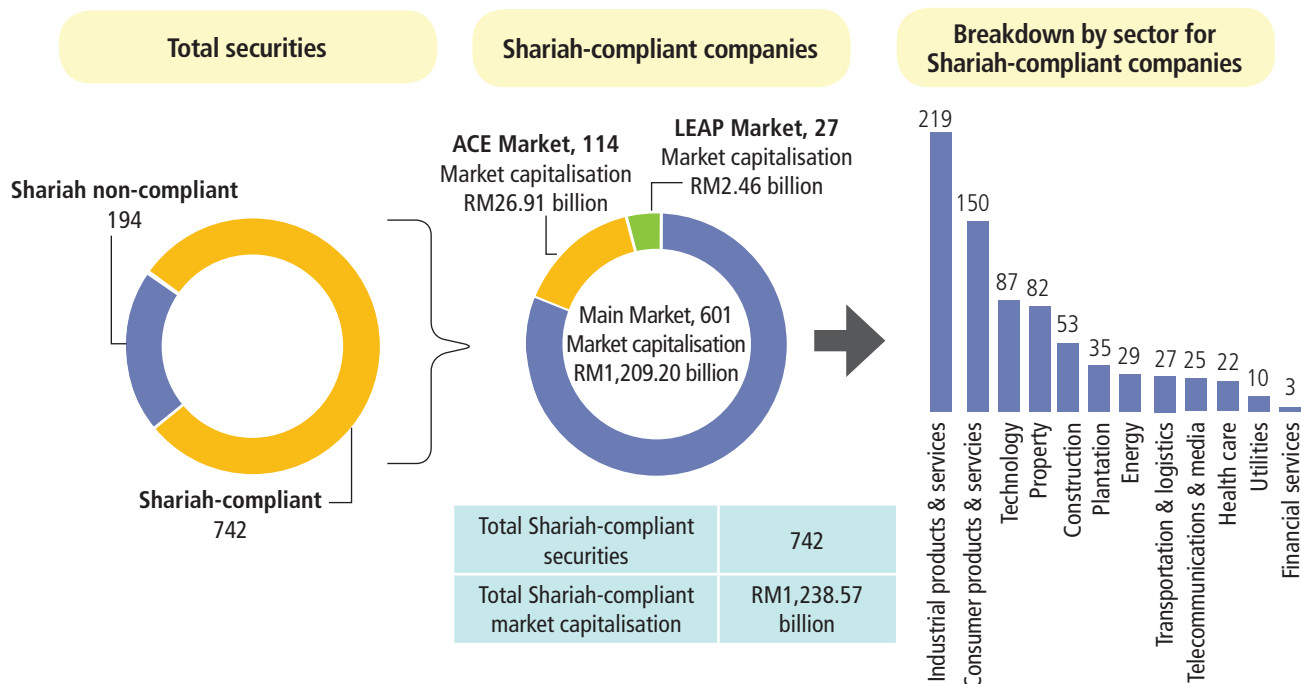
capitalisation, an increase of 12.94% as compared to end 2019 (Chart 2 and Table 2). The industrial products and services sector constitutes the most Shariah-compliant securities, with 219 (29.51%) of securities, followed by consumer products sector with 150 securities (20.22%), technology with 87 securities (11.73%) and property with 82 securities (11.05%).

CHART 2

Percentage of number and market capitalisation of Shariah-compliant securities



Islamic Equity Market as at December 2020



SUKUK

Corporate sukuk issuances represented 73.61% (2019: 77.09%) of total corporate bonds and sukuk issuances while corporate sukuk outstanding accounted for 81.03% (2019: 79.58%) of total corporate bonds and sukuk outstanding (Table 3).

Government sukuk issuances represented 56.07% (2019: 52.70%) of total Government bonds and sukuk issuances while sukuk outstanding accounted for 48.41% (2019: 48.40%) of total Government bonds and sukuk outstanding (Table 3).

Sukuk issuances by Government and corporates in December 2020 represented 61.07% (2019: 61.11%) of total bonds and sukuk issuances whereas total sukuk outstanding represented 63.26% (2019: 63.01%) of total bonds and sukuk outstanding (Table 5).

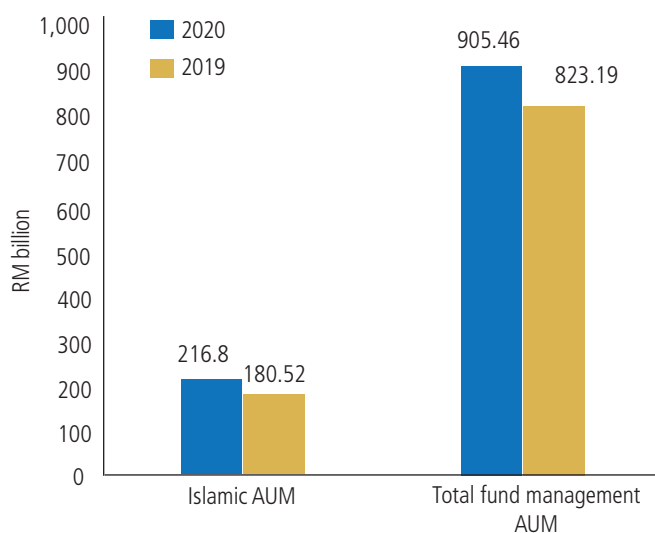
Two new corporate SRI sukuk were issued in 2020, bringing the total of SRI sukuk issuers to 13 since 2015. Corporate SRI sukuk issuances amounted to RM0.62 billion, 0.81% of total corporate sukuk issuances, while corporate SRI sukuk outstanding grew from RM4.71 billion in 2019 to RM5.25 billion as at December 2020, constituting 0.88% of total corporate sukuk outstanding.

ISLAMIC FUND MANAGEMENT

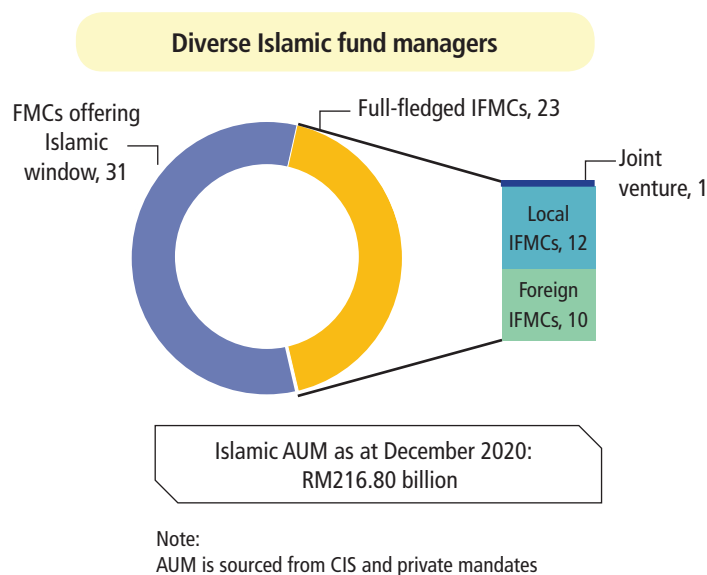
Islamic AUM as at December 2020 stood at RM216.80 billion registering 20.10% increase from RM180.52 billion as at end 2019 (Chart 3). The number of Islamic CIS (UTF, WF, PRS, REIT and ETF) stood at 336 as at December 2020 including 5 Islamic SRI unit trust funds. There were 54 FMCs managing Islamic funds, with 23 full-fledged Islamic FMCs and 31 FMCs offering Islamic windows as at December 2020.

CHART 3

AUM of Islamic fund management



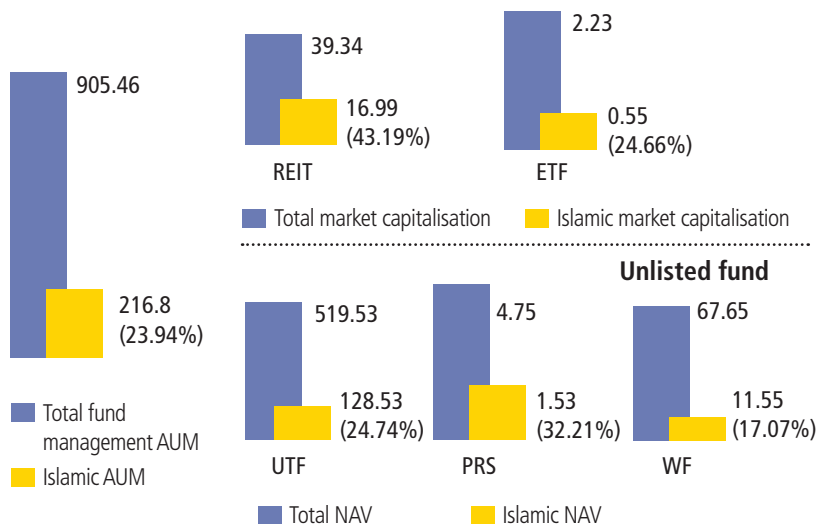
Islamic fund management as at December 2020



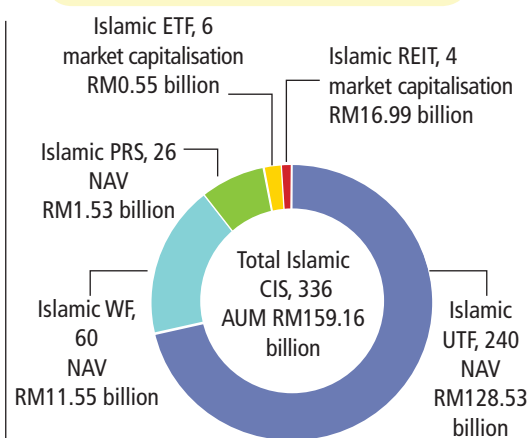
Islamic fund management as at December 2020

Fund management industry

RM in billion



Islamic CIS



KEY STATISTICS

TABLE 1

Size of ICM

Islamic capital market	2020 RM billion	2019 RM billion
Market capitalisation of Shariah-compliant securities	1,238.57	1,096.62
Size of sukuk outstanding	1,017.79	938.96
Total size of ICM	2,256.36	2,035.58
% ICM to total capital market	65.85%	63.57%

TABLE 2

Shariah-compliant securities

	2020	2019
Number of securities:		
Shariah-compliant securities	742	714
Total listed securities	936	929
% of Shariah-compliant securities to total listed securities	79.27%	76.86%
Market capitalisation (RM billion):		
Shariah-compliant securities	1,238.57	1,096.62
Total market capitalisation	1,817.29	1,711.84
% of Shariah-compliant securities to total market capitalisation	68.15%	64.06%

TABLE 3

Corporate sukuk

	2020	2019
Total issuance (RM billion) (long-term)		
Sukuk issuance	76.98	102.39
Total corporate bonds and sukuk issuances	104.58	132.82
% of sukuk to total corporate bonds and sukuk issuances	73.61%	77.09%
Total outstanding (RM billion) (long-term)		
Sukuk outstanding	593.43	555.50
Total corporate bonds and sukuk outstanding	732.39	698.04
% of sukuk to total corporate bonds and sukuk outstanding	81.03%	79.58%

TABLE 4

Government sukuk

	2020	2019
Total issuance (RM billion)		
Sukuk issuance	146.96	132.81
Total Government bonds and sukuk issuances	262.09	252.03
% of sukuk to total Government bonds and sukuk issuances	56.07%	52.70%
Total outstanding (RM billion)		
Sukuk outstanding	424.36	383.47
Total Government bonds and sukuk outstanding	876.62	792.24
% of sukuk to total Government bonds and sukuk outstanding	48.41%	48.40%

TABLE 5

Government and corporate sukuk

	2020	2019
Total issuance (RM billion)		
Sukuk issuance	223.94	235.20
Total bonds and sukuk issuances	366.67	384.85
% of sukuk to total bonds and sukuk issuances	61.07%	61.11%
Total outstanding (RM billion)		
Sukuk outstanding	1,017.79	938.96
Total bonds and sukuk outstanding	1,609.01	1,490.28
% of sukuk to total bonds and sukuk outstanding	63.26%	63.01%

TABLE 6

Islamic AUM

	2020	2019
Islamic AUM (RM billion)	216.8	180.52
Total fund management industry (RM billion)	905.46	823.19
% Islamic AUM to total fund management industry	23.94%	21.93%

TABLE 7

Islamic UTF

	2020	2019
Islamic UTF	240	236
Total industry	696	685
NAV of Islamic UTF (RM billion)	128.53	107.32
NAV of total industry (RM billion)	519.53	482.09
% NAV of Islamic UTF to total industry	24.74%	22.26%

TABLE 8

Islamic WF

	2020	2019
Islamic WF	60	58
Total industry	357	323
NAV of Islamic WF (RM billion)	11.55	12.33
NAV of total industry (RM billion)	67.65	58.10
% NAV of Islamic WF to total industry	17.07%	21.22%

TABLE 9

Islamic PRS funds

	2020	2019
Islamic PRS	26	26
Total industry	57	57
NAV of Islamic PRS (RM billion)	1.53	1.06
NAV of total industry (RM billion)	4.75	3.50
% NAV of Islamic PRS to total industry	32.21%	30.29%

TABLE 10

Listed Islamic REIT

	2020	2019
Islamic REIT	4	4
Total industry	18	18
Market capitalisation of Islamic REIT (RM billion)	16.99	18.24
Market capitalisation of total industry (RM billion)	39.34	43.83
% market capitalisation of Islamic REIT to total industry	43.19%	41.62%

TABLE 11

Islamic ETF

	2020	2019
Islamic ETF	6	6
Total industry	19	15
Market capitalisation of Islamic ETF (RM billion)	0.55	0.55
Market capitalisation of total industry (RM billion)	2.23	2.14
% market capitalisation of Islamic ETF to total industry	24.66%	25.70%

VENTURE CAPITAL AND PRIVATE EQUITY

The total number of registered corporations stood at 127 as at 31 December 2020 (Table 1). The venture capital segment accounted for 106 registered corporations (VCMC and VCC), while the private equity segment consisted of 21 registered corporations (PEMC and PEC).

As of end 2020, the number of professionals employed by the industry with at least four years' experience stood at 175.

TABLE 1

Statistics of industry participants

	31 December 2020	31 December 2019
Number of registered corporations	127	122
Number of registered VCMCs and VCCs	106	105
Number of registered PEMCs and PECs	21	17
Number of VC and PE professionals ¹	175	220

¹ Professionals with more than 4 years of experience

TABLE 2

Industry key statistics (RM million)

	31 December 2020		31 December 2019
	Private Equity	Venture Capital	
Total committed funds under management [1]	7,385.73	4,314.34	5,998.07
Total drawn capital [2]	5,874.77	3,187.31	4,285.08
Estimated capital available for investment [3]=[1]-[2]	1,510.96	1,127.03	1,712.99
Total no. of investee companies	31	311	304

CHART 1

Sources of funds, private equity (2020: RM7.39 billion)

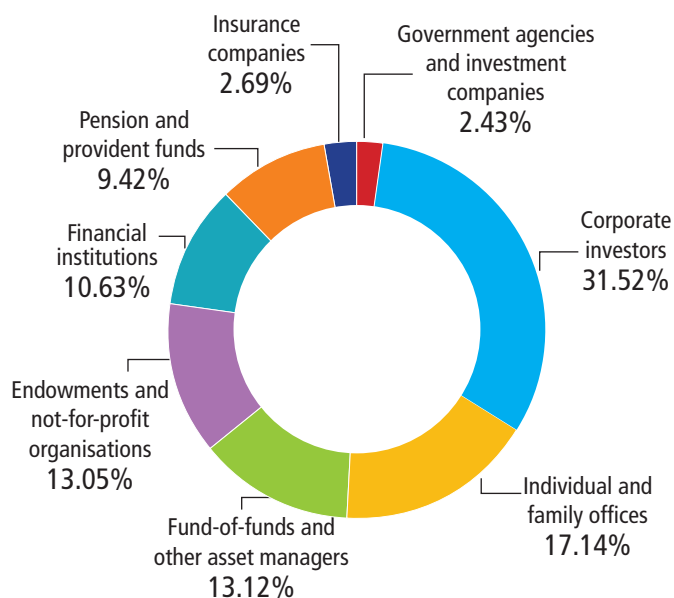
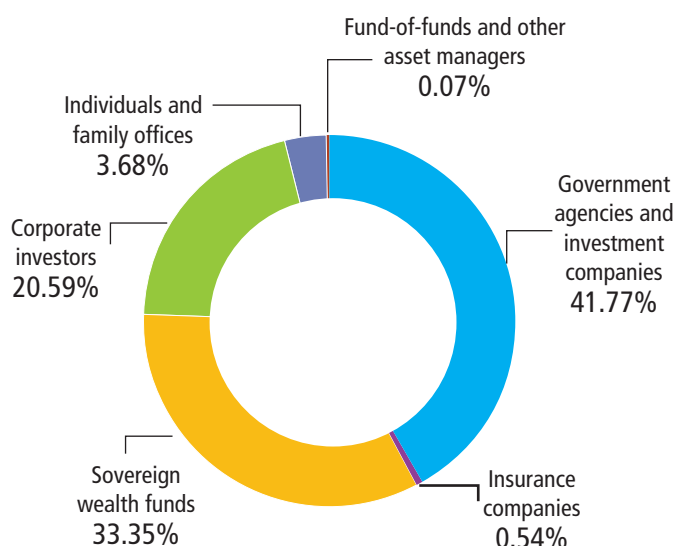


CHART 2

Sources of funds, venture capital (2020: RM4.31 billion)



Notes:

Government agencies and investment companies: Includes ministerial investment companies (e.g. Minister of Finance (Incorporated)), government agencies, statutory bodies and government-linked investment companies established for the purpose of managing investments of public funds (e.g. PNB, Ekuinas).

Total committed funds in the industry as at the end of 2020 stood at RM7.39 billion and RM4.31 billion for private equity and venture capital respectively (Table 2) with a combined total of RM11.70 billion. For private equity, commitments are sourced largely from corporate investors (31.52%), individuals and family offices (17.14%) and fund-of-funds and other asset managers (13.12%) (Chart 1).

For venture capital, government agencies and investment companies (41.77%), sovereign wealth funds (33.35%) and corporate investors (20.59%) make up the top 3 sources of funding (Chart 2). The top three registered corporations by amount of investor commitments as of end 2020 were Creador, Xeraya Capital and MAVCAP.

TABLE 3

Investments during 2020

Business stage	New investments (RM '000)	% of segment	No. of companies
Venture Capital			
Seed	24,276.30	9.45	10
Start-up	2,954.50	1.15	5
Early stage	129,688.24	50.50	40
Growth	99,869.72	38.89	52
Turnaround/Restructuring	21.00	0.01	1
Private Equity			
Early stage	10,000.00	12.97	1
Growth	53,801.65	69.75	6
Bridge/Mezzanine/Pre-IPO	854.50	1.11	1
Turnaround/Restructuring	12,475.00	16.17	1
Total	333,940.91	100.00	117
<i>Venture Capital</i>	<i>256,809.76</i>	<i>76.90</i>	<i>108</i>
<i>Private Equity</i>	<i>77,131.15</i>	<i>23.10</i>	<i>9</i>

VC investments in 2020 concentrated on early stage (50.50%) and growth (38.89%) segments respectively while PE investments were primarily channeled to growth (69.75%) followed by

turnaround or restructuring (16.17%) and early-stage (12.97%) opportunities. In total, 108 VC and 9 PE deals respectively were recorded in 2020. (Table 3)

In terms of target industries, medical and biotechnology (60.64%) saw the highest share of VC investment in 2020, followed by information and communication (21.54%) and arts industry (8.66%). As for PE, investments were largely channeled to financial services (42.10%) in 2020, followed by information and communication (40%) and energy and utilities (12.96%) (Chart 3).

Divestments by PE firms were predominantly in the growth stage (96.81%). Similarly, VC divestments were significant in the growth stage (60.27%) followed by seed stage divestments (18.34%). Divestments were mainly through redemptions (Table 4).

CHART 3

Investments in 2020, top 5 target industries

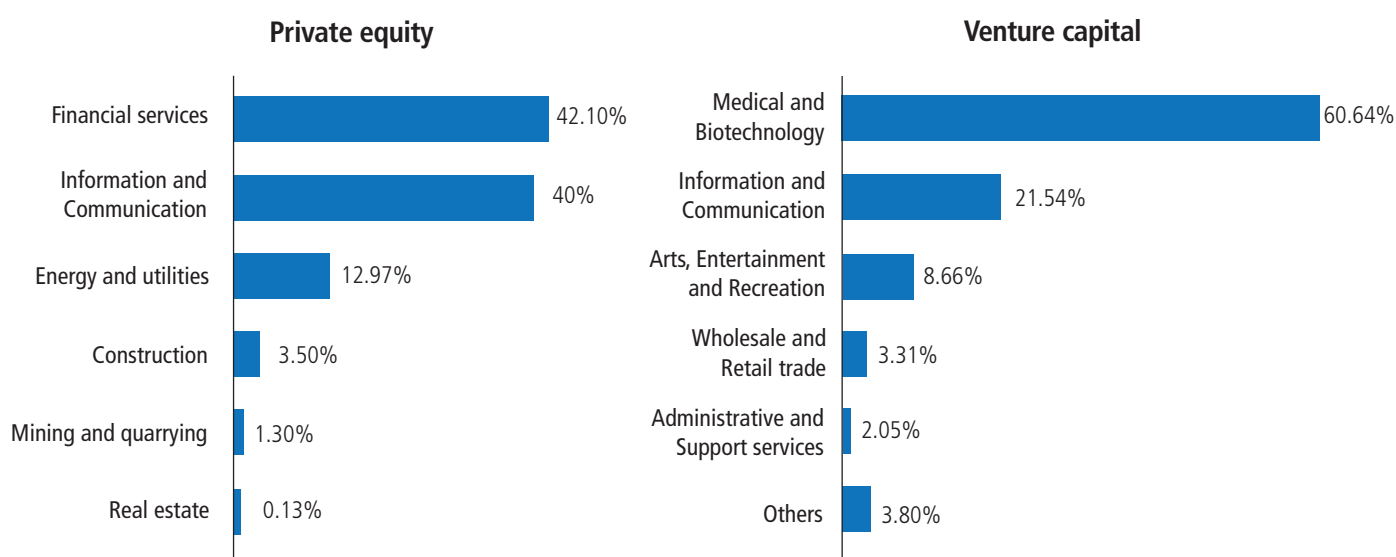


TABLE 4

Divestments during 2020

Business stage	Divestments (RM '000)	% of segment	No. of companies
Venture Capital			
Seed	6,158.43	18.34	5
Start-up	1,502.61	4.47	3
Early stage	5,552.48	16.54	15
Growth	20,233.68	60.27	34
Turnaround/Restructuring	126.53	0.38	7
Private Equity			
Growth	25,957.73	96.81	6
Bridge/Mezzanine/Pre-IPO	854.50	3.19	1
TOTAL	60,385.96	100.00	71
<i>Venture Capital</i>	<i>33,573.73</i>	<i>55.60</i>	<i>64</i>
<i>Private Equity</i>	<i>26,812.23</i>	<i>44.40</i>	<i>7</i>

EQUITY CROWDFUNDING AND PEER-TO-PEER FINANCING

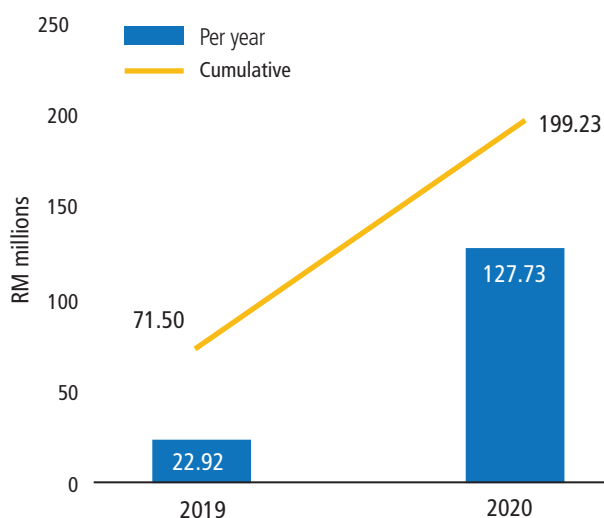
EQUITY CROWDFUNDING¹

Since 2016, the ECF has fundraised RM199.23 million (Chart 1) benefitting 150 issuers through 159 successful campaigns.

In 2020 alone, the total capital raised grew by 457% to RM127.73 million, from RM22.92 million in 2019 (Chart 1). A total of 78 issuers have successfully fundraised via 80 campaigns (Table 1), with 2 issuers fundraising twice within 2020. Majority of issuers are based in Kuala Lumpur or Selangor and 60% are technology-focused issuers.

CHART 1

Capital raised in RM millions



Campaign size in 2020 has shifted towards larger fundraising amounts, with 84% of campaigns raised beyond RM500,000 mark (Chart 2).

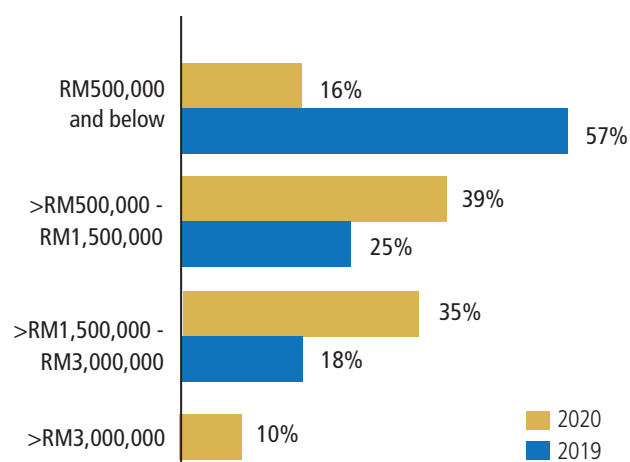
TABLE 1

Number of issuers and successful campaigns

	2020	2019
Number of issuers	78	28
Number of campaigns	80	28

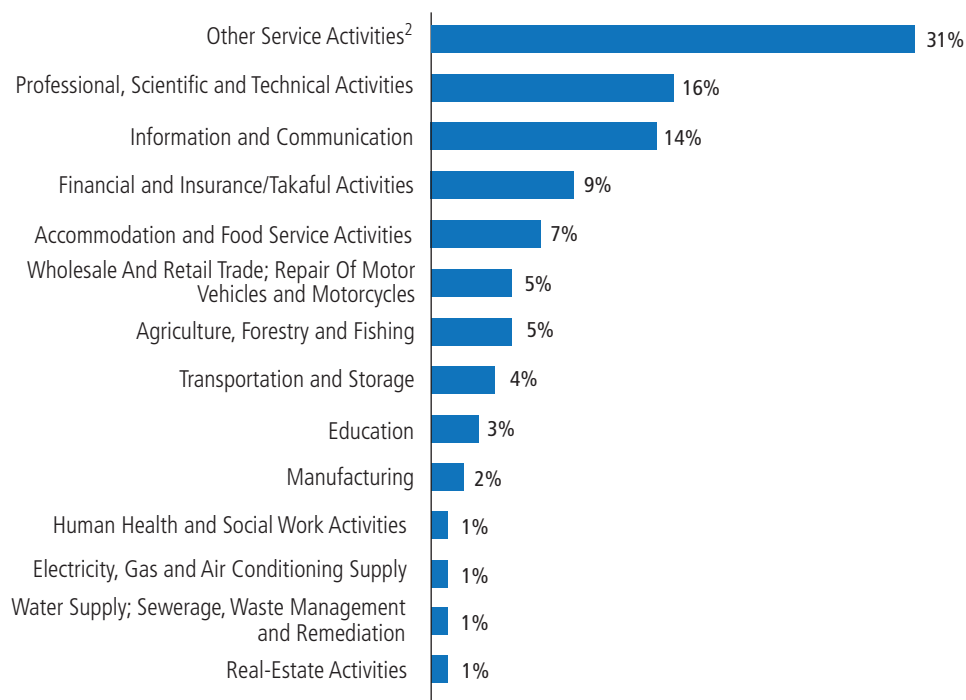
CHART 2

Distribution of fundraising amount



¹ Previously reported statistics have been adjusted according to the RMOs latest reported numbers.

CHART 3

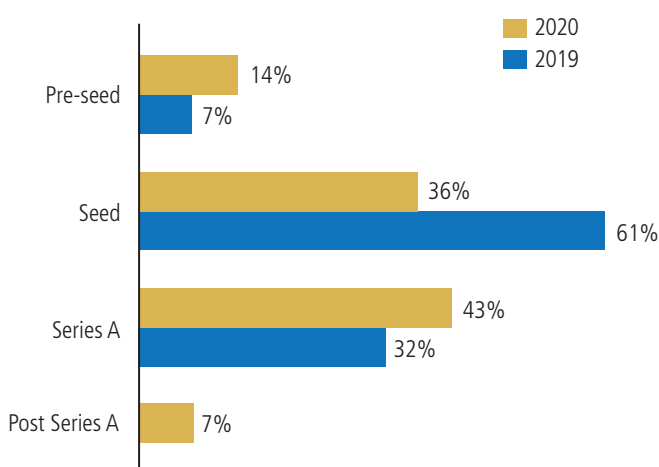
Capital raised by sectors in 2020

Top 3 sectors by amount of capital raised in 2020 were 'Other Service Activities' with RM38.88 million (31%), 'Professional, Scientific and Technical Activities' with RM19.96 million (16%) and 'Information and Communication' with RM18.27 million (14%) (Chart 3).

In 2020, the number of campaigns for Seed funding reduced to 36% from 61% in 2019 (Chart 4). Campaigns in Series A and onwards grew from 32% in 2019 to 50% in 2020. 7% of the campaigns in 2020 involved Post Series A funding (Chart 4). Majority of the capital raised from successful campaigns in 2020 was for business expansion.

Table 2 represents a comparative table for investor demographics in 2020 and 2019.

CHART 4

Funding stages

² 'Other Service Activities' sector includes activities of membership organisations, repair of computers, personal and household goods and other personal service activities.

TABLE 2

ECF investor demographics

		2020	2019
Nationality	Malaysian	95%	96%
	Foreign	5%	4%
Gender	Female	34%	32%
	Male	66%	68%
Age	Below 35	44%	48%
	35 to 45	33%	30%
	>45 to 55	15%	13%
	Above 55	8%	9%
Type	Retail	66%	55%
	Angel	24%	16%
	Sophisticated – HNWI	8%	27%
	Sophisticated – HNWE and Institutional	2%	2%

PEER-TO-PEER FINANCING³

Since 2017, P2P financing has raised a total of RM1.14 billion (Chart 5). It has provided financing to 2,801 issuers through 15,862 successful campaigns.

In 2020, the total capital raised grew by 20% to RM503.31 million, from RM418.64 million in 2019 (Chart 5). A total of 1,325 issuers have successfully fundraised via 7,760 campaigns in 2020, reflecting a 6% decrease in total number of issuers and a 39% increase in total number of successful campaigns from 2019 (Table 3). A total of 63% issuers are based in Kuala Lumpur or Selangor and 36% are technology-focused issuers.

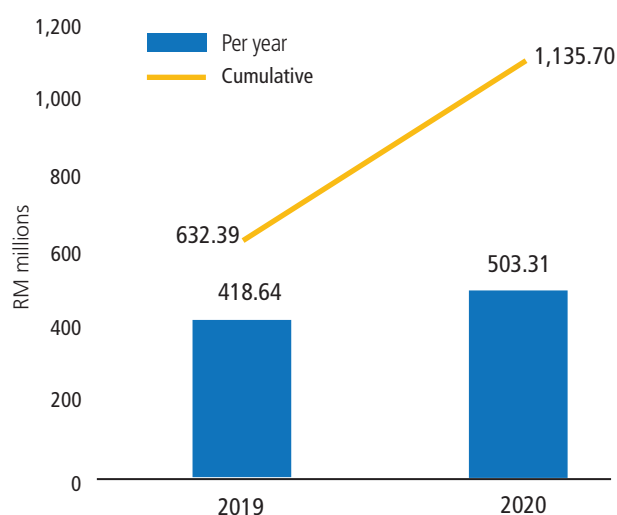
TABLE 3

Number of issuers and successful campaigns

	2020	2019
Number of issuers	1,325	1,415
Number of campaigns	7,760	5,583

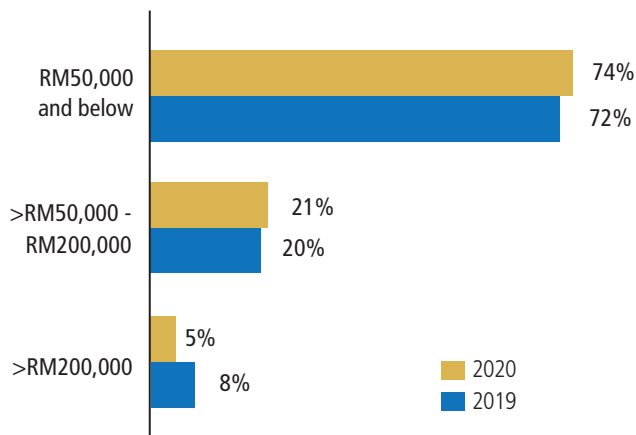
CHART 5

Capital raised in RM millions



³ Previously reported statistics have been adjusted according to the RMOs latest reported numbers.

CHART 6

Distribution of fundraising amount

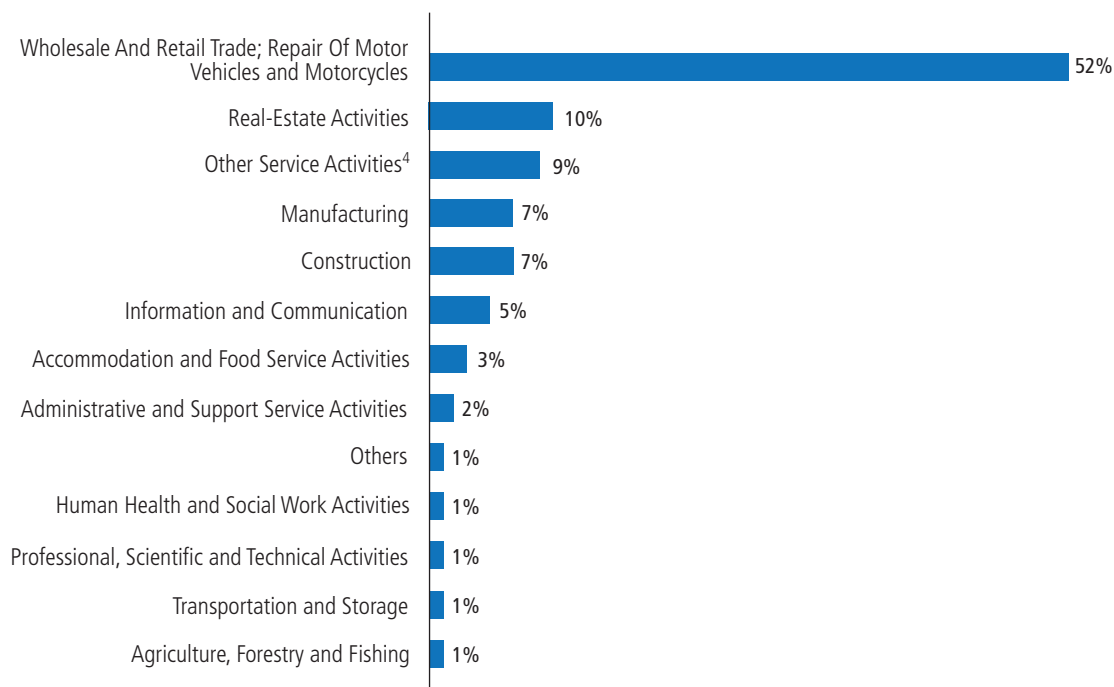
In terms of distribution of fundraising amount, majority of campaigns (74%) has successfully fundraised RM50,000 and below in 2020 (Chart 6).

Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles sector remains the largest sector served in 2020 (Chart 7).

In 2020, investment notes issued for micro, business and invoice financing has decreased as compared to 2019 (Chart 8). The bulk of investment notes (56%) were issued for other financing types (Chart 8).

A majority (77%) of the campaigns in 2020 involved shorter-term financing, with tenures of 3 months or less (Chart 9). Capital raised from successful campaigns

CHART 7

Capital raised by sectors in 2020

⁴ 'Other Service Activities' sector includes activities of membership organisations, repair of computers, personal and household goods and other personal service activities.

CHART 8

Types of financing

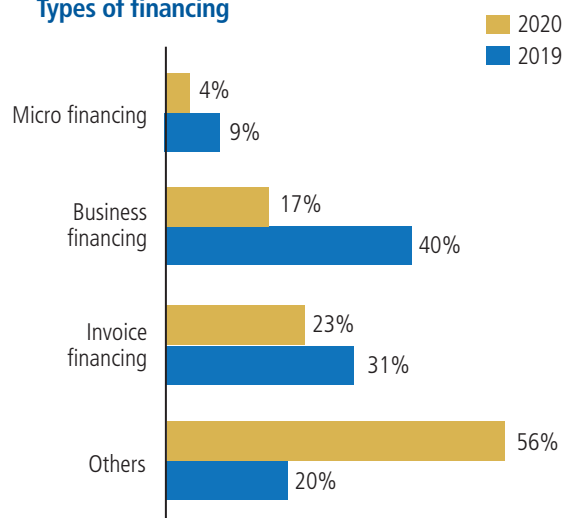
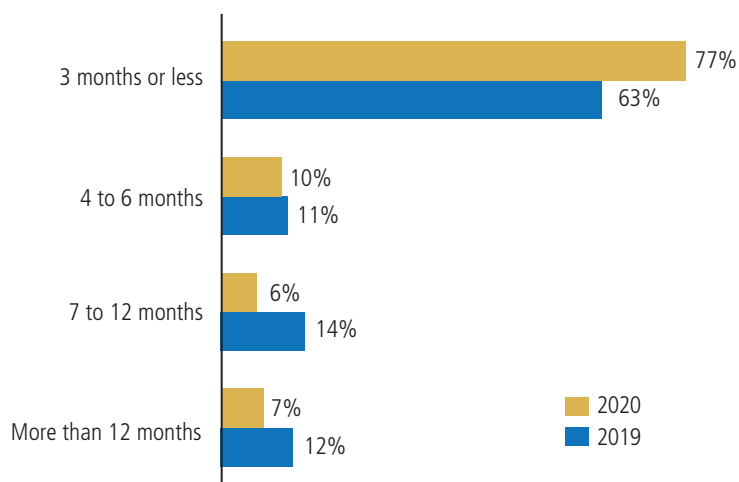


CHART 9

Tenure of notes



in 2020 was mainly for working capital. Simple interest rate on P2P financing notes issued in 2020 decreased to 12.7% p.a from 13.1% p.a in 2019 (Table 4).

Table 5 represents a comparative table of investor demographics in 2020 and 2019.

TABLE 4

Simple interest rates⁵ per annum

Notes issued in 2020	12.7%
Notes issued in 2019	13.1%

TABLE 5

P2P financing investor demographics

		2020	2019
Nationality	Malaysian	98%	98%
	Foreign	2%	2%
Gender	Female	28%	28%
	Male	72%	72%
Age	Below 35	60%	63%
	35 to 45	25%	24%
	>45 to 55	9%	9%
	Above 55	6%	4%
Type	Retail	87%	99%
	Angel	11%	0%
	Sophisticated – HNWI	2%	1%

⁵ Simple interest rate per annum is calculated as the average of all notes issued in a particular year, weighted against the size of each note.

AUTHORISATION AND LICENSING

The number of CMSL holders including individual licensees for financial planning and investment advice stood at 238 compared to 234 in 2019. There were 5 cessations, 1 revocation and 10 new licences being issued, which resulted in a net increase of 4 CMSLs in 2020.

The 10 new licences issued during the year were for:

- Fund management (5 companies);
- Advising on corporate finance (1 company);
- Investment advice (1 company); and
- Financial planning (3 companies).

The SC continues to see interest in the fund management and financial planning segments especially in the digital fund management segment.

The 5 cessations in 2020 were mainly due to business realignment, group rationalisation and restructuring and shifts in geographical focus.

Revocation of a licence was in respect of Etalage Sdn Bhd due to the company's failure to carry out its licensed activities for a consecutive period of 3 months. In 2020, 3 CMSLs had varied their CMSL to include at least 1 regulated activity to their existing CMSL.

The number of CMSRL holders increased marginally to 9,734 from 9,660 in 2019. There were 600 cessations, 4 revocations, 1 surrender and 679 new CMSRL licences being issued, which resulted in a net increase of 74 CMSRLs in 2020.

There was an increase in the number of registered Marketing Representatives¹ from 367 as at December 2019 to 464 as at December 2020. The number of registered Trading Representatives² remained at 107 for both 2019 and 2020. The number of Employees of Registered Persons³ increased marginally to 5,068 from 5,025 in 2019.

In 2020, the SC also approved 7 new registrations for the VC industry comprising 1 PEC, 3 PEMC, 1 VC and 2 VCMC.

¹ Marketing representative means a person who acts as an introducer for a principal, undertakes marketing of the services, provides client support services and is registered with the principal under the *Guidelines for Marketing Representative*.

² Trading representative means a person who executes securities trade for a participating organisation and is registered with the SC under section 76 of the CMSA.

³ Registered person means a person registered under section 76 of the CMSA.

Table 1

Categories of CMSL holders

By core activity	2020	2019
Dealing in securities ¹	36	36
Dealing in derivatives	7	7
Fund management	100	97
Advising on corporate finance	41	42
Investment advice	16	15
Investment advice (individual)	1	1
Financial planning	35	34
Financial planning (individual)	2	2
TOTAL	238	234

Note:

¹ Includes 5 CMSLs for dealing in securities restricted to unit trust and 1 CMSL for dealing in securities restricted to listed securities.

By regulated activity	2020	2019
Dealing in securities		
Investment banks	10	10
Universal brokers	1	1
1+1 stockbroking companies	12	12
Special scheme foreign stockbroking companies	7	7
	30	30
Dealing in derivatives		
Investment banks	5	5
1+1 stockbroking companies	3	3
Special scheme foreign stockbroking companies	2	2
Others	7	7
	17	17
Clearing		
Investment banks	5	5
1+1 stockbroking companies	3	3
Special scheme foreign stockbroking companies	2	2
Others	6	6
	16	16

Table 1

Categories of CMSL holders *(Continue)*

Fund management	2020	2019
Portfolio management		
Investment banks	1	1
Unit trust management companies	24	24
Special scheme foreign fund managers	5	5
Islamic fund managers	23	23
Boutique fund managers	5	4
DIM companies	5	2
Others	20	21
Asset management		
Real estate investment trusts	18	18
	101	98
Advising on corporate finance		
Investment banks	10	10
1+1 stockbroking companies	7	6
Special scheme foreign stockbroking companies	5	5
Others/standalone/boutique corporate finance companies	42	43
	64	64
Investment advice		
Investment banks	9	9
1+1 stockbroking companies	8	8
Special scheme foreign stockbroking companies	7	7
Unit trust management companies	3	3
Others/standalone/boutique investment advice companies	23	22
	50	49
Financial planning		
1+1 stockbroking companies	1	-
Unit trust management companies	5	5
Corporate unit trust advisers	18	17
Others/standalone/boutique financial planning companies	20	20
	44	42

Table 1

Categories of CMSL holders *(Continue)*

Fund management	2020	2019
Dealing in securities restricted to unit trusts		
Unit trust management companies	29	29
Islamic fund managers	10	10
Special scheme foreign fund managers	1	-
Corporate unit trust advisers	18	17
Others	1	1
	59	57
Dealing in securities restricted to listed securities		
Others	1	1
	1	1
Dealing in securities restricted to OTC bond		
Others	1	1
	1	1
Dealing in private retirement schemes		
Investment banks	1	1
1+1 stockbroking companies	1	-
Unit trust management companies	9	9
Corporate private retirement scheme advisers	18	17
Others	2	3
	31	30
GRAND TOTAL	414	405

Table 2

Categories of CMSRL holders

By core activity	2020	2019
Dealing in securities	6,320	6,326
Dealing in derivatives	450	469
Fund management	807	819
Advising on corporate finance	756	768
Investment advice	285	301
Financial planning	1,116	977
GRAND TOTAL	9,734	9,660

Table 3

Application for new company licences

Regulated activities	Dealing in securities		Dealing in derivatives		Fund management		Advising on corporate finance		Investment advice		Financial planning	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Issued	-	-	-	1	5	2	1	2	1	-	3	1

Table 4

Application for new representatives' licences

Regulated activities	Dealing in securities		Dealing in derivatives		Fund management		Advising on corporate finance		Investment advice		Financial planning	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Issued	275	417	36	43	64	90	59	131	31	43	214	196
Withdrawn*	16	70	-	13	10	44	2	27	2	4	45	52
Returned*	202	159	19	27	117	103	33	69	15	16	214	135

Note:

* By regulated activities

Table 5

Cessation of company/individual licences

Regulated activities	Dealing in securities		Dealing in derivatives		Fund management		Advising on corporate finance		Investment advice		Financial planning		Financial planning	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
(Individual)														
Ceased	-	1*	-	2	2	2	2	2	-	1	1	2	-	1
Revoked	-	-	-	-	-	1	-	-	-	-	1	-	-	-
Suspended	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note:

* Dealing in securities restricted to unit trust

Table 6

Cessation of representatives' licences

Regulated activities	Dealing in securities		Dealing in derivatives		Fund management		Advising on corporate finance		Investment advice		Financial planning	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Ceased*	338	514	69	107	76	88	68	121	49	46	66	47
Revoked	-	1	-	-	-	-	-	-	-	-	-	-
Suspended	-	1	-	-	-	-	-	-	-	-	-	-

Note:

* By regulated activities

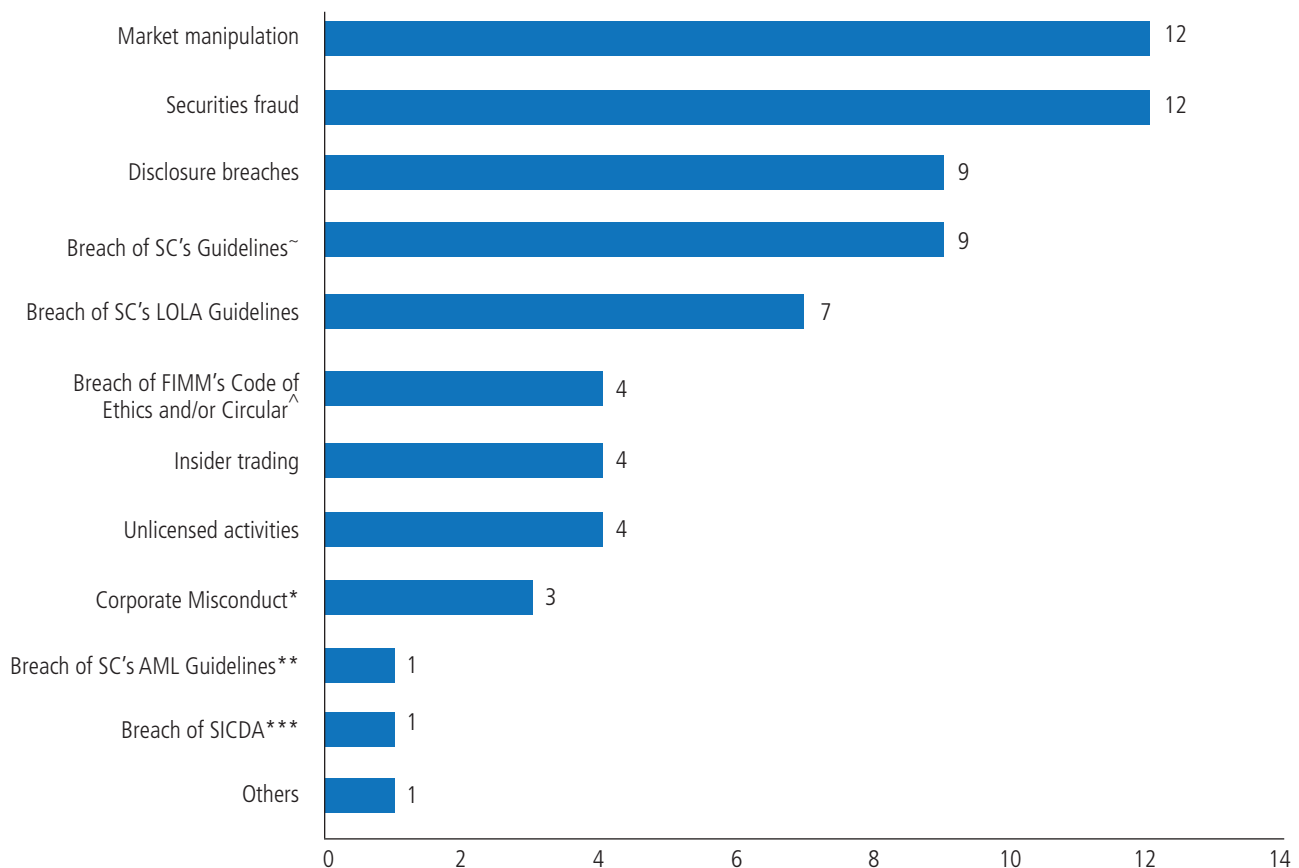
ENFORCEMENT

In 2020, the SC reviewed 67 possible capital market breaches arising mostly from active surveillance of market and corporate activities, supervision and complaints. More than half of these breaches were attributed to securities fraud, market manipulation, disclosure related and the SC Guidelines breaches (Chart 1).

As of 31 December 2020, there were 38 active investigations (Chart 2). Substantial resources were dedicated to conduct investigation of securities fraud and market manipulation offences, on which has been an increasing trend since 2016 (Chart 3).

CHART 1

Total referral by nature of offence



~ Other than SC's LOLA and AML Guidelines

^ Federation of Investment Managers Malaysia

* Other than Disclosure breaches

** Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries

*** Securities Industry (Central Depositories) Act 1991

CHART 2

Active investigations by nature of offences

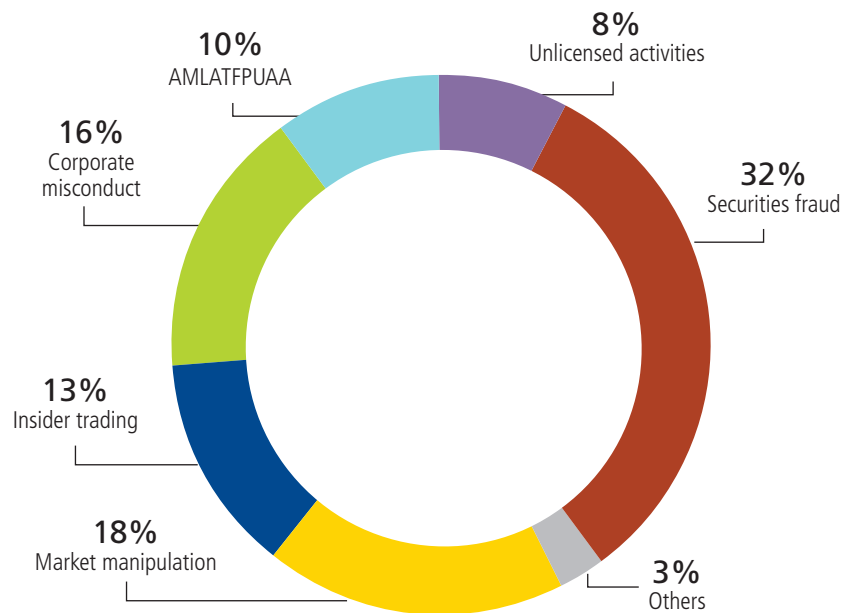
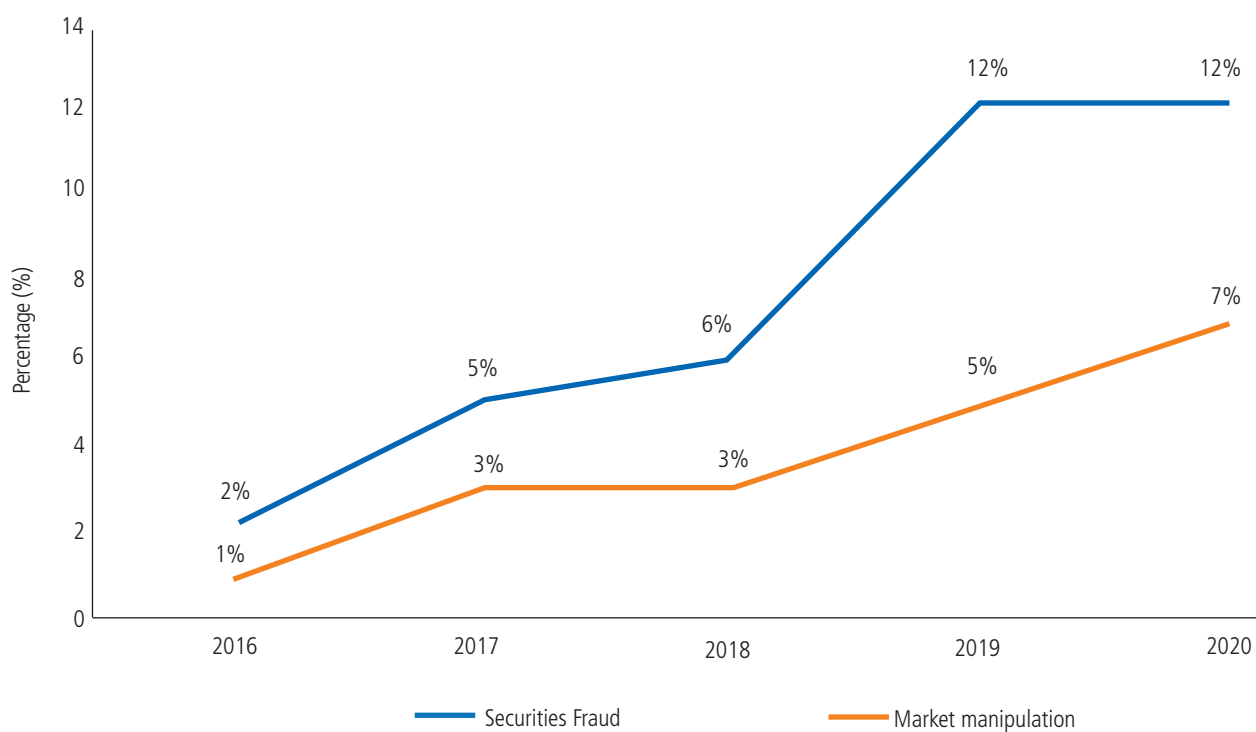


CHART 3

Uptrend of active investigations involving securities fraud and market manipulation offences from 2016 to 2020



The SC's Investigating Officers are given an array of investigative powers under the SCMA to facilitate the gathering of admissible evidence. This includes the power to obtain documentary and oral evidence, which form an integral part of the investigative process. In 2020, the SC searched 5 premises to gather relevant information and documents. A total of 162 boxes of documents and 6 digital devices have been seized from these premises. Electronic documents were extracted from the digital devices and analysed by the SC's digital forensics team.

In 2020, the SC's Investigating Officers recorded formal witness statements from 142 individuals. More than 75% of these statements were recorded from investors/securities accountholders, licensed person, professionals (which include auditors, bankers, lawyers and company secretaries as well as directors and senior management of PLCs (Chart 4).

The SC also sought assistance to record statements from witnesses located overseas and to obtain documentary evidence such as banking documents, securities transaction, telephone records as well as information on beneficial ownership of companies from foreign supervisory authorities under the

IOSCO Multilateral Memorandum of Understanding on Consultation and Co-operation and Exchange of Information.

The SC made 18 requests for investigative assistance to 8 foreign supervisory authorities (Table 1). The SC rendered assistance to 4 foreign assistance supervisory authorities in relation to 5 requests for investigation assistance.

Administrative Actions

In 2020, a total of 45 administrative sanctions were imposed by the SC for various misconducts and breaches of securities laws including issuance of an abridged prospectus containing information from which there is a material omission, breaches of licensing conditions, breach of take-overs and mergers provisions and for late submission of documents under the LOLA Framework.

Sanctions imposed on the parties in breach comprised reprimands, revocation of licence, imposition of penalties and directives and requirement to make restitution (See Table 2).

CHART 4

Witness statements recorded in 2020 by type of witness

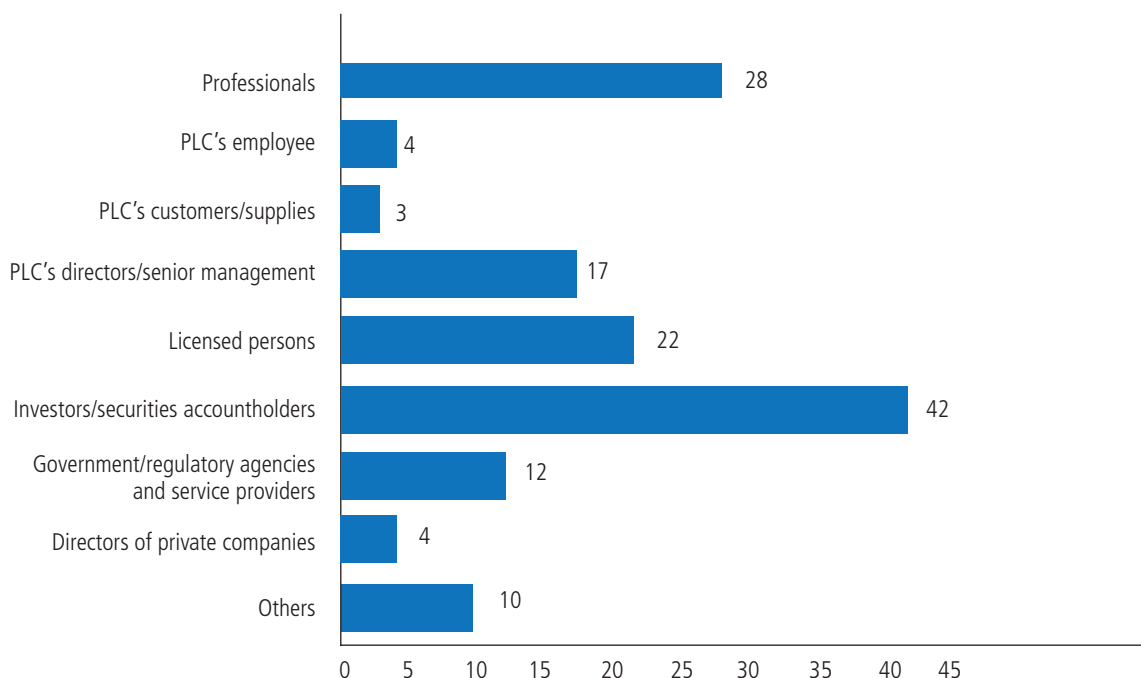


TABLE 1

Requests for investigative assistance

Jurisdictions	No. of requests
British Virgin Island	3
Hong Kong	3
India	1
Japan	1
Jersey	1
Luxembourg	2
Singapore	4
United Kingdom	3
TOTAL	18

In 2020, a total of RM1.29 million in penalties were imposed against the following parties:

- A chief executive officer and directors of a PLC for authorising the issuance of an abridged prospectus containing information from which there is a material omission;
- A principal adviser for causing the issuance of the aforementioned abridged prospectus containing information from which there is a material omission;
- A licensed intermediary for delay in submitting the monthly statistical returns for wholesale funds;

TABLE 2

Administrative actions taken in 2020 by types of sanction and parties in breach

Parties in breach	Types of sanctions				
	Reprimand	Revocation/ Suspension of Licence	Penalty	Directive	Restitution
Licensed persons	9	1	2	3	1
PLCs or company applying for listing	1	-	-	-	-
Directors/senior management of PLC or company applying for listing	9	-	5	-	-
Principal Adviser	1	-	1	1	-
Persons acting in concert	3	-	1	-	-
Other individuals ¹	3	-	3	-	1
TOTAL	26	1	12	4	2

¹ 2 individuals who allowed third persons who are not the beneficial owners of their CDS accounts to dispose shares through the accounts, and a unit trust consultant who had committed misconduct in breach of the FIMM's *Code of Ethics and Rules of Professional Conduct* (Unit Trust Funds).

- A licensed individual for engaging in an act, practice or course of business which operated as a fraud directly in connection with the subscription, purchase and sale of securities and derivatives;
- 2 individuals who allowed third persons who are not the beneficial owner of their CDS accounts to dispose shares through the accounts;
- A unit trust consultant who had committed misconduct in breach of the FIMM's *Code of Ethics and Rules of Professional Conduct* (Unit Trust Funds); and
- Persons acting in concert who had increased their collective shareholdings to more than 33% without undertaking a mandatory offer hence constituted a breach under the take-overs and mergers provisions.

Ongoing Court Cases for 2020

For the year 2020, there were 34 ongoing cases at various level of courts from the Sessions Court up to the Court of Appeal involving 62 individuals. (Table 3)

TABLE 3

Ongoing cases in courts

Court	No. of cases	No. of individuals
Sessions Court	17	28
High Court (Criminal)	4	4
High Court (Civil)	8	22
Court of Appeal	5	8
TOTAL	34	62

The nature of cases ranges from insider trading (50%), corporate governance related breaches such as financial misstatement and financial disclosure (17%), securities fraud (9%), market manipulation (9%), unlicensed activities (6%) and AMLATFPUAA (9%) (Chart 2) (Table 4).

TABLE 4

Breakdown of nature of cases by number of cases and individuals

Type of offence	No. of cases	No. of individuals
Corporate governance	6	12
Insider trading	17	25
Securities fraud	3	5
Market manipulation	3	6
Unlicensed activities	2	10
AMLATFPUAA	3	4
TOTAL	34	62

Civil Enforcement Actions 2020

In 2020, the SC initiated civil enforcement action against 14 individuals. This includes an *ex parte* injunction to freeze assets amounting to RM169,223,500.00 from 3 defendants suspected to be involved in a securities fraud. This injunction order was obtained via the SC's first online injunction application during the MCO.

A total of RM11,955,894.63 was disgorged from 18 individuals by way of regulatory settlements and a further RM1,228,752.00 was disgorged through consent judgment from 4 individuals. This is on top of a disgorgement against an individual amounting to RM2,089,402.00 obtained by the SC from a full judgement. A total of RM2.2 million payment of civil penalty was also obtained by the SC for the year 2020.

As of 31 December 2020, a total of RM3,868,679.24 have been restituted to 533 investors. A further RM4,339,821.62 have been earmarked for further restitutions involving 1,205 investors. Through its civil enforcement action, 15 individuals were restrained from trading in the stock exchange while 16 individuals were barred from becoming a director of PLC.

Further details on the SC's Civil Enforcement Action are available in the SC's website via this link, <https://www.sc.com.my/regulation/enforcement/actions/civil-actions-and-regulatory-settlements/civil-action-in-2020>.

Criminal Action 2020

In 2020, the SC managed to secure convictions against 5 individuals involved in various breaches of securities laws such as securities fraud, false financial disclosure, insider trading and failure to appear before an investigation officer for a money laundering investigation.

The sentence imposed through these convictions include a jail period of up to 6 months and total fines of RM5,884,500.00.





A total of RM1.2 million was also collected by the SC through payment of its compound.

Further details on the SC's Criminal Action are available in the SC's website via this link, <https://www.sc.com.my/regulation/enforcement/actions/criminal-prosecution/updates-on-criminal-prosecution-in-2020>.

INVESTOR EMPOWERMENT INITIATIVES

VIRTUAL INVESTSMART® Fest 2020

23 – 25 OCTOBER 2020

 <p>9,000+ VISITORS</p> <ul style="list-style-type: none"> Over 50% reside outside Klang Valley 30% are between the ages of 18-30 	 <p>37 EXHIBITORS</p> <ul style="list-style-type: none"> Capital Market Intermediaries Associations Regulatory and Government Agencies
 <p>40 SPEAKERS</p>	 <p>460 Slots of free consultation with licensed financial planners offered at #FinPlan4U service desk</p>

On the investor education end, the COVID-19 pandemic has impacted the InvestSmart®'s plan for face-to-face or on ground investor education initiatives. As InvestSmart® events such as Bersama InvestSmart®@Borneo and InvestSmart®@SC had to be cancelled, its focus shifted to digital media, television and radio as the means to continue reaching out to the public with its investor education initiatives.

Virtual InvestSmart® Fest 2020

In October 2020, the seventh instalment of the InvestSmart® Fest was held virtually for the first time. InvestSmart® Fest 2020 themed, 'Silap Labur Duit Lebur' was in support of the Financial Education Network's (FEN) inaugural Financial Literacy Month 2020 held in October. The event gathered 37 exhibitors comprising capital market intermediaries, associations, regulators and ECF, P2P financing and digital assets market operators. The 3-day event also offered over 450 free consultations with licensed financial planners at the virtual #FinPlan4U financial services desk.



Anti-Scam Initiatives

Recognising the potential rise in scams during the current economic uncertainties due to the COVID-19 pandemic, InvestSmart® carried out various initiatives to raise awareness on anti-scam.

Key initiatives were:

New InvestSmart® Anti-scam Videos



In conjunction with the event, InvestSmart® broadcasted 4 new anti-scam awareness videos to raise awareness among investors from falling prey to scams. The videos garnered over 190,000 views online.

Dedicated Anti-scam Webpage on the SC's Website



A dedicated web-page was created on the SC's website to share insights on the scammers' *modus operandi*, steps that public can take to avoid being scammed and news related to scams, not only in Malaysia but also overseas.

3 week TV Campaign on Media Prima Channels



InvestSmart® carried out a TV campaign on anti-scam awareness for three weeks from 10 to 30 April 2020 via 4 Media Prima TV channels – TV3, TV9, NTV7 and 8TV. The 15-second message was screened 504 times throughout the 3-week period, reminding the public to exercise extra caution, with reminders on the InvestSmart® T.I.P.U formula before investing.

These 4 channels recorded monthly viewership ranging from 4 million to 15 million which gave InvestSmart® a very good reach, particularly during the MCO period.

Public Service Announcements on All TV and Radio Channels

The SC continues its collaboration with the Ministry of Multimedia and Communication Malaysia, to promote investment literacy and anti-scam awareness messaging nationwide.

In tandem with the SC's media release on 29 May 2020 to warn the public on the rise of clone firm scams, the SC, in collaboration with Ministry of Multimedia and Communication Malaysia, released several public service announcements. These public service announcements, both in English and BM, were on-air for 3 months from 2 June 2020 to 31 August 2020.

InvestSmart® Education

InvestSmart® Online Series

In May 2020, the InvestSmart® Online Series was launched to provide education to public via short video podcasts and tutorials on the basics of investing. InvestSmart® has since developed and shared with the public a variety of videos on its social media platforms:

- *Kenali Pengurus Pelaburan Digital (Robo-Advisors);*
- *How to Search for Licensed Financial Planners;*
- *Getting Started with Bitcoin and Digital (Crypto) Assets in Malaysia;*
- *Perkara-Perkara Asas Berhubung Urusniaga Saham Syarikat Tersenarai;*
- *Dealing with Unauthorised Digital Asset Exchanges; and*
- *Penipuan Firma Klon.*

These videos garnered more than 130,000 views in total.

Daily Postings on InvestSmart®'s Social Media platforms

Since the MCO, InvestSmart® increased the frequency of messages posted on its social media platforms such as:



- Special relief measures introduced by the SC, particularly on the areas directly benefiting the public e.g. pre-retirement PRS withdrawals;
- General knowledge on capital market products and services;
- Carried out online polls on capital market literacy; and
- COVID-19 related social responsibility awareness e.g. social distancing .

Digital Literacy for Seniors Programme



The COVID-19 crisis in 2020 has significantly changed the manner in which we carry out our daily activities where more are being done online, including matters relating to financial and investment. This has led to concerns that the silver population may face certain challenges in embracing the technology particularly in using digital financial services. The Digital Literacy for Seniors Programme was developed to create awareness for the silver population, aged 55 years and above, to achieve digital financial inclusion through webinar sessions. The first webinar held on 17 December 2020 recorded 211 registered participants.

Others

Capital Market Frequently Asked Questions Related To COVID-19



InvestSmart® produced the 'Investors' section on the website including reminders to the public to be extra cautious of scams and illegal schemes during this difficult time.

IOSCO's World Investor Week 2020

During the World Investor Week 2020 (WIW 2020), held from 5 to 11 October 2020, InvestSmart® disseminated the following messages to the public:



- The importance of financial planning, particularly in the midst of the COVID-19 crisis and the post-banking moratorium period; and
- The importance of being more vigilant when investing, and avoiding unlicensed share trading platforms and investment advisers.

These messages were disseminated to the public via BFM89.9 audio podcasts.

Collaborative Events

In addition to the above, InvestSmart® also participated in collaborative events organised by other agencies.

InvestSmart® @ AKPK's SURIHATI BIJAK, GENERASI TERDIDIK #DEMIESOK

The Credit Counselling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit or AKPK) in collaboration with Tenaga Nasional Bhd, organised a programme titled 'Surihati Bijak, Generasi

Terdidik #Demiesok' on 28 and 29 January 2020 in Kuala Lumpur. Targeted to the female staff of TNB, the objective was to raise awareness on the importance of personal financial management in various aspects of life, women's welfare and empowerment in making financial decisions. The InvestSmart® team set up a booth and engaged with 350 participants over the two-day event, raising awareness on the SC's role and InvestSmart® initiatives.

MAG-FEN Virtual Talk Series 2020

BNM's Muzium and Art Gallery (MAG) organised the MAG-FEN Virtual Talk Series on 27 August 2020, to raise awareness among university students and their understanding on financial issues especially from the aspect of new norms. The webinar programme was an hour virtual talk presented by guest speakers from FEN members. InvestSmart® shared a presentation on 'Pengenalan Tentang Pasaran Modal Malaysia dan Inisiatif InvestSmart®'. A total of 225 participants from 15 universities registered.

Malaysia Financial Planning Council (MFPC) - My Money & Me Programme

SC in collaboration with the Ministry of Youth and Sports and Majlis Belia Malaysia, had participated in MFPC's online *My Money and Me* programme. The programme aims to promote the importance of financial planning and to cultivate good savings habit and smart investment culture among the youth. A total of 7 online workshops were conducted with participation of 2,395 attendees nationwide.

Bernama's Ruang Bicara talkshows sponsored by BNM

The SC participated in the final episode of BERNAMA's *Ruang Bicara* talkshow sponsored by BNM. Appearing alongside Bursa Malaysia, the SC shared among others the impact of the COVID-19 pandemic on investment decisions, initiatives introduced by both the SC and Bursa Malaysia, including updates on FEN's Financial Literacy month 2020.

COMPLAINTS AND ENQUIRIES

For the period ending 31 December 2020, the SC received:

- 1,482 complaints
- 2,193 enquiries

TABLE 1

	2020	2019	2018
Complaints	1,482	821	558
Enquiries	2,193	1,336	1,104

CHART 1

Classification of complaints

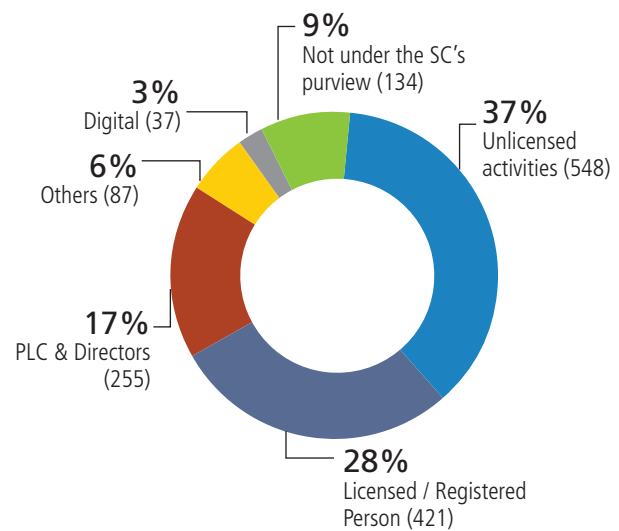
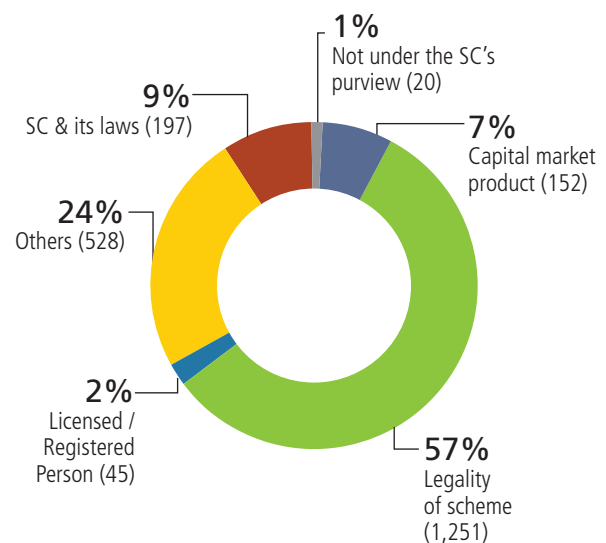


CHART 2

Classification of enquiries



PEOPLE

The year 2020 was a unique year as the SC had to pivot quickly to lead and assist employees in navigating through the new challenges due to COVID-19. To meet these urgent needs, the focus was to develop and implement a wide range of policies, programmes and procedures to respond to the impact of the COVID-19 on employees as they adapted to the new norms across the workplace.

The SC provided new or modified procedures and methods to support employees during the initial stages of the pandemic as they continued to work effectively in a more virtual environment whether from home or in the office. This included instituting remote work arrangements with the priority of keeping employees safe. At the same time, automated HR work transactions to manage critical HR transactions via online workflow system were implemented. The SC also digitised some of the work processes and systems to enable operational continuity to support the businesses.

Recruitment and Talent Management

Recruitment and onboarding were conducted remotely to mitigate hiring disruption through virtual interviews and the use of web-based assessments. This initiative resulted in the recruitment of 72 candidates, of which 56 were experienced hires and 16 Graduate Management Executives (GME).

The SC continued to provide opportunities for young graduates to gain knowledge and experience working in a regulatory environment. 29 undergraduate students completed their internships during the year.

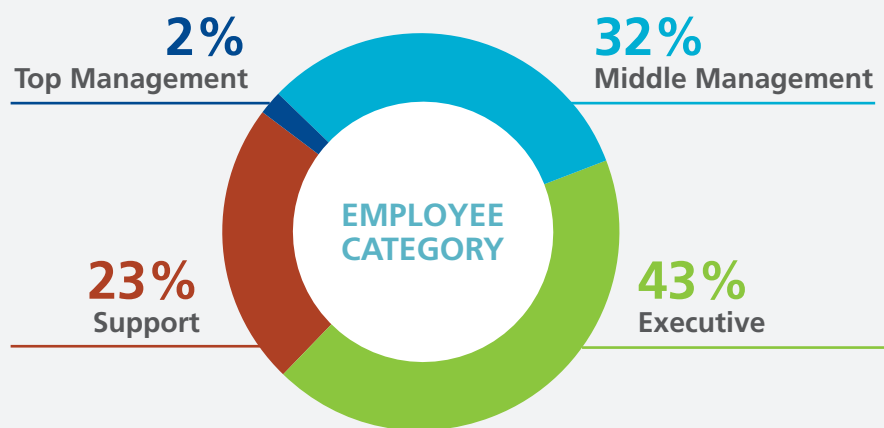
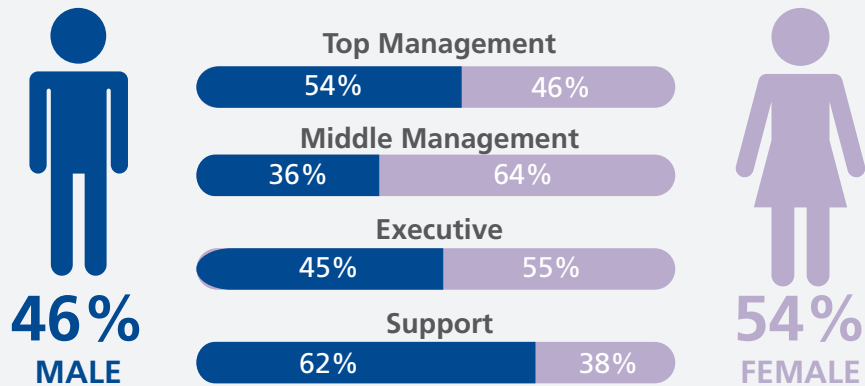
In continuing our talent management efforts, 2 employees underwent secondment or attachment programmes to gain greater learning and broader work experience. The SC also hosted 1 personnel from an enforcement agency under the regulatory attachment programme.

The employee learning and development continued to be the SC's ongoing effort with 84% attending various learning programmes ranging from workshops, seminars, conferences to online programmes. With more employees working from home and consistent with the implementation of new norms, the shift to virtual learning was instituted. In 2020, there has been an increase of 50% of online training programmes attended by employees compared to only 1% in 2019.

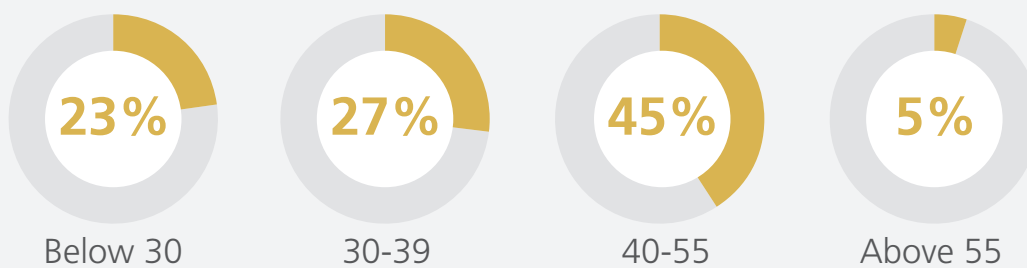
As part of the SC's efforts to upskill its employees, in 2020, 4 employees pursued their post-graduate professional qualification through the PROFOUND scheme, the SC's financial scheme for continuous professional development. The SC has also facilitated 9 employees to be Certified Digital Forensic for First Responder, aimed to strengthen the development of cyber security competencies among the SC employees.

GENDER DIVERSITY

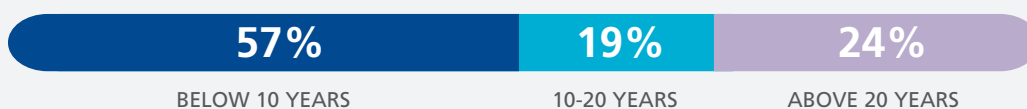
HEADCOUNT: 741 (As at 31 December 2020)



WORKFORCE DISTRIBUTION BY AGE



YEARS OF SERVICE



ACRONYMS AND ABBREVIATIONS

ACGA	Asian Corporate Governance Association
ACMF	ASEAN Capital Markets Forum
AE	advanced economies
AGM	annual general meeting
AMLATFPUAA	<i>Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001</i>
AML/CFT	AntiMoney Laundering and Counter Financing of Terrorism
AOB	Audit Oversight Board
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
AUM	assets under management
BIX	Bond+Sukuk Information Exchange
BMDC	Bursa Malaysia Derivatives Clearing
BMSC	Bursa Malaysia Securities Clearing
BNM	Bank Negara Malaysia
BRIDGe	Brokerage Industry Digitisation Group
Bursa RegSub	Bursa Regulatory Subsidiary
CAR	capital adequacy ratio
CCP	central counterparty
CDS	Central Depository System
CEF	closed-end fund
CFA	chartered financial analyst
CG	corporate governance
CIS	collective investment schemes
CMDf	Capital Market Development Fund
CMSA	<i>Capital Markets and Services Act 2007</i>
CMSL	Capital Markets Services Licence
CMSRL	Capital Markets Services Representative's Licence
CPE	Continuing Professional Education
CSM	Cyber Security Malaysia
DAC	digital asset custodians
DAX	digital asset exchanges
DFI	development financial institution
DIM	digital investment management
DRP	dividend reinvestment plan
ECF	equity crowdfunding
EGM	extraordinary general meeting
EME	emerging market economy
EPF	Employees Provident Fund
ERP	employee of Registered Person
ESG	environmental, social and governance
eSP	electronic service provider

ETF	exchange-traded fund
F2F	face-to-face
FAST	Fully Automated System for Tendering
FATF	Financial Action Task Force
FBM 100	FTSE Bursa Malaysia Top 100 Index
FBMKLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
FCPO	crude palm oil futures
FEN	Financial Education Network
FIMM	Federation of Investment Managers Malaysia
fintech	financial technology
FKLI	FTSE Bursa Malaysia KL Composite Index Future
FMC	fund management company
FMDG	Fund Management Industry Digitisation Group
FP	financial planner
GDP	gross domestic product
GEM	Growth and Emerging Markets
GFC	global financial crisis
GME	graduate management executive
ICM	Islamic capital market
ICMGTS	ICM Graduate Training Scheme
ICMR	Institute for Capital Market Research
ICO	initial coin offering
IDSS	intraday short selling
IEO	initial exchange offering
IIF	Institute of International Finance
IMF	International Monetary Fund
INTAN	National Institute of Public Administration
IOSCO	International Organization of Securities Commissions
IPO	initial public offering
JC3	Joint Committee on Climate Change
JKKMAR	Special Cabinet Committee on Anti-Corruption
KYC	Know Your Client
Labuan FSA	Labuan Financial Services Authority
LRM	liquidity risk management
LOLA Framework	Lodge and Launch Framework
MACC	Malaysian Anti-Corruption Commission
MASB	Malaysian Accounting Standards Board
MCCG	<i>Malaysian Code on Corporate Governance</i>
MCO	movement control order
MFPC	Malaysia Financial Planning Council
MFRS	<i>Malaysian Financial Reporting Standards</i>
MGS	Malaysian government securities
MICPA	Malaysian Institute of Certified Public Accountants
MKN	National Security Council
MoU	memorandum of understanding
MSFI	Malaysian Sustainable Finance Initiative
MSME	Micro, small and medium enterprise
MSWG	Minority Shareholders Watch Group
NACSA	National Cyber Security Agency
NAV	net asset value
OACP	Organisational Anti-Corruption Plan

OCIS	Oxford Centre for Islamic Studies
OPR	overnight policy rate
P2P financing	peer-to-peer financing
PCF	property crowdfunding
PDT	propriety day trader
PE	private equity
PEMC	private equity management corporation
PENJANA	National Economic Recovery Plan
PIE	public-interest entity
PLC	public-listed company
PO	participating organisations
PRS	private retirement scheme
QP	qualified person
QSP	qualified senior personnel
R&R	restructuring and rescheduling
REIT	real estate investment trust
RMO	recognised market operator
RPA	recognised principal adviser
RSS	regulated short selling
RTO	reverse take-over
RWCR	risk weighted capital ratio
SAC	Shariah Advisory Council
SC	Securities Commission Malaysia
SCMA	<i>Securities Commission Malaysia Act 1993</i>
SCxSC	Synergistic Collaborations by SC
SFN	Sustainable Finance Network
SICDA	<i>Securities Industry (Central Depositories) Act 1991</i>
SIDC	Securities Industry Development Corporation
SIDREC	Securities Industry Dispute Resolution Center
SIFI	systemically important financial institution
SOP	standard operating procedure
SRI	sustainable and responsible investment
SRO	self-regulatory organisation
SROC	SC Systemic Risk Oversight Committee
SRR	statutory reserve requirement
SSM	Companies Commission Malaysia
STF	Sustainable Finance Task Force
UK	United Kingdom
UMA	unusual market activity
UTF	unit trust fund
VC	venture capital
VCC	venture capital corporation
VCMC	venture capital management corporation
WF	wholesale funds
WFH	work from home
WHO	World Health Organization
y-o-y	year-on-year