




Suruhanjaya Sekuriti
Securities Commission
Malaysia

ANNUAL REPORT 2022

SECURITIES COMMISSION MALAYSIA
ANNUAL REPORT
2022

© SECURITIES COMMISSION MALAYSIA 2023

3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Malaysia

Tel +603 6204 8000
Fax +603 6201 5078
Email cau@seccom.com.my
Websites www.sc.com.my | www.investsmartsc.my
 @SecComMalaysia

MISSION STATEMENT

To promote and maintain fair, efficient, secure and transparent securities and derivatives markets and to facilitate the orderly development of an innovative and competitive capital market.

CHAIRMAN'S MESSAGE	7
HIGHLIGHTS 2022	11
PART 1	
CAPITAL MARKET REVIEW AND OUTLOOK	17
Overview	18
Global Developments in 2022	18
Malaysian Capital Market Developments in 2022	20
Outlook for 2023	23
PART 2	
EVOLVING THE REGULATORY APPROACH: SHARED ACCOUNTABILITY, EFFICIENCY AND EMBRACING THE DIGITAL AGE	25
Introduction	26
Enhancing Risk Management, Surveillance and Supervision	26
Improving Operational Efficiency for the Industry	36
Promoting Responsible Businesses and Shared Accountability	37
Prioritising Swift and Effective Outcomes in Enforcement	41
Protecting Investors	47
Special Feature 1: Towards Greater Investor Protection: Understanding Investors' Vulnerabilities	52
PART 3	
ENABLING A MORE RELEVANT, EFFICIENT AND DIVERSIFIED MARKET	57
Introduction	58
Catalysing Investment and Funding Ecosystem	58
Special Feature 2: Reinvigorating Capital Formation for Sustainable Economic Development	62
Driving Greater Growth in Sustainable and Responsible Investment	69
Broadening and Deepening the Islamic Capital Market	75
Empowering Investors for a Better Future	76
Special Feature 3: Behavioural Insights to Address Retirement Savings Inadequacy	78
PART 4	
STRATEGIC ENGAGEMENTS WITH STAKEHOLDERS	81
Introduction	82
Engaging the Industry Through Open Dialogue	82
International Stakeholder Engagements	84
Building A Sustainable Capital Market	86
Islamic Capital Market	91
Improving Media Relations and Engagements	95
Driving Results With Internal Engagements	95

PART 5	
ORGANISATION INFORMATION	97
Board Members	98
Executive Members	102
Organisation Structure	104
Shariah Advisory Council Members	106
Statement on Governance	107
Human Resources	117
Financial Statements	119
PART 6	
MARKET STATISTICS	157
Corporate Proposals	158
Investment Management	164
Islamic Capital Market	172
Venture Capital and Private Equity	179
Equity Crowdfunding	183
Peer-to-Peer Financing	186
Authorisation and Licensing	190
Enforcement	195
Investor Empowerment Initiatives	203
Complaints and Enquiries	218
Acronyms and Abbreviations	219



CHAIRMAN'S MESSAGE

CHAIRMAN'S MESSAGE



“
Despite increased global market volatility and headwinds, the Malaysian capital market remained resilient in 2022, with total funds raised hitting a record high of RM179.4 billion.”

As Chairman of the Securities Commission Malaysia, it is with great pleasure that I present our Annual Report for the year 2022.

Malaysia's RM3.6 trillion capital market remained resilient in 2022, a year marked by heightened global market volatility and strong headwinds across multiple asset classes. In fact, total funds raised of RM179.4 billion is the highest ever, led by a record amount of corporate bond and sukuk issuances. Exchange-traded derivatives also registered a record volume of 18.8 million lots traded. However, overall weaker valuations resulted in a dip of assets under management (AUM) to RM906.5 billion.

These contrasting observations highlight the delicate balance between pursuing growth and adopting prudence in the face of uncertainties. Continued trust and confidence in Malaysia's fundraising and investment environment depends on how these elements are managed by market stakeholders.

I also feel strongly that it is important for the SC to engage and communicate transparently. Dialogues and consultations are useful channels to set expectations on both regulatory and developmental matters. Investor engagement is another crucial aspect to ensure well-informed and empowered investors that are less vulnerable to scams and other unlicensed activities.

PROMOTING PRUDENT MARKET BEHAVIOUR

The continued resiliency of the Malaysian capital market highlights the value of exercising prudence and shared accountability. This approach allows the market to better manage risks, preserves overall financial resilience and stability, and supports economic growth.

It entails undertaking continuous surveillance and supervisory audits as well as thematic assessments on licensed intermediaries and institutions to ensure the robustness of market infrastructure and industry processes. Where necessary, additional guidance is provided for emerging risks including managing environmental, social and governance (ESG) risks for fund management companies (FMCs).

Domestic institutional fund practices were strengthened in 2022 with the release of good governance principles for government-linked investment companies (GLICs), in line with national objectives, and an updated *Malaysian Code for Institutional Investors 2022* (MCII 2022). Public-listed companies (PLCs) will also be expected to account for their sustainability risks under Bursa Malaysia's Enhanced Sustainability Reporting Framework for Listed Issuers.

In addition, the SC will remain vigilant and take tough actions to address market misconduct or manipulation. During the year, our enforcement actions covered insider trading, issuance of false statements and unlicensed activities, among others. Intermediary licenses were also revoked in instances of serious regulatory breaches.

REALISING PROGRESSIVE OUTCOMES

It is vital that the industry and market ecosystem remain progressive and proactive in line with external and domestic developments. As policymakers, it is also essential for the SC to foster such conditions by ensuring our regulatory frameworks are aligned with the fast-changing landscape.

Key development highlights in 2022 include the release of the Sustainable and Responsible Investment-Linked Sukuk Framework and *Principles-Based SRI Taxonomy for the Malaysian Capital Market* (SRI Taxonomy) to spur the corporate transition to a greener and more sustainable future. Enhanced venture capital (VC) and private equity (PE) guidelines to increase the vibrancy and accessibility of private markets for MSMEs also took effect in the second half of the year. In addition, the SC issued investment advisory guidelines to expand the profession's diversity and quality, with a technical note on digital investment advice to address new delivery platforms.

Technological innovation is also transforming the underlying market structure. In October 2022, the SC

announced digital-related initiatives for the capital market. These include permitting new equity crowdfunding (ECF) and peer-to-peer financing (P2P financing) platforms with unique value propositions, as well as opening up to more digital asset exchanges (DAX).

MOVING FORWARD

2023 will likely offer a different set of opportunities, headwinds and risks for the capital market. The environment ahead is anticipated to be challenging but we remain committed to building a relevant, efficient and diversified capital market. This entails measures to future-proof the underlying market infrastructure and strengthen our thought leadership role, while enhancing market breadth and depth as well as technology adoption. Internally, the SC will also strive towards cultivating a sustainable and high-performing culture.

Future-Proofing the Capital Market

For our regulations to remain fit-for-purpose, we intend to modernise two key regulatory pillars – the *Capital Markets and Services Act 2007* (CMSA) and the *Securities Commission Malaysia Act 1993* (SCMA). This will provide the basis for a future-ready Malaysian capital market.

At the same time, it is also essential to develop a ready pool of highly skilled capital market professionals to address resource limitations that have held back the market's progress. In this regard, we will be working closely with industry stakeholders to operationalise the Capital Market Graduate Programme (CMGP) to nurture and retain prospective talent.

Advancing the Sustainability Agenda

A key priority is advancing the ESG agenda. Given the impending release of global sustainability-related disclosure standards, it is vital to develop a domestic framework to facilitate adoption. The SC intends to work closely with government ministries, agencies, and other stakeholders to shape a country-level plan, including developing a supportive ecosystem for sustainability disclosures.

There is also a great deal of potential to be unlocked in the Islamic capital market (ICM) via innovative product

offerings that facilitate sustainable as well as socially beneficial outcomes. Given Malaysia's position as a leading Islamic thought leadership jurisdiction, it is essential to demonstrate the value of Shariah objectives in enhancing sustainability practices. We are in the process of shaping a comprehensive set of *maqasid al-Shariah* principles to provide a guiding pathway for further growth of the ICM. Stakeholder consultations on these principles will begin in late 2023.

Enhancing Market Breadth and Depth

The growing private market segment will be essential for future nation-building, particularly in channelling risk capital to support MSME growth. Therefore, measures to strengthen the alternative fundraising ecosystem to facilitate larger fundraising amounts and build specialised capacity and capabilities will be initiated. In addition, the entry of new ECF and P2P platforms in 2023 is expected to enhance the diversity of alternative fundraising products and services.

In terms of the public market, we will be working with Bursa Malaysia to facilitate the transfer of eligible companies from the LEAP Market to the ACE Market.

The SC is also undertaking a comprehensive review and assessment of the public market as well as established market segments such as fund management towards enhancing their resilience and attractiveness.

Facilitating Technology Adoption

We intend to review our digital assets strategy with a view to reinforce this segment's proposition and direction moving forward. Initiatives such as the Digital Innovation Fund (DIGID) and Islamic Fintech Accelerator Programme (FIKRA) are aimed at catalysing greater utilisation of financial technology within the capital market ecosystem, with DIGID slated to start funding its first batch of qualifying solutions in 2023.

In order to support technology adoption, we will also strengthen the management of technology and cyber risks by capital market entities.

Concurrently, it is important to step up ongoing initiatives to enhance the digital literacy of retail investors towards strengthening protection of the more vulnerable. This includes digital clinics for the Urban B40 and seniors, as well as programmes for rural communities.

“

2023 will likely offer a different set of opportunities, headwinds and risks towards building a relevant, efficient and diversified capital market.

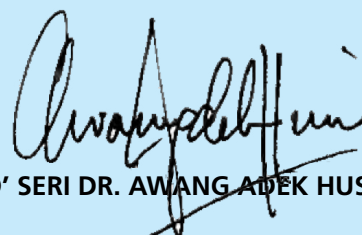
”

Transforming to a High-Performing Organisation

It is absolutely essential that the SC keeps pace with the rapid changes and complexity of today's markets. Talent retention and training are also key to ensuring we meet the high standards demanded. A corporate scorecard is being developed as a first step towards shaping a well-recognised, sustainable and high-performing organisation. This will be supplemented by upskilling and learning programmes for staff to enhance competencies.

Efforts are also underway to upgrade capabilities to handle the shift to a digital world. This includes increasing the use of technology for supervision and enforcement.

In my first year as SC Chairman, I have had the privilege of working with a very diverse, experienced and insightful Board and, not forgetting, all staff members of the SC. Thank you for the support and advice provided to ease my transition into this role. As the SC turns 30 in 2023, I am confident that the SC team as a whole will continue to display the same level of dedication and steadfastness they have shown throughout the years. Combined with strong support and co-operation from industry players, we can only bring the Malaysian capital market to greater heights.



DATO' SERI DR. AWANG ADEK HUSSIN

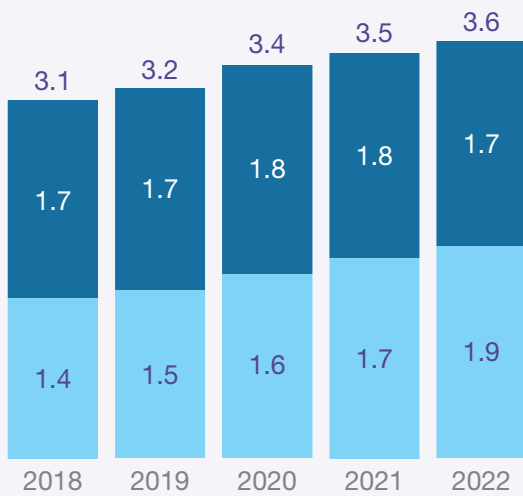


HIGHLIGHTS 2022

HIGHLIGHTS 2022: CAPITAL MARKET PERFORMANCE

5-year performance (2018-2022)

Total Capital Market Size (RM trillion)

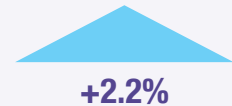


■ Total bonds and sukuk outstanding ■ Equity market cap

Size in 2022

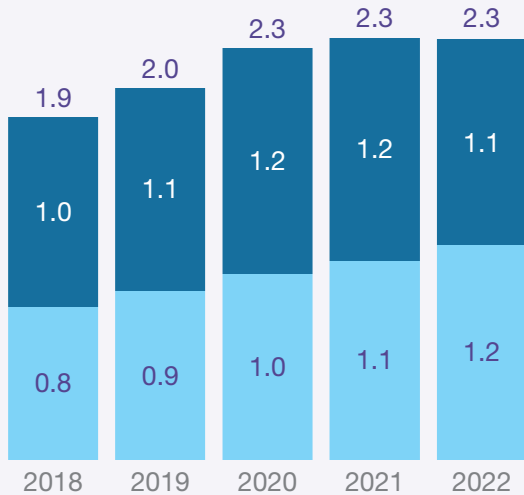


Year-on-year growth



Total capital market grew by 2.2% from 2021. Since 2018, the total market has grown by 2.4% p.a.*, driven by bonds and sukuk outstanding (7.7% p.a.) while equities declined (-1.9% p.a.)

Total Islamic Capital Market Size (RM trillion)



■ Total sukuk outstanding ■ Shariah-compliant equity market cap

Size in 2022



Year-on-year growth



The Islamic capital market (ICM) grew by 0.6% from 2021. Since 2018, the total ICM has grown by 4.2%*, driven by the growth in sukuk outstanding (9.3% p.a.) while Shariah-compliant equities remained relatively flat (0.1% p.a.)

* Based on Compound Annual Growth Rate.
Total values may not add up due to rounding.

HIGHLIGHTS 2022: CAPITAL MARKET PERFORMANCE

5-year performance (2018-2022)

Total Equity and Debt Fundraising (RM billion)



Size in 2022

RM179.4 billion

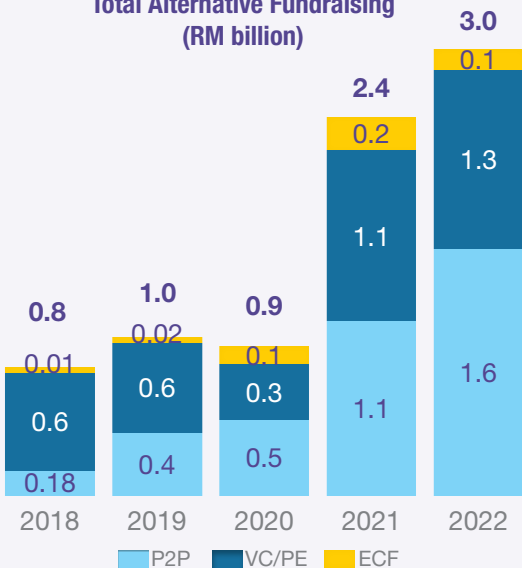
Year-on-year growth

+36.6%

Note: Equity fundraising includes real estate investment trusts

Total funds raised were up by 36.6% from 2021 and is 32.0% higher than the five-year average fundraising amount of RM135.9 billion (2018-2022)

Total Alternative Fundraising (RM billion)



Size in 2022

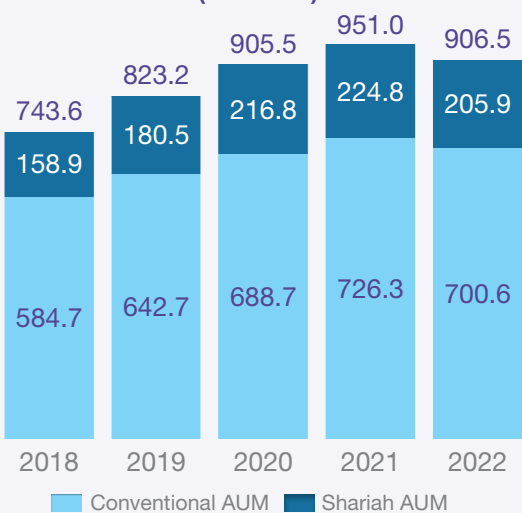
RM3.0 billion

Year-on-year growth

+23.6%

Total alternative fundraising grew by 23.6% from 2021. Since 2018, the total alternative fundraising has grown by 44.6% p.a.*, driven by ECF/P2P fundraising (97.9% p.a.)

Assets Under Management (RM billion)



Size in 2022

RM906.5 billion

Year-on-year growth

-4.7%

Total assets under management (AUM) of the fund management industry declined by 4.7% from 2021. Since 2018, the AUM has grown by 3.2% p.a.*, driven by Shariah AUM (3.8%)

* Based on Compound Annual Growth Rate.

Total values may not add up due to rounding.

HIGHLIGHTS 2022: REGULATORY ACTIONS

Criminal Actions



10
convictions obtained*



RM12.9 million
court fines



RM16.0 million
compounded amount



6
individuals compounded

* Convictions obtained includes convictions obtained in the Sessions Court and conviction sustained on appeal.

Civil Actions



RM5.8 million
civil penalties imposed



RM27.9 million
amount disgorged/restitution
order by court



RM4.6 million
regulatory settlements



6
individuals barred from
becoming directors of PLCs

Administrative Actions



118
admin
sanctions
imposed



72
reprimands
issued



39
penalties/fines
imposed amounting
to **RM11.9 million**



Catalysed the investment and funding ecosystem

- Opened up alternative fundraising platforms to enhance financing for smaller businesses
- Established the RM30 million DIGID to encourage adoption of innovative digital solutions
- Enhanced VC and PE guidelines to improve access to private markets



Promoted the sustainability of the economy through the capital market

- Introduced Sustainable and Responsible Investment-Linked Sukuk Framework (SRI-Linked Sukuk Framework) to enable transition finance
- Expanded the SRI Sukuk and Bond Grant Scheme to help lower the cost of issuances
- Issued the *Principles-Based SRI Taxonomy for the Malaysian Capital Market* to help advance the nation's sustainability agenda



Broadened and deepened the Islamic capital market

- Issued the *Guidelines on Islamic Capital Market Products and Services* to enable efficient access to ICM ecosystem
- Expanded the Waqf Featured-Funds Framework to further expand Islamic social finance
- Opened registration for ECF and P2P financing operators with Shariah solutions



Promoted responsible businesses and shared accountability

- Developed the Leading for Impact Programme (LIP) to strengthen the ESG fitness of board members
- Supported the Government's PERKUKUH initiatives
- Facilitated the Enhanced Sustainability Reporting Framework to improve quality of disclosures



Enhanced supervisory and enforcement effectiveness

- Developed in-house data analytics tools to enhance surveillance analysis for a speedier operational decision-making process
- Consulted the industry on technology risk management to promote the cyber resilience of intermediaries
- Reviewed the current standards of stockbroking companies (SBCs) in maintaining appropriate remuneration structures



Empowered investors for a better future

- Revised licensing requirements for digital investment advisors to broaden advisory models
- Rolled out the *Agen Bijak Labur Desa (ABJAD)*, a rural population outreach programme to create financially literate rural communities
- Rolled-out the Face-to-Face Digital Clinic programme for Urban B40 on avoiding online investment scams

This page is intentionally left blank.



PART 1
CAPITAL MARKET
REVIEW AND
OUTLOOK

OVERVIEW

The global economy experienced considerable challenges in 2022 shaped by the war in Ukraine, intensified global inflationary pressures, tightening global financial conditions, and an economic slowdown in China. Domestically, the Malaysian economy remained resilient and continued to recover following the reopening of the economy, underpinned by robust domestic demand. Against the backdrop of higher global financial market volatility, conditions in the domestic capital market remained orderly and it continued to play its critical role in financing economic activity and mobilising savings, with a notable improvement in fundraising activities in 2022. Going forward, the Malaysian economy is projected to continue to recover in 2023, although at a more moderate pace, given the increasingly challenging global economic environment. The domestic capital market will continue to be influenced by key global developments and is expected to stay resilient and orderly, given Malaysia's firm macroeconomic fundamentals and supportive policy environment.

GLOBAL DEVELOPMENTS IN 2022

The global economy faced a series of destabilising shocks in 2022, derailing global economic recovery. The path towards recovery was upended primarily by the war in Ukraine, which led to prolonged supply-chain imbalances, commodity price shocks, an energy crisis in Europe, and multi-decades high inflation across most advanced economies.

The intensification of global inflationary pressure prompted aggressive monetary policy tightening by major central banks to restore price stability, leading to a sharp tightening of global financial conditions. This also led to concerns of rising recessionary risks in both advanced economies (AE) and emerging market and developing economies (EMDE). Moreover, China's economic slowdown amid continued COVID-19 related disruptions and the stress in the real estate market also weighed on the global economy. The International Monetary Fund (IMF) in its World Economic Outlook in October 2022 forecasts global growth to slow to 3.2%

in 2022 from 6.0% in 2021, while noting that countries accounting for at least one-third of the global economy are poised to contract in 2022 or 2023.

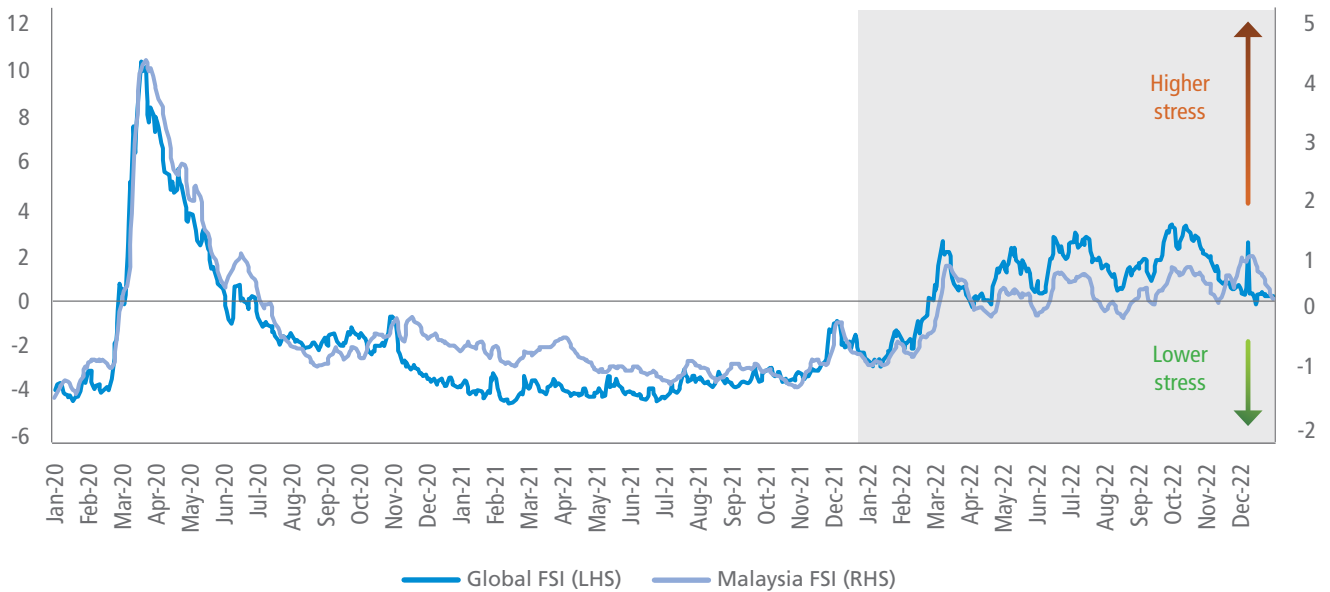
Global financial markets performances were weaker in 2022 as a confluence of factors from sharp tightening of global financial conditions, concerns over repercussions of the war, to rising recessionary risks resulted in volatility in global financial markets throughout the year. Consequently, the overall level of global financial stress had increased markedly since early in the year (Chart 1).

In the global equity market, both the MSCI World Index and the MSCI Emerging Markets Index recorded double-digit declines of -19.5% and -22.4% respectively in 2022. Meanwhile, in the global bond market, bond yields were significantly higher in 2022, led by the US Treasury 10-year note, given multi-decades high inflation across advanced economies and continued expectations of steeper interest rate hikes by major central banks, leading to weak performance of the major bond indices (Chart 2).

CHART 1

Global financial stress levels increased in 2022, with intermittent episodes of volatility throughout the year amid a myriad of factors

OFR Global Financial Stress Index (FSI) and Malaysia FSI

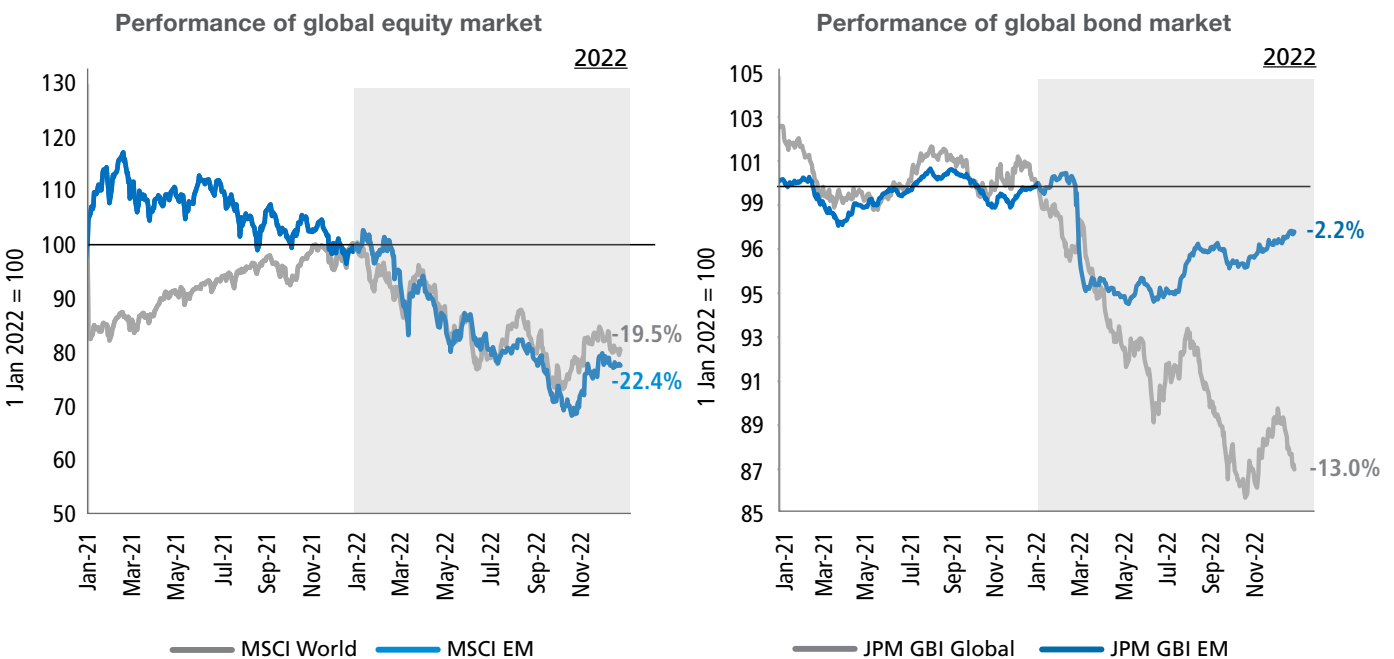


Note: The Global FSI is from the Office of Financial Research, US Department of Treasury, while the Malaysia Financial Stress Index (MFSI) is internally estimated following a similar methodology (see [Monin, 2017](#)). Value of FSI above zero indicates higher than historical average financial stress in the economy.

Source: US Office of Financial Research (OFR); the SC's internal estimates.

CHART 2

Global equities and bonds registered weaker performances in 2022



Source: Refinitiv Eikon Datastream; the SC's calculations.

MALAYSIAN CAPITAL MARKET DEVELOPMENTS IN 2022

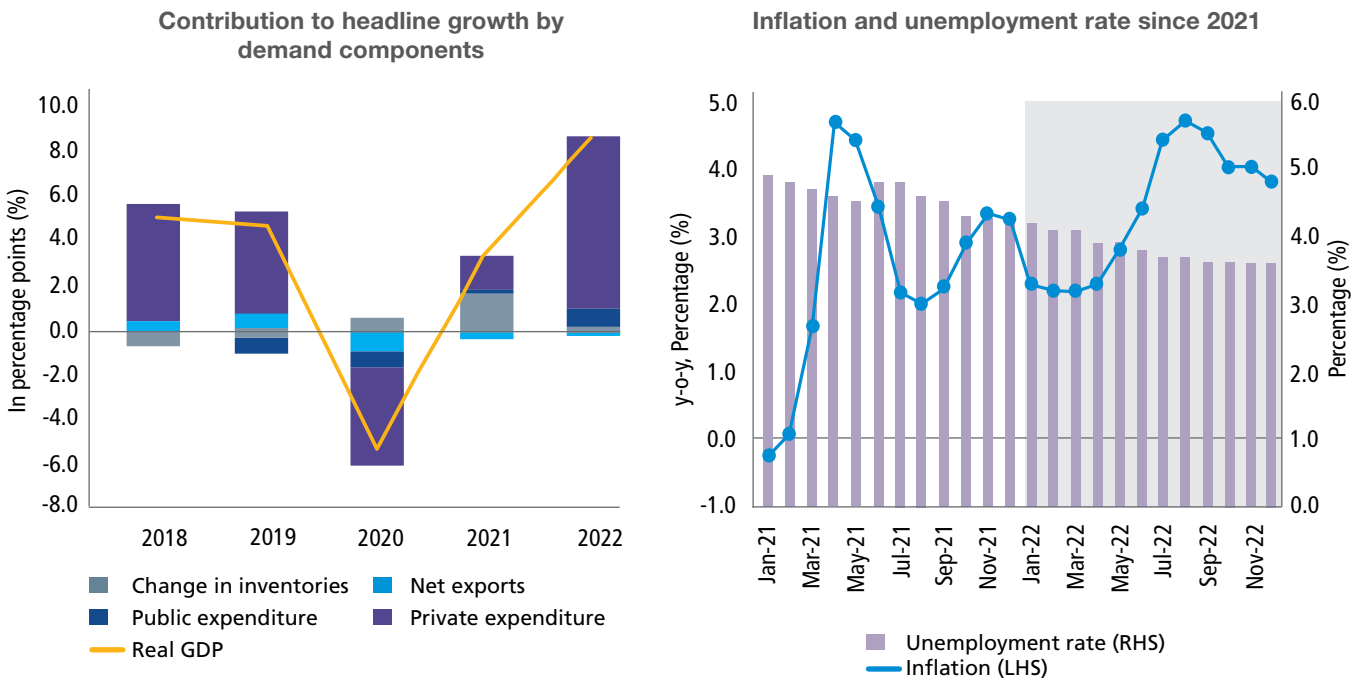
The Malaysian economy recovered strongly in 2022, despite an increasingly challenging external environment. Growth was underpinned by favourable domestic demand momentum, steady expansion in the external sector, and continued improvement in labour market conditions. The full resumption of economic activities and the recovery of inbound tourism following further relaxation of COVID-19 restrictions helped to underpin economic performance. Headline inflation had also increased, reflecting stronger demand conditions and elevated cost pressures. For the full year of 2022, real GDP expanded 8.7% supported by robust domestic demand as the country transitions into endemicity (Chart 3).

The domestic capital market continued to support the real economy

The Malaysian capital market remained resilient and orderly in 2022, against the backdrop of increasingly pessimistic global economic outlook and tighter global financial conditions. Importantly, it continued to serve its roles in financing economic activity and intermediating savings. Total funds raised in the capital market increased to RM179.4 billion in 2022 (2021: RM131.3 billion), of which RM26.0 billion was raised via the equity market¹, while RM153.3 billion was issued through the corporate bond market. Likewise, alternative fundraising avenues² via ECF and P2P financing rose in 2022, and continued to support the funding needs of MSMEs. Meanwhile, the fund management industry experienced weaker

CHART 3

The Malaysian economy continued to recover in 2022, driven by strong domestic demand as the country transitions into endemicity

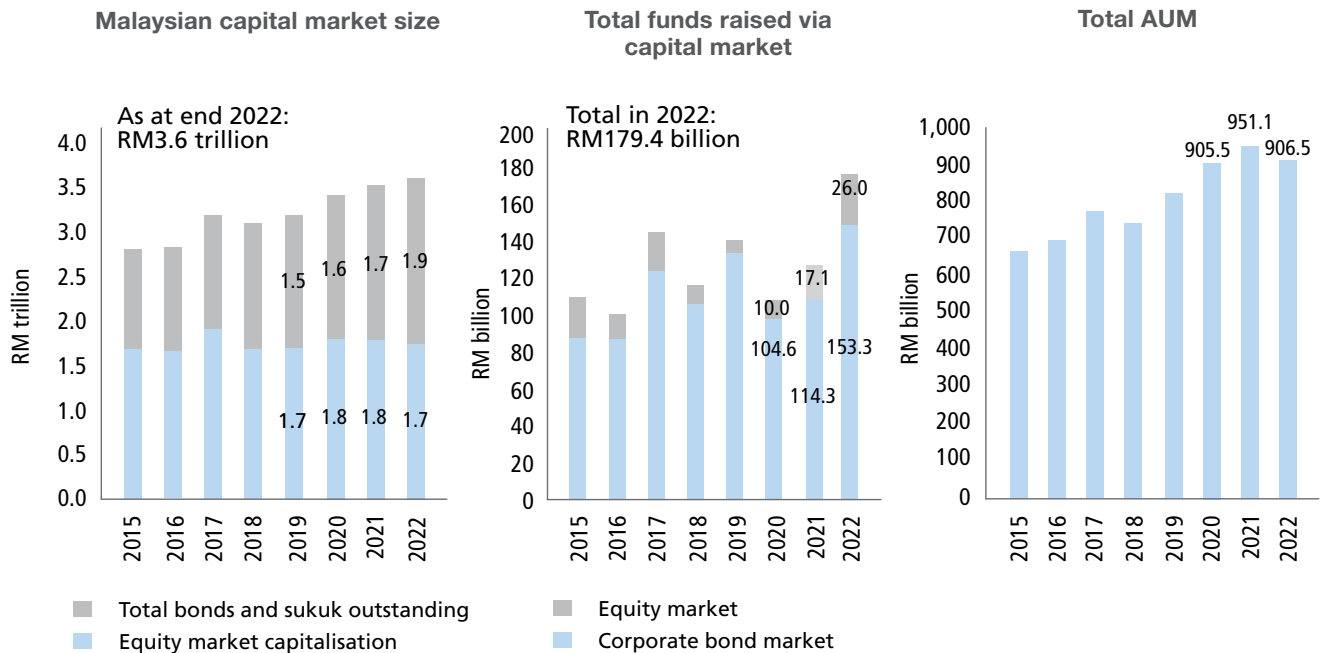


Source: Department of Statistics Malaysia; the SC's calculations.

¹ In the equity market, RM3.5 billion was raised via 35 initial public offerings (IPOs) and RM22.6 billion through secondary fundraising.
² Funds raised via ECF and P2P financing was RM1.7 billion in 2022 (2021: RM1.4 billion).

CHART 4

Despite the challenging environment, domestic capital market remained orderly and continued to facilitate fundraising and savings intermediation effectively



Source: Bursa Malaysia; the SC's calculations.

market valuation and net redemptions in 2022, with AUM totalling RM906.5 billion (2021: RM951.1 billion). The unit trust segment³ remained the largest source of funds for AUM. Overall, the size of the capital market rose to RM3.6 trillion in 2022 (2021: RM3.5 trillion), as the drop in equity market capitalisation was offset by higher bonds and sukuk outstanding (Chart 4).

The domestic equity market was affected by persistent headwinds both globally and domestically. The overall market capitalisation of Bursa Malaysia and the FBMKLCI moderated to RM1.74 trillion and RM1.03 trillion respectively in 2022 (2021: RM1.79 trillion and RM1.04 trillion respectively). Likewise, the FBMKLCI index declined by -4.6% to end the year at 1,495.49 points. In terms of trade participation, local institutions remained net sellers to a total of -RM6.53 billion in 2022. Correspondingly, non-residents turned net buyers after four consecutive years of net-sell, with total net buy amounting to RM4.40 billion (2021: -RM3.15 billion), while net buying by local retail investors totalled RM2.13 billion (Chart 5). In terms of value traded, the participation rate for retail

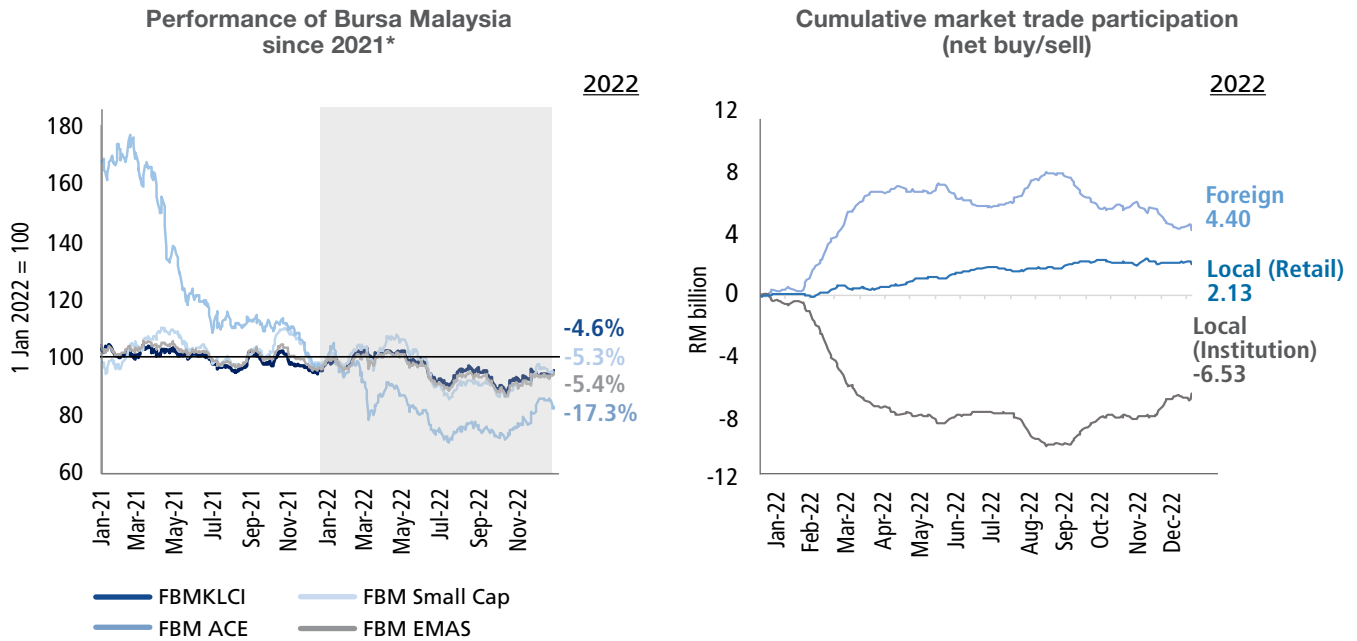
investors declined to an average of 25.7% in 2022 (2021: 34.6%), but remained above the five-year pre-pandemic average of 18.8%. Meanwhile, the average daily trading volume also moderated in 2022 to 3.00 billion (2021: 5.85 billion), valued at an average of RM2.18 billion per day (2021: RM3.66 billion).

In the Malaysian bond market, total bonds and sukuk outstanding grew to RM1.9 trillion in 2022 from RM1.7 trillion in 2021, reflecting higher levels of bond and sukuk fundraising in the market. The overall Malaysian Government Securities (MGS) yield curve shifted upward, tracking the movements of the global bond market. This was driven by expectations of continued monetary policy normalisation globally and domestically, given elevated inflationary pressures. The spread between corporate bonds and MGS widened across major tenures, except for 3-year notes (Chart 6). Meanwhile, the domestic bond market witnessed lower foreign interest, with net outflows amounting to -RM9.8 billion in 2022 (2021: net inflow of RM33.6 billion).

³ Unit trust total net asset value (NAV) of RM487.9 billion in 2022 (2021: RM526.9 billion).

CHART 5

Malaysian equity market performance was weaker in 2022, but non-residents returned as net buyers in the equity market, the first since 2017



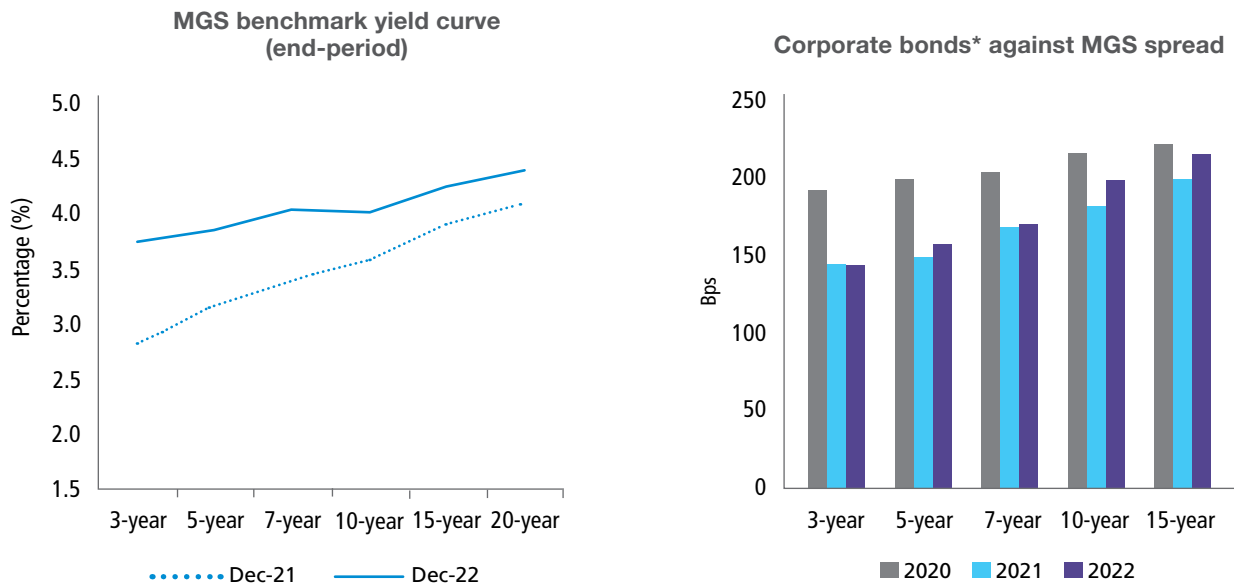
Note:

* FBMKLCI consists of the largest 30 companies ranked by full market capitalisation in the FTSE Bursa Malaysia EMAS Index; FBM Small Cap consists of all constituents of the FTSE Bursa Malaysia EMAS Index that are not constituents of the FTSE Bursa Malaysia Top 100 Index; FBM ACE comprises all companies listed on the ACE Market.

Source: Bloomberg; Bursa Malaysia; the SC's calculations.

CHART 6

MGS bond yields experienced upward pressure across tenures, while corporate spreads widened, trailing global bond markets



Note:

* Corporate bonds rated between AAA and BBB.

Source: Bloomberg; Refinitiv Eikon Datastream; the SC's calculations.

OUTLOOK FOR 2023

Global economic growth is expected to slow further in 2023, subject to considerable uncertainties. Aside from ongoing concerns related to the pandemic, especially in China, the interplay between geopolitical fragmentation, elevated inflationary pressure, and the pace of monetary policy normalisation in major economies will be key determinants of the pace of global economic activities. Meanwhile, developments in the global capital market are expected to be in tandem with this economic outlook.

Malaysian economic growth is projected to continue in 2023, albeit at a more modest pace, reflecting an increasingly challenging global environment and the

normalisation in domestic demand. The downside risks to growth remain given external uncertainties, while the pace of economic recovery will likely continue to be uneven across sectors.

The performance of the Malaysian capital market is projected to remain resilient, in line with the domestic economy. However, it will continue to be influenced by key global developments, with volatility expected to be driven by the rate of global monetary policy tightening and geopolitical developments. Nevertheless, conditions in the domestic capital market is expected to remain orderly, and continue to support the economy, underpinned by strong macroeconomic fundamentals and supportive capital market infrastructure.

This page is intentionally left blank.



PART 2
EVOLVING THE
REGULATORY
APPROACH: SHARED
ACCOUNTABILITY,
EFFICIENCY AND
EMBRACING THE
DIGITAL AGE

INTRODUCTION

Capital markets are constantly evolving and innovating, impacted by global and domestic events and shaped by the growth of technological advancement. It is therefore essential for the SC to ensure its regulatory approach remains prudent yet progressive to maintain the integrity and fairness of the capital market, while spurring its progress and development. In 2022, the SC strengthened the surveillance and supervision of markets, intermediaries and regulated individuals. This was done mainly through focusing on a number of strategic priorities to build resilience and trust in our markets by encouraging good conduct through the promotion of responsible businesses, enhancing governance standards as well as cultivating self-regulation and a compliance culture. Effective enforcement actions were also carried out to raise standards of behaviour and deter misconduct, while investor protection initiatives were implemented to further bolster market confidence and stability.

To ensure the SC’s long-term operational and technology resilience, work has commenced towards the development of a centralised data platform and an application architecture to boost the SC’s overall technology adoption. Focus has been on enhancing the overall gatekeeping, surveillance, supervision, and investor protection functions of the SC, as well as greater knowledge sharing.

ENHANCING RISK MANAGEMENT, SURVEILLANCE AND SUPERVISION

Against a backdrop of a challenging macroeconomic environment, tightening of financial conditions and concerns arising from geopolitical conflicts, the SC remained vigilant of emerging risks and vulnerabilities that may pose a threat to the systemic stability of the domestic capital market.

Monitoring and Management of Systemic Risks

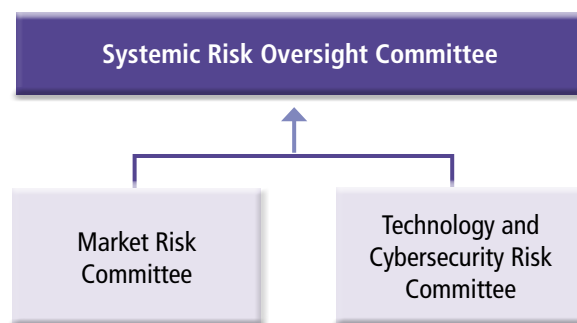
Robust risk governance framework

In 2022, the SC enhanced its enterprise-wide risk governance framework aimed at further enhancing the effectiveness, including predictability, of its risk surveillance approach. Under the SC’s risk governance framework, the Systemic Risk Oversight Committee (SROC) is supported by the Market Risk Committee (MRC) and Technology and Cybersecurity Risk Committee (TCRC) to monitor, mitigate, and manage systemic risk arising from various segments within the

capital market (Figure 1).¹ This risk governance framework embeds capital market risk surveillance and monitoring within business functions to enable robust management of risks impacting the Malaysian capital market.

The SC also strengthened its framework for managing market crisis through the Capital Market Crisis Management Framework which provides clear operational processes and guidance aimed at better co-ordination within the SC.

FIGURE 1
Systemic Risk Governance Structure



¹ The MRC considers emergence of risks from various segments within the capital market whereas the TCRC considers technology and cyber risks for both the SC and the capital market.

Enhanced engagements and inter-agency discussions

The SC held frequent discussions and engagements including with regulatory agencies such as Bank Negara Malaysia (BNM) and Labuan Financial Services Authority (Labuan FSA), to identify financial stability and systemic risk concerns within the Malaysian financial and capital markets. Geopolitical tensions, cyber vulnerabilities, digital assets and ESG risks were discussed to ascertain possible impact on the capital market and ensure prompt response and better co-ordination. Domestic equity and bond markets, foreign fund flows and trade participation were also monitored for potential stress points.

Risk assessments outlining capital market resilience

In 2022, the SC conducted risk assessments on various components of the capital market. The assessments covered the following components namely equity market and infrastructure, bond market, digital assets, investment flows, investment management, stockbroking intermediaries and PLCs.

The SC is also working on its inaugural *Capital Market Stability Review*, to be published in Q1 2023. This report will outline overall risk assessments of the Malaysian capital market and discuss relevant systemic risk drivers.

Read more on the *Capital Market Stability Review* on the website.

 <https://www.sc.com.my/resources/cmsr>

Surveillance of the Capital Market

Preserving market integrity through proactive surveillance of trading activities

Proactive surveillance of trading activities by the SC as well as Bursa Malaysia ensures that anomalies are promptly addressed by market participants with the common goal of preventing irregular or manipulative trading activities and ensuring a fair and orderly capital market. To this end, regular engagements were conducted with Bursa Malaysia towards ensuring timely and effective action including co-ordinated responses commensurate with the risks and gravity of surveillance

concerns. In addition, the SC and Bursa Malaysia place emphasis on engagements with market intermediaries towards facilitating better and greater understanding as well as collaboration, thus ensuring that the desired outcome of shared accountabilities and objective of a fair and orderly market are achieved.

Prioritising areas of concern towards greater regulatory efficiency

The SC's surveillance of trading activities continued to focus on prevailing areas of concern and emerging trends relating to market manipulation and insider trading. Where elements of possible trading offences were established, informed decisions were made on strategic enforcement approaches that seek to achieve the highest level of regulatory efficiency and investor protection outcomes.

Utilising data analytics to enhance surveillance analysis and decision-making

Arising from increasingly complex market abuse techniques involving a large number of participants and datasets, the SC remains committed to initiatives that enhance the quality and efficiency of its surveillance analysis capabilities through the use of technology.

In-house data analytics tools based on quantitative models to support its analyses of voluminous trade data were developed, complementing the SC's core trade surveillance system. This enabled additional insights to be gleaned from the data such as indistinct trading patterns among market participants. As a result, certain aspects of surveillance analysis can now be carried out more objectively and efficiently, leading to speedier operational decision-making.

Heightened monitoring of crude palm oil futures trading precipitated by volatile commodity prices

During a tumultuous period of high volatility in global commodity prices, the SC heightened its surveillance on crude palm oil futures (FCPO) contract trading activities. Trading disruptions on the London Metal Exchange, precipitated by the extreme and sudden volatility in

nickel prices, increased the urgency for the SC to preserve the integrity and stability of the FCPO market in the event of similar market shocks affecting the commodity.

Key areas of focus included the effectiveness of risk mitigation controls of Bursa Malaysia Derivatives Clearing Bhd (BMDC) as the central counterparty and financial resilience of market intermediaries. BMDC and market intermediaries were found to have in place adequate risk management measures to mitigate potential default events caused by significant volatile market conditions.

Reinforcing fair and orderly trading on digital asset exchanges

Digital asset exchanges (DAXs) have shared accountability in ensuring that the market operates in a fair and orderly manner. The SC proactively engages with registered DAXs on the effectiveness of their market surveillance functions and trading anomalies detected by the SC. Such engagements reinforce the importance of having adequate control measures that are effective in detecting trading irregularities that pose potential risks to the integrity of the market.

Guidance was provided during engagements with the DAXs, particularly those with nascent operations, to enhance their understanding of the SC's expectations on DAXs' surveillance responsibilities. This is in line with the SC's commitment to enhance regulatory transparency and provide regulated entities with greater clarity on regulatory expectations. As a result, effective remediation actions were taken on a timely basis to prevent recurrence of trading anomalies.

Enhanced monitoring of the corporate bond and sukuk market to support market integrity

Domestic bond yields trended upwards in 2022 in tandem with rising global bond yields, aggressive tightening of monetary policies by central banks, the Ukraine-Russia war and accelerating inflation coupled with recessionary fears. From the SC's observations, these events did not have any major impact on domestic corporate bond

issuers' ability to service their bond financial obligations promptly.

Adopting enhanced tools to supervise the corporate bond and sukuk market, issuers from identified business sectors that were impacted due to the COVID-19 pandemic were closely monitored. These sectors included, among others, property, infrastructure, and utilities as well as oil and gas. Several corporate bond issuers had requested investors' indulgence for exemptions in either payment of coupon, profit or principal, or extension of time to meet agreed-upon financial ratios as well as other forms of refinancing. These corporate bond issuers, however, make up a very small portion of the corporate bond and sukuk market.

The corporate bond and sukuk market had three issuer defaults in 2022, amounting to RM1.44 billion or 0.18% of total outstanding corporate bonds and sukuk. Seven rating downgrades were also observed in 2022, compared to 10 in 2021. Out of seven rating downgrades, four were from the infrastructure and utilities sector, one from the property sector, one from the trading and services sector, and one from the mining and petroleum sector. As for the rating outlook, there were six downward revisions in the corporate bond rating outlook in 2022 compared to 10 in 2021.

Surveillance of Public-Listed Companies

Promoting trust and confidence through a dynamic and active approach

A key component to promoting integrity and market confidence is by ensuring PLCs provide full, accurate and timely disclosure of financial results, risk and other information which are material to investors' decisions. This continued to be achieved through proactive surveillance and monitoring of corporate disclosures and practices, and financial reporting of PLCs. Towards ensuring that the SC's surveillance activities remain relevant and effective, in 2022, the SC continuously reviewed and where appropriate, enhanced and refined its approaches taking into consideration, among others, emerging market trends as well as concerns in respect of corporate behaviour and conduct.

Surveillance activities throughout 2022 involved the review and assessment of 442 matters triggered via announcements and news articles, as well as complaints received by the SC in relation to 277 PLCs for possible violations of securities laws. The SC, in the course of its reviews, engaged with the directors, officers, statutory auditors and other professionals involved in the affairs of 23 PLCs.

Thematic reviews were carried out to identify emerging risk areas that may impact the capital market. Due to the spill-over effects of the COVID-19 pandemic, the SC assessed PLCs' financial health for potential increase in credit risks and corresponding impact on the capital market.

Credit risk modelling, pertinent financial data and ratios were applied to determine vulnerable sectors and PLCs with high credit risk as triggers for further assessment. Further, an in-depth review was also conducted on PLCs with low credit risk but large debts.

Overall, while there did not appear to be an alarming sign of deteriorating credit health in PLCs, it was observed that escalating external challenges affecting the capital market, such as the strengthening US dollar, prolonged geopolitical tensions, disrupted global supply chain as well as the rising cost of inputs may put pressure on the liquidity risk for companies with large debt. This situation will continue to be monitored to manage and mitigate any potential risk or impact on the capital market.

Following the introduction of the temporary relief measures which had allowed PLCs to increase the general mandate limit under the Bursa Listing Requirements², matters of concern were identified and corporate surveillance activities in 2022 were accordingly focused on:

- New share issuances by PLCs particularly via private placement exercises; and
- The granting of substantial options under employee share option schemes (ESOS) which resulted in significant issuance of new securities.

The surveillance reviews undertaken highlighted some concerns including the utilisation of funds raised via share issuances and related disclosures made by PLCs.

Where irregularities or possible securities law breaches were detected, such matters were escalated for further investigation and/or enforcement action. Bursa Malaysia was also engaged in matters requiring closer scrutiny on their part as the frontline regulator.

Supervision of Institutions and Intermediaries

Oversight of Bursa Malaysia

The SC supervises and monitors Bursa Malaysia and its subsidiaries towards ensuring proper discharge of the relevant entities' regulatory and market functions, for a fair and orderly market for securities and derivatives traded through their facilities. To ensure this is done effectively, a proactive and comprehensive supervisory approach is undertaken through annual regulatory assessments, imposition of reporting requirements, and engagements with Bursa Malaysia's board and senior management.

In 2022, the SC intensified its supervisory monitoring efforts over Bursa Malaysia Securities Clearing Sdn Bhd (BMSC) and BMDC through frequent engagements and robust challenge processes to address associated risks arising from heightened uncertainty in the market as a result of geopolitical tension and global supply chain disruptions in 2022.

The SC also continued to monitor the operations and performance of BMSC's and BMDC's risk mitigation measures in accordance with the SC's *Guidelines on Financial Market Infrastructures* requirements through periodic data/report submissions and engagements with the Risk and Compliance Division of Bursa Malaysia.

With aligned interests to promote greater foreign participation in the Malaysian capital market, the SC facilitated BMDC's application to the European Securities and Markets Authority (ESMA) to be recognised as one of the Third-Country Central Counterparties (TC-CCP) in the European Union.

² Bursa Listing Requirement's temporary relief measures had allowed listed companies to increase the general mandate limit under the Bursa Listing Requirements to not more than 20% of the total number of issued shares. This measure had provided greater flexibility for PLCs to raise funds from the capital market to manage the impact arising from COVID-19 on their business operations.

As part of the fulfilment of the requirements for BMDC to be recognised as one of the TC-CCP, an equivalence decision regarding the legal and supervisory framework for Central Counterparties in Malaysia was obtained from the European Commission on 8 June 2022. Following that, the SC and ESMA had successfully established co-operation arrangements via the signing of a Memorandum of Understanding (MoU) between the Chairmen of the SC and ESMA on 5 August 2022. Presently, BMDC has fulfilled the required conditions for the application to be recognised as one of the TC-CCP and the application is under ESMA's assessment.

Assessment on Bursa Malaysia Islamic Commodity Trading Platform

As part of the SC's oversight on Bursa Malaysia and its other businesses, the SC focused its regulatory assessment in 2022 on Bursa Malaysia Islamic Services Sdn Bhd (BMIS)³.

The assessment included a review and evaluation of processes and procedures during the onboarding of participants, adequacy and effectiveness of controls to monitor its participants to continuously adhere to the rules and other applicable Shariah requirements.

Oversight on the Federation of Investment Managers Malaysia

In August 2022, the SC completed its regulatory assessment on the Federation of Investment Managers Malaysia's (FIMM) Regulatory Services Division with the objective of determining the effectiveness and efficiency of FIMM's registration, supervision and enforcement framework.

Following this exercise, areas for improvement were identified to allow for a more effective discharge of FIMM's self-regulatory organisation (SRO) duties, including:

- Validation process in ensuring that only qualified companies/individuals are registered with FIMM;
- Supervisory effectiveness in ensuring proportionality on its supervision of distributors and consultants; and

- Strengthening the human resource management for timely and proper discharge of the enforcement function.


It was also noted that FIMM has implemented recommendations from the previous regulatory assessment to strengthen its efforts to build better compliance culture.

Supervision on recognised market operators

The SC regulates recognised market operators (RMOs) based on the principles of transparency and proportionality that are commensurate with the risks posed within the recognised market. In line with this, ongoing supervision by the SC is adopted to ensure fair, responsible and proper conduct of the operators facilitating fundraising/trading activities via alternative platforms, as well as to protect the rights and interests of investors.


The SC's oversight of the RMOs includes among others, periodic engagements with the operators, continuous monitoring via the review of reporting submissions and handling of complaints received with respect to areas such as governance, risk management, client/issuer onboarding and due diligence, cyber security and systems integrity.

Considering the growth of the alternative fundraising and trading platforms with increased participation of issuers and investors, the SC has also elevated its supervisory efforts. In 2022, four thematic regulatory assessments were carried out on ECF and P2P financing operators to assess their compliance with the SC's guidelines in the following areas:



ECF

Adequacy and effectiveness of issuers' onboarding and due diligence review, campaign approvals and disclosures.



P2P financing

Adequacy and effectiveness of issuers' due diligence and credit assessment, disbursement to issuers and default management.

³ BMIS facilitates commodity-based Islamic financing and liquidity management according to the Shariah principles of *murabahah* and *tawarruq*.

The SC observed several gaps and a few non-compliant practices with regard to the areas under assessments that required the operators' attention and corrective measures, which include:



ECF

Documentation and effectiveness of issuers' onboarding, due diligence review and campaigns' approval, as well as accurate campaign disclosures.



P2P financing

Documentation and consistency of due diligence and credit assessment practices, disbursements of funds to permitted parties and timely notification to investors concerning overdue/defaulted payments.

As part of ongoing supervision, the SC continued to monitor the progress of the remediation plans implemented by the operators to address the SC's findings.

Supervising intermediaries

In addition to the SC's scheduled assessment of compliance and risks, oversight function over intermediaries was further strengthened and focus was placed on threats and systemic concerns that pose the greatest risks to investors and the markets. Enhancements to the use of data and information systems within the SC have also facilitated a more effective and efficient

supervisory approach and regulatory outcome. This has contributed towards the SC's objective of promoting good culture and conduct among capital market intermediaries, to advocate self-regulation and to improve the standards of corporate governance, professionalism and ethical behaviour.

To further encourage good culture and conduct, a survey focusing on remuneration practices of licensed SBCs against the *Principles for Sound Compensation Practices* issued by the Financial Stability Board was conducted. The findings will be used to better understand the board of directors (BOD) role in setting remuneration policies, compensation practices, risks, and co-ordinate responses to address areas of common concerns. The information obtained would also provide support in the planned development of guidance to capital market intermediaries on drivers of good culture and conduct.

In 2022, notable supervisory efforts include the carrying out of 41 pre-emptive planned assessments on identified risk areas for each intermediary such as governance frameworks, compliance monitoring and safeguarding of clients' assets. Additionally, 91 for-cause assessments were undertaken arising from complaints and referrals received relating to misconduct. Swift intervention was initiated where lapses were noted in intermediaries' controls and procedures.

The SC also embarked on an initiative to further enhance its use of supervisory technology including greater application of advanced analytics for data consolidation and predictive insights. This is expected to improve the SC's ability to identify risk areas for review and support a more efficient and systematic supervisory function.

Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies

Background

On 30 June 2022, the SC issued a *Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies* (ESG Guidance Note), following thematic reviews conducted in 2020/2021 where selected FMCs were assessed on their policies and practices in managing ESG risks when undertaking investment activities.

The ESG Guidance Note aims to assist and guide FMCs in establishing a responsible investment framework by providing clarity and setting out the SC's expectations on the development and implementation of practices, policies and procedures in managing material ESG risks in FMCs' investment portfolios, as well as facilitate meaningful disclosure while driving positive impact and change.

The ESG Guidance Note includes illustrations of practices observed from the thematic reviews conducted and are supplemented with a list of Frequently Asked Questions (FAQ) to further enhance FMCs' understanding and effective implementation of the ESG Guidance Note.

Salient features of the ESG Guidance Note



Governance and Strategy

- BOD to play an active role and set strategic direction in developing and adopting responsible investment, and for senior management to ensure the implementation; and
- ESG-related training and capacity building should be provided to BOD, senior management and staff.



Investment Risk Management

- Material ESG risks in investment portfolios should be monitored, assessed, and managed on a continuous basis; and
- FMCs are encouraged to conduct scenario analysis to assess the resilience of their investment portfolios.



Investment Process

- FMCs to incorporate ESG factors in research, analysis, investment selection and decision processes.



Stewardship

- FMCs to engage and monitor investee companies as well as exercise their voting rights on material ESG issues.



Disclosure

- FMCs to disclose their responsible investment related objectives, strategies, practices and activities.

Read more on Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies.

 <https://www.sc.com.my/api/documentms/download.ashx?id=09879b86-6948-4c0c-8d29-559764a09964>

Survey on Remuneration Practices of Stockbroking Companies

The SC conducted a review to assess the current standards and controls implemented by SBCs in maintaining appropriate remuneration structures with a view to uphold sound business ethics through remuneration practices.

Scope and findings of the survey



Strengthening Technology Resilience

The SC noted a significant increase in cyber-attacks globally in 2022, corresponding with the rise of remote working practices and growth in the adoption of digital technology. These cyber-attacks have also shown that any firm can be compromised, regardless of size or scale.

To strengthen the management of technology and cyber risks for the capital markets, the SC released a consultation paper on the regulatory framework for Technology Risk Management (TRM). Preventive measures were also undertaken to support capital market entities in becoming more proactive in managing cyber security incidents. Various programmes were held to improve cyber risk awareness and hygiene in the capital market. Two major events that took place in 2022 were the Capital Market Cyber Simulation (CMCS) and Capital Market Cyber Incident Tabletop Exercise (CMCIT Exercise). Both serve the purpose of ensuring that cyber risk standards are upheld within the capital market. CMCS was targeted for entities which have higher dependencies on technology in their daily business operation while the CMCIT Exercise aided less technology-dependent companies to initiate planning and be more prepared for cyber-attacks.

Building resilience to cyber risks

- Capital Market Cyber Simulation

The fifth annual cyber simulation for capital market entities was conducted by the SC in collaboration with the National Cyber Security Agency (NACSA) and CyberSecurity Malaysia (CSM).



110 Entities
which have higher dependencies on technology in their daily business operations were invited.



Themed 'Trust But Verify'
with three cyber event scenarios selected to mimic the challenging circumstances in 2022.

Scenarios	Challenges
Supply chain	The SC acknowledges that attackers explore suppliers as new infiltration points into organisations. Resulting from the increased potential for supply chain hacks to penetrate a large number of consumers, these types of attacks are becoming increasingly common. These attacks predominantly target customer data, including Personally Identifiable Information (PII) data and intellectual property.
Data leakage	Employees are the biggest vulnerabilities to a company's data. With large numbers of employees operating outside of secure corporate networks, this vulnerability is growing. Although hackers have developed more sophisticated strategies and tools for stealing data and information, phishing is still common and an inexpensive technique to gain access to organisations' data. Hackers prey on people's fears and manipulate them into handing over data, often via email or website.
Online defacement	The owner of a website that is defaced usually suffers reputational, and in some instances, monetary damage. As a result, trust among customers might be damaged.



- Primary Objectives**
- Simulate the cyber incident response and recovery process by participating organisations;
 - Identify potential gaps in technology capabilities;
 - Rehearse the ability to maintain smooth market operations under different cyber incidents; and
 - Familiarise participants with the SC Vault Portal⁴ for escalation and submission of incident reports.



- Results**
- Significant improvement compared to 2021's exercise despite the increased difficulties in the assessment scenarios; and
 - Some participants demonstrated maturity in their level of cyber resilience and were better prepared in the event of a cyber-attack.

⁴ The Vault is a case management system which allows intermediaries to report on, and facilitates the SC's tracking of, any cyber or technology incidents that occurred within the intermediary. It also functions as a communication platform where advisories or alerts are released by the SC to intermediaries registered on the Vault platform.




- Capital Market Cyber Incident Tabletop Exercise

To help organisations strengthen their capabilities in facing potential cyber threats, the *SC Guidance Note on Management of Cyber Incidents* was rolled out to all capital market entities in 2022 as a base handbook to guide cyber security incident handling and management. In addition, tabletop exercises were organised to intensify the efficacy of capital market entities' incident response procedures through increasing awareness and understanding of cyber threats. Almost 200 capital market participants who have never been involved in the annual SC CMCS event participated in the CMCIT Exercise.



Read more on *Guidance Note on Management of Cyber Incidents*.

 <https://www.sc.com.my/api/documentms/download.ashx?id=272ca944-ede5-42ec-bd9d-e1e04184c39a>

Cyber threat landscape report for the capital market

In 2022, the SC worked with a threat intelligence partner to provide insights on the cyber threat landscape observed globally and in Malaysia. Globally, the top three cyber incidents observed were ransomware, malware stealer and vulnerability exploitation. In contrast, the top three cyber incidents in Malaysia over the same period were stolen credentials, ransomware and phishing attacks.

The SC developed a report on the cyber threat landscape based on an analysis of key financial sector-related cyber incidents reported to the SC via the Vault Portal. The threat report provided:

- Insights and awareness to capital market entities on current and past cyber threats, including a summary of advisories released by the SC through the Vault platform; and
- Outlook of cyber threats, along with fundamentals for incident handling. Both serve to raise capital market entities' awareness on taking proactive measures to address the nature of the potential cyber threats.


Technology supervision

The SC also performed technology and cyber assessment for multiple licensed entities, new applicants as well as third-party service providers to ensure their ability to manage technology and cyber risk. The assessment enabled the SC to determine the operational readiness of capital market entities from a technological and cyber security aspect. This includes the level of cyber governance, risk management, operation management, cyber security management as well as data management of the entities. Following observations for improvement, the SC will continue to supervise the technology and cyber risk of all capital market entities to minimise any technological risk gap.

Regulatory Framework on Technology Risk Management Consultation Paper

On 1 August 2022, the SC issued a public consultation paper on a *Proposed Regulatory Framework on Technology Risk Management* (TRM Framework). The TRM Framework aims to provide principle-based guidelines to support capital market entities to have a robust and sound technology risk framework and ultimately, for the capital market to be cyber resilient.

Responses to the comments (which closed on 19 September 2022) will be taken into consideration prior to the release of a finalised guideline.

Read more on the Consultation Paper on TRM Framework.
 <https://www.sc.com.my/api/documentms/download.ashx?id=f163d47d-04c7-4c43-923a-b179a3cb94cf>

IMPROVING OPERATIONAL EFFICIENCY FOR THE INDUSTRY

While the SC's primary function is to preserve the integrity of a fair and efficient capital market, efforts continue to be made to ensure that we remain an efficient and effective regulator with a focus on continuous improvement. Following interactions with key market participants, several requirements were streamlined to make the SC's processes and reporting more user-friendly.

Enhancing the Licensing Application System

On 22 March 2022, the SC launched the Electronic Application System (EASy) to replace the Electronic Licensing Application system, which served only Capital Markets Services Licence (CMSL) holders. Targeting both existing industry players and new capital market entrants under the SC's licensing and registration regimes, EASy enables, among others, the automation of the submission and review process. With the new and enhanced features and functionality, EASy is envisaged to benefit both industry and internal users through greater operational efficiency, process simplification, and turnaround time improvement.

Facilitating Issuance Process Efficiency and Increased Flexibility for Issuance of Corporate Bonds and Sukuk

Effective 1 January 2022, the *Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework* (LOLA Guidelines) facilitated an extended implementation time-frame for issuance of corporate bonds or sukuk for the first issuance under a programme or for a one-off issuance from 60 business days to 90 business days from the date of lodgement.

The extended implementation time frame has facilitated issuance process efficiency and provided greater flexibility to issuers to time their corporate bond or sukuk issuance based on market conditions.

Facilitating Post-Issuance Reporting for Bonds and Sukuk

In June 2022, the SC revised the LOLA Guidelines to enable more facilitative and streamlined post-issuance reporting to the SC for corporate bonds and sukuk. Concurrent with the issuance of the revised requirements under the LOLA Guidelines, the LOLA Online Submission System was enhanced to facilitate this streamlined reporting process.

The streamlined post-issuance reporting for corporate bonds and sukuk has supported principal advisers and the relevant responsible stakeholders in enhancing their operational efficiency.

PROMOTING RESPONSIBLE BUSINESSES AND SHARED ACCOUNTABILITY

The SC continued to encourage intermediaries and businesses to adopt a broader stakeholder-centric approach in their business strategies and risk management. This is an essential element for firms to reduce the likelihood and impact of misconduct. To reinforce good culture, the SC implemented and supported various initiatives focused on enhancing the understanding of the importance of governance. Regular and open dialogue with key stakeholders were also held, including with government agencies, businesses, firms that the SC regulates and even universities.

⁵ *Corporate Governance Strategic Priorities 2021-2023* (CG Strategic Priorities 2021-2023).

⁶ *Ibid.*

⁷ The MCII 2022 now features seven principles and enhanced guidance for the institutional investors, and a 'Stewardship Spotlight' which highlights what is expected of investee companies in relation to key corporate governance and sustainability issues including the recommended voting decisions associated with the issues. In terms of reporting, signatories of the MCII 2022 are expected to issue an annual Stewardship Statement which provides meaningful information and discussion on the adoption of the Code and the latest developments in relation to the signatories' stewardship activities, actions and outcomes.

Corporate Governance – Ensuring Board Diversity and ESG Fitness

In 2022, the SC continued efforts to promote the adoption of good corporate governance practices in the capital market and support the Government's initiatives to strengthen the internal governance and stewardship of government-linked investment companies (GLICs) as well as institutional investors in general. Highlights of the SC's efforts are as follows:

SC supports PERKUKUH governance initiatives

- Launch of the Principles of Good Governance for GLICs⁵

The Principles of Good Governance for GLICs (PGG) was launched on 15 April 2022 by the Minister of Finance, YB Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz. The PGG is the first deliverable under the Government's PERKUKUH initiatives. It sets out the baseline governance best practices that GLICs are expected to adopt. Led by the Ministry of Finance (MOF), the SC supported the development of the PGG as the subject matter expert, leveraging the SC's experience in developing the *Malaysian Code on Corporate Governance* (MCCG) and advocating as well as monitoring its adoption by PLCs.



- Launch of the Malaysian Code for Institutional Investors 2022⁶

The *Malaysian Code for Institutional Investors 2022* (MCII 2022)⁷ that was launched on 23 September 2022 by the Minister of Finance at the Institutional Investors Council

Malaysia – Securities Industry Development Corporation (IIC-SIDC) Corporate Governance Conference 2022 at the SC outlines the broad principles and guidance of effective stewardship by institutional investors on their investee companies. The launch of MCII 2022 was also one of the deliverables under PERKUKUH. It is an update to the first edition of the MCII which was released in 2014. The SC, as the Chair of PERKUKUH Working Group 12, worked closely with the IIC and MOF to support the review and enhancement to the MCII 2022.



development as future leaders and agents of positive change. A signing ceremony was also held between the SC, Monash and UM on 18 August 2022 at the SC.

The MoUs formalise collaboration which takes the form of among others, guest lectures by the SC and research collaborations on current corporate governance issues. A guest lecture on ‘The Role of Financial Reporting in the Corporate Governance Landscape’ was conducted on 11 May 2022, and had an attendance of more than 50 students and lecturers from Monash.



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

The 43rd Organisation for Economic Co-operation and Development (OECD) Corporate Governance Committee (CGC) meeting was held from 7 to 8 June 2022 at the OECD Headquarters in Paris, and the SC represented Malaysia. The CGC reviewed the first draft revision to the *G20/OECD Principles of Corporate Governance* (Principles), and the SC made several interventions on the revision including on the proposed changes related to the oversight of sustainability risks and opportunities, the use of technology to conduct general meetings and the role of stewardship codes in supporting shareholder activism. Written comments were also submitted by the SC for the OECD’s consideration.

Collaboration with universities on corporate governance⁸

In 2022, the SC entered into an MoU with Monash University Malaysia (Monash), Universiti Malaya (UM) and Universiti Sains Malaysia (USM) as a continuation of the effort to promote early understanding and appreciation of good governance among youth and to support their

Read more on media release ‘SC Inks MoU with Universiti Malaya and Monash University Malaysia to Instil Good Corporate Governance Awareness among Youth’.

<https://www.sc.com.my/resources/media/media-release/sc-inks-mou-with-universiti-malaya-and-monash-university-malaysia-to-instil-good-corporate-governance-awareness-among-youth>

Enhancement of the Sustainability Reporting Framework for listed issuers⁹

Taking cognisance of the need to–

- improve the quality and comparability of sustainability disclosures by listed issuers and ensure that such disclosures address the information needs of relevant stakeholders;
- align the disclosure requirements with international best practices; and
- promote the adoption of sustainable business practices by listed issuers;

engagements were carried out with Bursa Malaysia, culminating in the establishment of the enhanced

⁸ CG Strategic Priorities 2021-2023.

⁹ *Ibid.*

Sustainability Reporting Framework (SRF) on 26 September 2022.

Under the enhanced framework, listed issuers in the Main Market are expected to disclose information on–

- a set of common sustainability matters and indicators deemed material across all sectors;
- climate risks and opportunities which are aligned with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD);
- data and performance targets (if any) on the indicators of at least three years in a prescribed format; and
- whether the Sustainability Statement of the company has been subjected to internal review by internal auditors or independently assured.

For the ACE Market, listed issuers will be required to disclose the above, with the exception of the information on climate risks and opportunities aligned with TCFD recommendations, where listed issuers on the ACE Market are required to disclose a basic transition plan towards a low carbon economy.

The enhanced SRF introduced a phased approach on implementation where listed issuers in the Main Market and ACE Market are accorded with a reasonable grace period to comply with the requirements. The requirements under the enhanced framework will be implemented on a phased approach beginning with the annual report for financial year ending 2023 onwards.

Development of the Leading for Impact Programme¹⁰

The development of the Leading for Impact Programme (LIP) is in line with the SC's CG Strategic Priorities 2021-2023 aimed at strengthening the ESG fitness of boards. On 6 April 2022, the Institute of Corporate Directors Malaysia (ICDM) was appointed by the SC as the knowledge partner to conduct LIP, in line with their mandate to enhance the overall effectiveness of boards.

LIP will be opened for enrolment by the first quarter of 2023.


Establishment of a small and medium enterprises Governance Working Group¹¹

A small and medium enterprises (SME) Governance Working Group (Working Group) was set up to promote early adoption of corporate governance practices by MSMEs. This imperative was highlighted in the *Twelfth Malaysia Plan* as well as the SC's *Corporate Governance Strategic Priorities 2017-2020*. The first meeting was held virtually on 8 March 2022 and attended by members of the Working Group which comprised representatives from the SC, Ministry of Entrepreneur Development and Cooperatives (KUSKOP), SME Corporation Malaysia (SME Corp. Malaysia) and Malaysian Institute of Corporate Governance (MICG). The Working Group is developing a *SME Governance Toolkit for SMEs* which will strengthen their governance culture, framework and practices as well as support the resilience and long-term success of businesses.

Release of the Corporate Governance Monitor 2022¹²

On 1 December 2022 the SC released its *Corporate Governance Monitor 2022* (CG Monitor 2022) which presents updates on the adoption of the 2017 and 2021 editions of the MCCG as well as the quality of corporate governance disclosures. Adoption level across majority of the best practices remained positive, with 30 out of 48 practices recording adoption level of at least 90% (2021: 24 practices). Two thematic reviews were also conducted as part of the CG Monitor 2022, namely on the *Sustainability disclosures of 50 companies in the sectors which are emissions, foreign labour and export intensive (S50 Review)* and the *Demography of Senior Management of the Top 100 Listed Companies*.

Read more on media release 'SC Report: Adoption Levels of Corporate Governance and Sustainability Best Practices by PLCs Remain Positive'.

 <https://www.sc.com.my/resources/media/media-release/cgmonitor2022>

¹⁰ *Ibid.*

¹¹ *Ibid.*

¹² *Ibid.*

MCCG Adoption and Quality of Disclosures

30

(2021:24)
MCCG best practices have an adoption level of above 90%

79%

Average adoption rate for newly introduced best practices in MCCG 2021

WATCHLIST

Practices which companies should avoid:



Mirror disclosures



Regress from best practices adoption



Poor explanation of departure

Annual Transparency Reporting by the Audit Firms

In 2022, following the implementation of the AOB’s Annual Transparency Reporting framework in 2021¹³, nine audit firms (2021: eight audit firms) registered with the AOB met the criteria set and produced an *Annual Transparency Report* (ATR) based on the audit firms’ fiscal year-end. In addition to sharing of the ATR with the Audit Committees (AC) of the audit firms’ public-interest entity (PIE) clients in the first year of implementation, their respective ATR’s have been uploaded on their websites.

To understand how Audit Committees make use of the ATR and identify any areas for improvement, the AOB conducted a survey with the AC on Transparency Reporting by Audit Firms between April to June 2022. 94% of the AC found that the information disclosed in the transparency reports was useful to facilitate the selection and/or reappointment of the auditors.


The AOB’s Conversation with Audit Committees

One of the AOB’s capacity-building initiatives was to continue engaging with the AC of PIEs, keeping them

updated with the development in the audit profession. In 2022, the AOB organised three sessions of the AOB’s Conversation with the ACs. It provided a platform for the AOB to share its observation and findings from inspections of audit firms with the AC and guide them on relevant actions to take following the audit findings.

The majority of the AC highlighted that the firm’s information and the audit quality indicators disclosed in the Annual Transparency Reports of the audit firms are useful for them to assess the competency and capability of the auditors.

Read more on the *AOB Annual Report 2022 – Stakeholder Engagements and Capacity-Building Initiatives*.

 <https://www.sc.com.my/annual-report-2022/audit-oversight>

Proposed Enactment of Consumer Credit Act to Enhance Consumer Credit Protection

In line with the Government’s initiative to strengthen the protection for credit consumers in Malaysia, the Consumer Credit Oversight Board Task Force (CCOB Task Force) was set up in July 2021 to drive the enactment of the new *Consumer Credit Act* (CCA)¹⁴.

The CCA seeks to provide a comprehensive framework towards regulating the conduct of entities carrying out the business of providing credit or credit services, with an immediate focus on those that are not currently subjected to direct regulation by any authority. This includes the regulation of new forms of credit such as ‘Buy Now Pay Later’ providers.

The CCA will pave the way for the establishment of the Consumer Credit Oversight Board (CCOB) as an independent competent authority to oversee consumer credit providers and credit service providers. The CCA will adopt a federated regulatory approach modelled after the *Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001* (AMLATFPUAA).


The proposed transformation of the consumer credit regulatory architecture will be undertaken in stages and will see the establishment of an independent competent

¹³ The AOB’s Annual Transparency Reporting which was first introduced in 2019 and implemented in 2021, requires audit firms which meet certain requirements to publish a report containing, among others, information on the firm’s legal and governance structure, measures taken by the firm to uphold audit quality and measure risks, and information on the firm’s indicators of audit quality.

¹⁴ The CCOB Task Force is led by the MOF, BNM and the SC and works in close collaboration with the Ministry of Domestic Trade and Cost of Living (KPDN), the Ministry of Local Government Development (KPKT), the Ministry of Entrepreneur and Cooperatives Development (KUSKOP) and Malaysia Co-operative Societies Commission (SKM).

authority for consumer credit business, that is the CCOB, which will regulate those entities currently unregulated such as 'Buy Now Pay Later' providers, debt collection agencies and impaired loan buyers as well as complement the oversight role of existing ministries and agencies, referred to as 'Regulatory and Supervisory Authority' (RSA). In this regard, as the RSA for the capital market, the SC will continue to regulate its regulatees in accordance with securities laws while ensuring that they also comply with new regulations and standards issued under the CCA to provide consistent protection to credit consumers.

Read more on media release 'Consumer Credit Oversight Board Task Force Invites Feedback on Proposed Enactment of Consumer Credit Act'.

 <https://www.sc.com.my/resources/media/media-release/consumer-credit-oversight-board-task-force-invites-feedback-on-proposed-enactment-of-consumer-credit-act>

PRIORITISING SWIFT AND EFFECTIVE OUTCOMES IN ENFORCEMENT

The SC streamlined several enforcement initiatives in 2022, to enhance the effectiveness, efficiency and swiftness of its enforcement actions which involved focusing on breaches of securities law concerning securities fraud, unlicensed activities, and disclosure breaches, as part of the SC's enforcement priorities.

A range of regulatory tools were used including the use of non-formal enforcement tools to address the parties in breach such as the issuance of six Notices of Cease and Desist to immediately halt persons who were found to be providing investment advice to investors without licence.

Collaboration with Other Law Enforcement Agencies and Cross-Border Authorities

As capital markets and investment schemes become more inter-linked and complex, the SC continued to work in strategic collaboration with other authorities within and outside Malaysia to protect investors. Domestically, the SC continued to work with agencies such as BNM, Royal Malaysia Police (PDRM) and Malaysian Anti-Corruption Commission. Internationally, the SC leverages the IOSCO's Multilateral Memorandum of Understanding to seek as well as assist other member

jurisdictions for investigative assistance, as part of its enforcement strategy.


Supervisory co-operation MMoU at global regulators meeting



The SC signed the *IOSCO Asia Pacific Regional Committee's (APRC) Multilateral Memorandum Of Understanding For Supervisory Co-operation* (Supervisory MMoU) at the IOSCO Annual Meeting 2022 in Morocco on 17 October 2022. Given the increasing cross-border activities in capital markets within the region, this supervisory MMoU establishes for the first time, a formal framework for regional supervisory co-operation among capital market regulators.

With the signing of this Supervisory MMoU, the SC now has a co-operative arrangement on supervisory matters with its regional regulatory counterparts including in Australia, Hong Kong, Japan, Singapore and Thailand.

Read more on media release 'SC Signs Supervisory Co-operation MMoU at Global Regulators Meeting'.

 <https://www.sc.com.my/resources/media/media-release/sc-signs-supervisory-cooperation-mmou-at-global-regulators-meeting>

Enhancing regulatory collaboration – MoU with Labuan FSA

The SC entered into an MoU with the Labuan FSA on 23 May 2022 to enhance regulatory, enforcement and supervisory co-operation and collaboration. This MoU builds upon and further strengthens the Memorandum of Co-operation and Mutual Assistance signed between the two agencies in 2004.




The MoU, which covers the development and regulation of capital market activities in Malaysia, reflects both the regulators' commitment to ensure Malaysia's capital market remains relevant and achieves the intended outcomes as this will enable the SC and Labuan FSA to—

- further strengthen collaboration in areas of mutual interest, including monitoring of risks and promoting stability of the capital market; and
- enhance provision of technical assistance, capacity building and exchange of information between

the two regulators which will, among others, better enable the regulators to assess risks to the stability of the capital market to ensure the integrity of the onshore market or Labuan International Business and Financial Centre.

Read more on media release 'SC and Labuan FSA Ink MoU to Strengthen Regulatory Co-operation and Collaboration'.

 <https://www.sc.com.my/resources/media/media-release/sc-and-labuan-fsa-ink-mou-to-strengthen-regulatory-co-operation-and-collaboration>

Investing in Technology for Cohesive Enforcement Outcome

The SC also worked with Bursa Malaysia as frontline regulators to maintain market integrity and for investor protection. This included implementing a Coordinated Enforcement Repository System (CERS) with Bursa Malaysia in an effort to digitise referrals between the two bodies for better and more timely co-ordination of enforcement efforts concerning overlapping breaches.

Highlights in Enforcement Cases by the SC

Deceiving investors with non-existent securities

On 16 and 24 June 2022, Chua Yi Fuan (Charles Chua), was charged with a total of 17 counts of securities fraud under section 179(c) of the CMSA for deceiving 14 investors into believing that they were investing in purported investment schemes involving subscription of non-existent securities which caused 14 investors to suffer losses amounting to RM1,738,292. Following joint efforts between the SC, PDRM and Interpol, Charles Chua was arrested and deported from Cambodia.

Read more on media release 'SC Charges Former Investment Banker for Deceiving Investors'.

 <https://www.sc.com.my/resources/media/media-release/sc-charges-former-investment-banker-for-deceivinginvestors>


Read more on media release 'Former Investment Banker Faces 13 New Charges for Deceiving Investors'.

 <https://www.sc.com.my/resources/media/media-release/former-investment-banker-faces-13-new-charges-fordeceiving-investors>

Deceiving investors with non-existent futures investment scheme

On 14 February 2022, Mohd Azhidi Laili (Azhidi) was charged with nine counts under section 206(b) of the CMSA for deceiving nine investors of RM1,450,000 for investing in a non-existent FCPO investment scheme. Azhidi was also charged for holding himself out as a representative of AmFutures Sdn Bhd without the requisite Capital Markets Services Representative's Licence (CMSRL) issued by the SC at the material time. Additionally, Azhidi was further charged for non-compliance of a notice in connection with an investigation issued by an Investigating Officer of the SC.

Read more on media release 'SC Charges Unlicensed Futures Trader for Defrauding Investors'.


 <https://www.sc.com.my/resources/media/media-release/sc-charges-unlicensed-futures-trader-for-defrauding-investors>

Furnishing false and misleading information to Bursa Malaysia

On 13 April 2022, the SC imposed the maximum compound on Serba Dinamik Holdings Bhd, its Chief Executive Officer (CEO) and Group Managing Director Dato' Dr. Ir. Ts. Mohd Abdul Karim Abdullah, Executive Director Datuk Syed Nazim Syed Faisal, Group Chief Financial Officer Azhan Azmi and Vice President of Accounts and Finance Muhammad Hafiz Othman (Hafiz) for a sum of RM3 million each for submission of false financial statement in relation to the revenue figure of RM6.01 billion contained in Serba Dinamik's Quarterly *Report on Consolidated Results for the Quarter and Year ended 31 December 2020*.

Hafiz was also issued with the maximum compound of RM1 million for falsifying the accounting records of the company's subsidiary Serba Dinamik Sdn Bhd.


Read more on media release 'SC Imposes Maximum Compound against Serba Dinamik, CEO, Director, and Officers for Submitting False Financial Statement to Bursa Malaysia'.

 <https://www.sc.com.my/resources/media/media-release/sc-imposes-maximum-compound-against-serba-dinamik-ceo-director-and-officers-for-submitting-false-financial-statement-to-bursa-malaysia>

Insider trading cases

On 5 September 2022, the Court of Appeal dismissed Dato' Sreesanthan Eliathamby's appeal against the High Court decision. The High Court's decision after a full trial in 2020 included a declaration that he had engaged in insider trading in respect of Worldwide Holdings Bhd shares, a payment of the sum of RM1,989,402 which is equivalent to three times the profit made, civil penalty of RM1 million and an order that he be barred from being a director of any PLC for a period of 10 years.

Read more on media release 'Court of Appeal Dismisses Dato' Sreesanthan's Civil Appeal on Insider Trading of Worldwide Holdings Berhad Shares'.

 <https://www.sc.com.my/resources/media/media-release/court-of-appeal-dismisses-dato-sreesanthans-civil-appeal-on-insider-trading-of-worldwide-holdings-berhad-shares>

On 7 April 2022, the SC successfully proved its case in the civil suit against Dato' Raymond Yap Wee Hin, a former Deputy Chairman of Patimas Computers Bhd, for the insider trading. The High Court ordered him to pay a sum of RM3.28 million being an amount equal to three times the losses avoided by him as a result of the insider trading, to pay the SC a civil penalty of RM1 million and barred him from being a director of any PLC for a period of five years.

Read more on media release 'Former Deputy Chairman of Patimas Computers Bhd Found Liable for Insider Trading by High Court'.

 <https://www.sc.com.my/resources/media/media-release/former-deputy-chairman-of-patimas-computers-bhd-found-liable-for-insider-trading-by-high-court>

On 16 November 2022, the SC won its civil suit against Dato' Ng Back Heang, a former executive director of Patimas Computers Bhd, for insider trading. The High Court ordered him to pay the SC a sum of RM1.24 million which is three times the losses he avoided as a result of the insider trading, pay a civil penalty of RM700,000 to the SC and barred him from being appointed as a director of a PLC for a period of five years.

Read more media release 'SC Wins Insider Trading Civil Suit against Patimas Computers Berhad Former Executive Director'.

 <https://www.sc.com.my/resources/media/media-release/sc-wins-insider-trading-civil-suit-against-patimas-computers-berhad-former-executive-director>

Causing wrongful loss to a PLC

On 7 September 2022, the Federal Court dismissed Datin Chan Chui Mei's leave to appeal against the Court of Appeal's decision which affirmed the High Court's decision in 2019 that she had breached securities laws namely causing wrongful loss to Stone Master Corporation Bhd.

Read more on media release 'Federal Court Rules in SC's Favour, Stone Master Ex-Deputy MD's Leave Application Dismissed'.

 <https://www.sc.com.my/resources/media/media-release/federal-court-rules-in-scs-favour-stone-master-ex-deputy-mds-leave-application-dismissed>

On 29 November 2022, the SC filed a civil suit against five individuals, Tey Por Yee, Lim Chye Guan, See Poh Yee, Francis Tan Hock Leong and Faizatul Ikmi Abdul Razak for scheme to defraud and/or causing wrongful losses totalling RM120.6 million to four PLCs, namely, Nexgram Holdings Bhd, R&A Telecommunication Group Bhd, Asdion Bhd and Ire-Tex Corporation Bhd.

The SC alleged that Tey, Lim, See and Tan, in their capacities as directors and officers of the four PLCs, siphoned out the proceeds of the companies' fundraising exercises, while Faizatul Ikmi abetted or furthered the siphoning.

Read more on media release 'SC Sues Five Individuals for Causing Wrongful Loss Totalling RM120.6 Million to Four Public Listed Companies'.

 <https://www.sc.com.my/resources/media/media-release/sc-sues-five-individuals-for-causing-wrongful-loss-totalling-rm1206-million-to-four-public-listed-companies>

Non-compliance with anti-money laundering orders

On 14 July 2022, the Sessions Court convicted Amirruddin Nin on all three charges for failing to comply with Orders issued by an SC Investigating Officer in 2017 and 2018 under the AMLATFPUAA. He was sentenced to a fine of RM100,000 and one day imprisonment for each of the three charges, to be served concurrently. Further, he was ordered to pay a daily fine of RM2,000, resulting in a total fine of RM1,958,000, for his continuous failure to comply with the orders to appear for examination issued by the SC for a span of 979 days.


Read more on media release 'Director Jailed, Fined RM2.25 Million for Failing to Appear before SC for Investigation'

 <https://www.sc.com.my/resources/media/media-release/director-jailed-fined-rm225-million-for-failing-to-appear-before-sc-for-investigation>

Furnishing misleading information to Bursa Malaysia

On 25 January 2022, the High Court allowed the SC's appeal and increased the jail sentence of former Transmile CEO and Executive Director Gan Boon Aun from one day to 24 months. He was convicted by the Sessions Court in 2020 for furnishing a misleading financial statement to Bursa Malaysia and sentenced to a fine of RM2.5 million (in default, 18 months' imprisonment) and one day imprisonment.

Read more on media release 'High Court Imposes 24 Months Imprisonment Term on Former Transmile CEO'.

 <https://www.sc.com.my/resources/media/media-release/high-court-imposes-24-months-imprisonment-term-on-former-transmile-ceo>

Non-compliance with auditing standards


On 17 August 2022, the Federal Court dismissed the application for leave to appeal by audit firm Afrizan Tarmili Khairul Azhar (AFTAAS) and its partners against the Court of Appeal's decision in 2021 which was in favour of the SC. This relates to an application for judicial review to challenge the enforcement actions by the AOB against them. In 2019, the AOB had taken enforcement action against AFTAAS for non-compliance of auditing standards by barring the firm and its partners from accepting as clients and auditing PIE or schedule funds for a period of 12 months and fined AFTAAS and its partners.

The High Court set aside the AOB's decision in 2020. The AOB was successful in its appeal to the Court of Appeal in 2021 and the High Court's decision was set aside. AFTAAS and its partners sought for leave to appeal to the Federal Court. With the disposal of the case by the Federal Court, the AOB's enforcement decision would take effect from 17 August 2022.

Read more on media release 'Federal Court Rules in SC's Favour Relating to AOB's Enforcement Action against Audit Firm'.

 <https://www.sc.com.my/resources/media/media-release/federal-court-rules-in-scs-favour-relating-to-aobs-enforcement-action-against-audit-firm>

Read more on media release 'Court of Appeal Upholds SC's AOB Enforcement Actions on AFTAAS and its Partners'.

 <https://www.sc.com.my/resources/media/media-release/court-of-appeal-upholds-scs-aob-enforcement-actions-on-aftaas-and-its-partners>

Unlicensed fund management activities

On 14 November 2022, the Sessions Court convicted Uzir Abd Samad (Uzir), on all three offences relating to unlicensed fund management activities and wrongfully holding himself out as a licensed person under sections 58(1) and 362(3) of the CMSA. He was sentenced to a one-year imprisonment for each of the three charges and the court further ordered that the imprisonment terms be served concurrently. Uzir had pleaded guilty mid-way during the prosecution's case after a plea-bargaining process under section 172C of the *Criminal Procedure Code*.

Read more on media release 'Former Company Director Jailed for Unlicensed Fund Management Activities'.

 <https://www.sc.com.my/resources/media/media-release/former-company-director-jailed-for-unlicensed-fund-management-activities>

Unlicensed derivatives dealing

On 12 December 2022, the Sessions Court convicted two former officers of Jalatama Management Sdn Bhd (Jalatama) on two charges respectively relating to carrying out a business of dealing in derivatives without a licence under section 58(1) of the CMSA read together with section 367(1) of the same Act. Su Eng Kooi (Su) and Yap Choong Seong (Yap) were convicted by the court after a full trial and sentenced to one-year imprisonment and a fine of RM1 million (in default one-year imprisonment) for each of the two charges respectively. The court ordered that the imprisonment terms be served concurrently.

Read more on media release 'Former Company Officers Jailed, Fined RM2 Million Each for Unlicensed Derivatives Dealing'.


 <https://www.sc.com.my/resources/media/media-release/former-company-officers-jailed-fined-rm2-million-each-for-unlicensed-derivatives-dealing>

Money laundering involving unlicensed investment advice

On 10 November 2022, Mohamad Afiq Md Isa, and his wife, Natasha Mohamed Taufek, were charged with money laundering offences involving more than RM1.2 million which were committed between May 2020 and October 2021.

Mohamad Afiq was charged at the Kuala Lumpur Sessions Court with eight counts under section 4(1)(b) of the AMLATFPUAA for receiving and transferring proceeds from unlawful activity, namely unlicensed investment advice which was done through a business and a company he owns. Natasha was charged with one count of receiving proceeds of the unlicensed investment advice activity.


Read more on media release 'SC Charges Four Individuals with Money Laundering of Over RM7.2 Million'.

 <https://www.sc.com.my/resources/media/media-release/sc-charges-four-individuals-with-money-laundering-of-over-rm72-million>

On 11 November 2022, Tan Soon Hin, and his wife, Teh An See, were charged with a total of 10 counts of money laundering involving more than RM6 million between January 2020 and November 2021.

Tan was charged at the Kuala Lumpur Sessions Court with eight counts under section 4(1)(a) of the of AMLATFPUAA for engaging in transactions involving proceeds of unlawful activity, namely unlicensed investment advice. Teh, who is the sole owner and shareholder of the business and company used to carry out the unlicensed investment advice, was charged for receiving the proceeds and faced five charges under section 4(1)(b) of the same Act.


Read more on media release 'SC Charges Four Individuals with Money Laundering of Over RM7.2 Million'.

 <https://www.sc.com.my/resources/media/media-release/sc-charges-four-individuals-with-money-laundering-of-over-rm72-million>

KL Sessions Court's jurisdiction to try cases in any part of peninsular Malaysia

On 20 July 2022, the Court of Appeal in a landmark ruling allowed the SC's appeal and decided that the Sessions Court in Kuala Lumpur can try civil and criminal cases from any part of peninsular Malaysia. The judgment came following the High Court's earlier decision in quashing the conviction of Abul Hasan Mohamed Rashid (Abul), who had been found guilty by the Sessions Court upon full trial for an offence of criminal breach of trust involving RM26 million funds belonging to Multi-code Electronics Industries (M) Bhd. The conviction was quashed following the High Court's decision in allowing a preliminary objection raised by Abul pertaining to the Kuala Lumpur Sessions Court's territorial jurisdiction to try the case. The Court of Appeal set aside the decision of the High Court and further remitted the case to the High Court for merits of the case to be heard before another High Court judge.

Read more on the Court of Appeal's decision of Abul Hasan's criminal breach of trust case.

 <https://www.sc.com.my/regulation/enforcement/actions/criminal-prosecution/updates-on-criminal-prosecution-in-2022>

What are Scams and Unlicensed Activities?



Scams

Include investment scams involving the promotion of fake investment products or clone scams which impersonate legitimate entities.



Unlicensed activities

Involve persons carrying on the business of regulated activities without a licence or being registered with the SC.

What strategies were employed by the SC to combat scams and unlicensed activities?

Intervention

- Swift action to stymie these activities.
- Examples: Blocking of websites, Facebook, Telegram and Instagram, Notices of Cease and Desist, social media interventions.

Alerts

- Warning the public on scams and unlicensed activities.
- Examples: Media release, Investor Alert List on scams and illegal websites, communication via social media.

Enforcement Actions

- Taskforce on Unlicensed Activities to take action for breaches of the securities laws.
- Examples: Criminal, civil and administrative actions, police reports, referrals to other enforcement agencies.

Investor Education and Industry Communication

- Monthly communication with market intermediaries on unlicensed activities and scams via the SC's EASy platform for them to alert their clients.
- Dedicated email channel for the industry to escalate scam-related matters with the SC.
- Public campaigns and targeted efforts to educate investors.
- Examples: Flagship investor education outreach events like InvestSmart® Fest 2022 and Bersama InvestSmart® @ Sarawak 2022, social media postings, monthly webinars and initiatives focusing on targeted group like Urban B40 and rural population.

What actions were taken by the SC?



7
Commence enforcement



6
Notices of Cease and Desist



304
Investor Alert List inclusions



88
Police reports



181
Referrals to other agencies / foreign regulators



185
Websites blocked



38
Facebook accounts geo-blocked



114
Telegram accounts blocked



9
Instagram accounts blocked



142
Social media interventions

Focused Efforts on Scams

In order to combat the growth of investment scams and clone firms, the SC set up an internal task force to accelerate investigations and initiation of enforcement actions against potential fraudulent perpetrators.

Modus operandi of scams

The SC's investigation shows that the *modus operandi* typically used by fraudulent perpetrators involved:


- Using names, logos, credentials, website of a legitimate capital market intermediary to promote false investment schemes;
- Targeting PLCs that possess high investor interest such as the medical, glove, and property sectors during the COVID-19 pandemic;

- Putting out advertisements on social media channels such as Telegram, Facebook and WhatsApp to lure investors with investment packages guaranteeing high returns with low risk and seemingly managed by 'licensed intermediaries';
- Using large number of 'agents' to lure potential victims and soliciting investments through social media chats once the victims clicked on the link provided; and
- Requesting victims to deposit monies for the 'investment schemes' into bank accounts held by mule account holders to layer and launder the illegal proceeds received.

The victims were often instructed to provide personal information such as their names, NRIC numbers and bank details, after which they would be directed to


LATEST SCAM

BEWARE OF CLONE FIRM SCAMS




Suruhanjaya Sekuriti
Securities Commission
Malaysia


HOW DO THEY OPERATE?




Pose as representatives of firms licensed/registered by the SC using lookalike firm names and branding



Promote bogus investment schemes with extraordinary high returns and little risk




Products are marketed via WhatsApp and social media platforms




Request deposit **payments** into bank accounts of **individuals** or **unrelated licensed entities** that they claim to represent


HOW TO PROTECT YOURSELF?



Contact, verify and **confirm directly** with the **SC licensed/registered firms**




Refer to the SC's website to check on licensed/registered firms and alert list at **www.sc.com.my**





Ensure payments are made to **official bank account** of licensed firms


IN SUPPORT OF



For more information and to report on scams:


+603 6204 8999


aduan@seccom.com.my


www.investsmartsc.my

transfer funds to the personal bank accounts of the fraudulent perpetrators who claim to represent a legitimate licensed entity. Following suit, the perpetrators will induce the victim to part with more money under the guise of pending payments that may include income tax, administrative fees, bank charges, withdrawal fees or exchange rates.

These perpetrators often make use of a mule account where an individual or a company allows their bank account to be used and controlled by other people by handing over an automatic teller machine (ATM) card, PIN number and/or by providing an online banking password to criminals to transfer/receive money from fraudulent activities.

Money mules are people recruited by criminals, often unwittingly, to use their accounts to transfer funds and launder their illicit profits. In most cases, money mules are recruited as part of wider scams including clone firm scams, to complicate the money trail. Money mules serve to add more layers by moving the money further and further away from the original crime/offence. In return for the use of the bank accounts, the mules will receive a certain amount of reward.

Enforcement Actions Taken on Scams

The SC employed a three-pronged approach including reprimanding, imposing penalty as well as issuing stern warning letters to the individuals involved respectively.


Action was taken against nine mule account holders related to clone firm scams for breaches of section 354(1)(a) of the CMSA read together with section 4(1)(b) of the AMLATFPUAA. Each mule account holder received a reprimand and penalty of RM225,000.

During the SC's investigations, at least 32 mule account holders have been identified to be involved in facilitating the operators of these clone firm scams. As a result, the SC served Show Cause Notices (SCN) to 15 individuals that are believed to have received illegal proceeds from the operations of clone firm scams.

These scam operators have generated a large amount of illegal proceeds. In one of the scams, approximately RM3.6 million had flowed through one mule bank account within a period of six months. Based on the 154 bank statements reviewed, the SC also found that in total, at least RM24.7 million may have flowed to several 'masterminds' of these scams.

Members of the public are reminded that they are responsible for keeping their accounts safe, to always be vigilant and to not fall victim to mule account scams.

Read more on media release 'SC's Discloses Findings on Clone Firm Scams'.

 <https://www.sc.com.my/resources/media/media-release/sc-discloses-findings-on-clone-firm-scams>

Read more on investment scams and unlicensed activities in the *The Reporter*, 2022 edition.

 <https://www.sc.com.my/api/documentms/download.ashx?id=ddcb4a5e-04c8-4c01-9a6e-98e0e28ae138>


Enforcement Action on Unlicensed Activities

As an enforcement agency, the SC has a wide range of enforcement tools at its disposal and employs them effectively taking into account the seriousness of the offence, impact to investors, possibility of recovery of monies, time and cost involved.

A total of four criminal charges were initiated by the SC relating to unlicensed investment advice activity. Additionally, three convictions were also secured by the SC in relation to unlicensed fund management and dealing in derivatives activities.

Read more on the four criminal charges initiated by the SC:


Media release 'Former Company Director Jailed for Unlicensed Fund Management Activities'.

 <https://www.sc.com.my/resources/media/media-release/former-company-director-jailed-for-unlicensed-fund-management-activities>

Media release 'Former Company Officers Jailed, Fined RM2 Million Each for Unlicensed Derivatives Dealing'.

 <https://www.sc.com.my/resources/media/media-release/former-company-officers-jailed-fined-rm2-million-each-for-unlicensed-derivatives-dealing>

Media release 'SC Charges Four Individuals with Money Laundering of Over RM7.2 Million'.

 <https://www.sc.com.my/resources/media/media-release/sc-charges-four-individuals-with-money-laundering-of-over-rm72-million>

Investor Education and Awareness Campaigns

The longer-term approach is to educate investors and reach out to various segments of investors – from urban to the rural, young and old alike, through large campaigns and targeted efforts.

Investor awareness campaigns

After a two-year hiatus due to the pandemic, the SC held its flagship investor outreach, InvestSmart® Fest 2022 and Bersama InvestSmart® @ Sarawak, in Kuala Lumpur and Kuching, respectively. Themed '*Silap Labur Duit Lebur*', both events aimed to promote investment literacy and awareness on unlicensed activities and scams to members of the public.

Targeted outreach programmes

The SC curated several targeted programmes for certain segments of the population. One such programme is the roll-out of the *Agen Bijak Labur Desa* (ABJAD) programme to create financially literate rural communities. A two-pronged approach in reaching out to the rural population under the ABJAD programme was adopted.

- Students from 14 rural secondary schools nationwide were trained as 'Agents of Change' to gain knowledge on financial and digital literacy modules through computer assisted e-learning platform. Upon completion, these students will guide an identified key family member to also complete the e-learning modules and subsequently impart the knowledge to other family members. Under this approach, teachers from the identified schools will

also go through the same online modules. A total of 12,500 participants comprising students, family members and teachers are expected to go through this programme.

- InvestSmart®'s direct on the ground engagements with rural communities.

Further details on the SC's investor empowerment initiatives through InvestSmart® are highlighted in *Part 6 – Market Statistics*.

SIDREC's Role in Investor Protection

Meanwhile, the Securities Industry Dispute Resolution Center (SIDREC), an independent and impartial dispute resolution body for the capital market, continued to facilitate the resolution of monetary disputes between retail investors and market intermediaries in an accessible, efficient and effective manner. SIDREC enhances investor protection by affording investors access to settlement of disputes through case management, mediation and adjudication, without the need to resort to expensive litigation.

In 2022, SIDREC received 239 claims and enquiries, out of which 72 were eligible disputes (2021: 275 claims and enquiries, of which 47 were eligible disputes). 80.6% (25 out of 31) of the eligible disputes resolved in 2022 were resolved through case management and mediation without having to proceed to adjudication.

For 2022, SIDREC resumed conducting its in-person mediation sessions and adjudication hearings. However, fully virtual or hybrid sessions and hearings were still conducted as and when required.

SPECIAL FEATURE 1

TOWARDS GREATER INVESTOR PROTECTION: UNDERSTANDING INVESTORS' VULNERABILITIES

Responding to the Changing Landscape for Investors

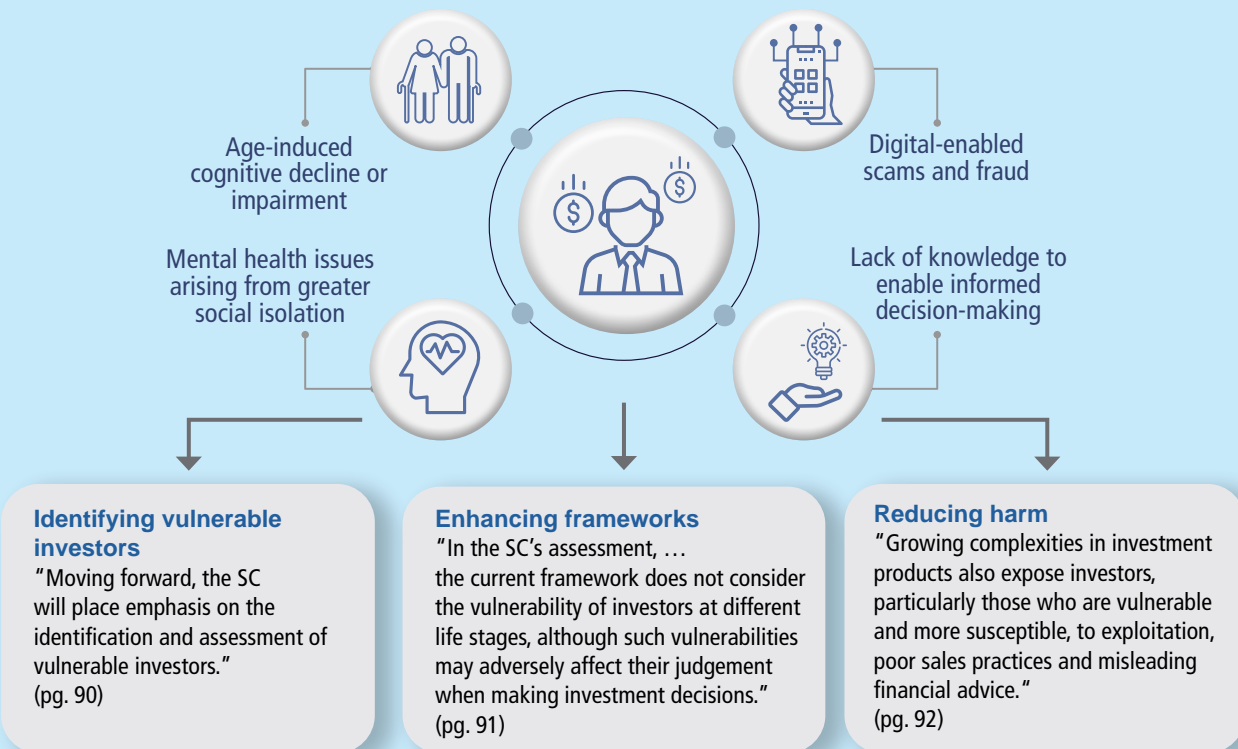
A core goal of capital markets and securities regulators is investor protection. Today's rapid innovations in technology and increasingly complex products and financial services correspond with the evolving nature of access, choice, and information related to investments. This creates opportunities for investors but also increases the risk of becoming victims of fraud, financial exploitation, or the effects of unsuitable investments, particularly for those less equipped to deal with the effects of these challenges and who may be more vulnerable to harm.

As such, the nature of investor protection changes given the changing landscape. As changes in investors' circumstances and the investment environment occur, financial regulators are cognisant of the importance to respond to the evolving needs of individuals, investors, and financial services – including those of vulnerable investors. The *Capital Market Masterplan 3* (CMP3) recognises and sets out the SC's vision for the protection of vulnerable investors in the years to come (Figure 1).

 Read more on the CMP3.
<https://www.sc.com.my/resources/publications-and-research/capital-market-masterplan-3>

Following the CMP3's articulation, the SC initiated a nationwide study on investor vulnerability, to provide a more in-depth understanding of the area and to inform future work of the SC. This article aims to outline the initial findings from the study and key policy implications in enhancing the protection of vulnerable investors.

FIGURE 1
 Capital Market Masterplan 3
Sets out the SC's vision for protection of vulnerable investors



"The underlying reason for the state of vulnerability can be multifaceted."

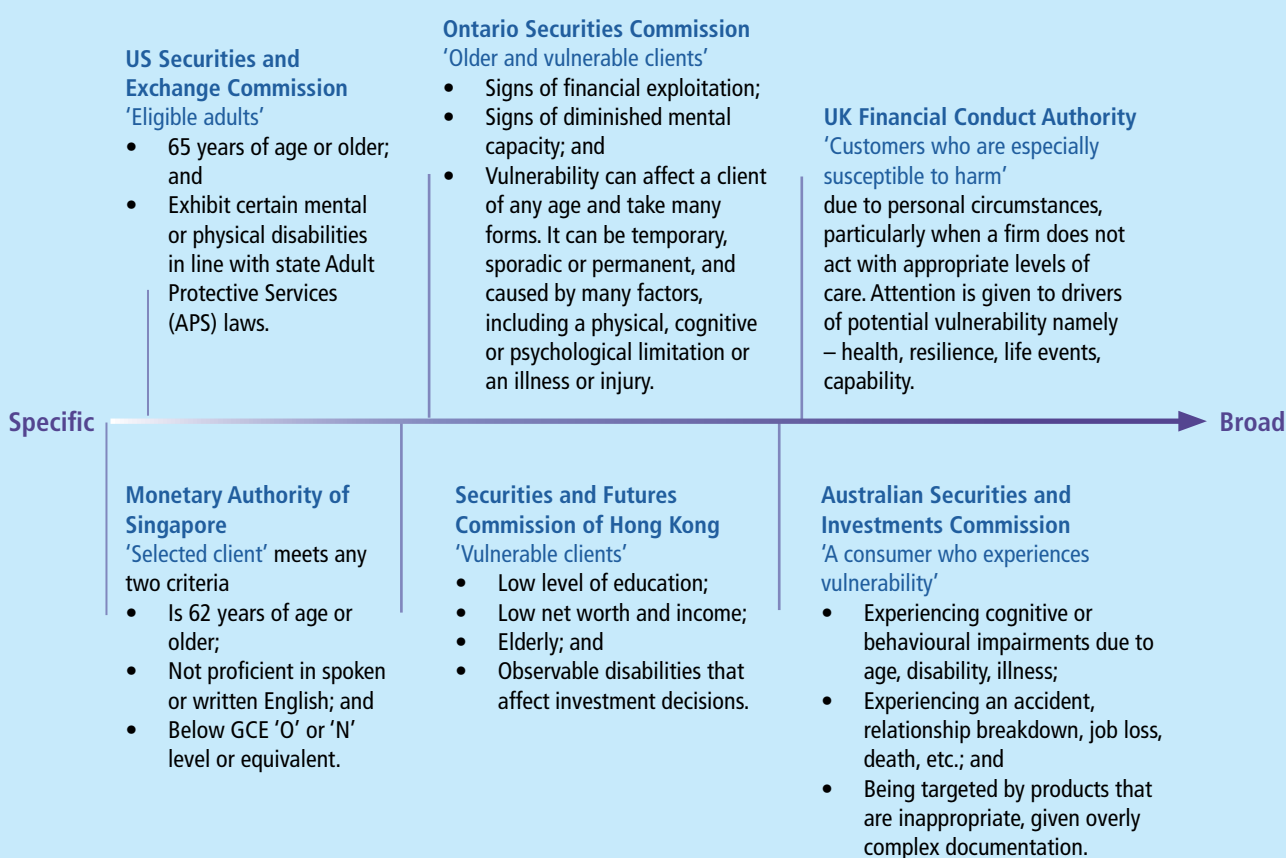
"...financial circumstance of investors, experience, age, education, literacy and socio-economic background, location, changing personal circumstances... can also be determining factors in increasing investors' susceptibility to fraud and malfeasance by unlicensed persons." (pg. 94)

Investor Vulnerability is Diversely Defined Across Jurisdictions

The definition of a vulnerable investor used by most regulators is similar in essence, in that it typically refers to investors whose personal circumstances make them more susceptible to financial harm or loss. However, precise definitions differ across regulators (Figure 2). Some definitions are intentionally broad – vulnerability is akin to a spectrum of risk, where all customers are at risk of being vulnerable although this risk increases with the presence of certain characteristics. This contrasts with a more specific and targeted approach where certain criteria must be fulfilled for an investor to qualify as vulnerable, such as meeting certain age, education, language, and income thresholds.

Figure 2

Definitions of investor vulnerability vary across jurisdictions



Investor Vulnerability in Malaysia – A Preliminary Assessment

To better understand the nature of investor vulnerability in Malaysia and to do so in an empirically informed manner, an in-depth research study was initiated in collaboration with the Institute for Capital Market Research (ICMR). The study comprised a nationwide, representative survey of Malaysian investors and non-investors alike, and was designed to assess the common challenges and vulnerabilities that may arise during a person's financial and investment journey. In other words, the study aimed to learn – who is a vulnerable investor and what does investor vulnerability look like?

The findings from the ICMR study¹ suggest that vulnerability is indeed multi-faceted. While there are commonalities in respondents' experiences, vulnerability cuts across various segments and shows no simple concentration. The most important characteristics of vulnerability relate to having key characteristics that affect sound investment decision-making – such as having insufficient knowledge or capabilities, cognitive or behavioural impairments, as well as unique circumstances and life events (Figure 3).

Evidently, these factors can cut across demographics such as education level, age group, income class, ethnicity, gender, and so on.

Figure 3

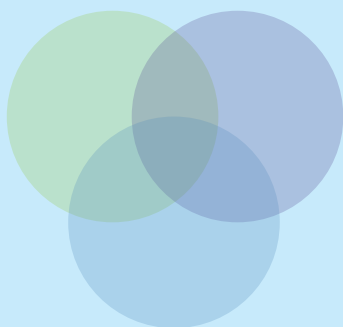
Who is a vulnerable investor?

An investor could be vulnerable at varying points throughout one's lifetime due to **individual circumstances**, factors in their **environment**, or even the **actions of financial service providers** who do not provide appropriate levels of care. They might be especially susceptible to harm when they experience or have certain characteristics such as:

Insufficient knowledge or capabilities

...in areas necessary for sound investment decision-making

- Limited access to information and understanding of investments;
- Having a low level of financial literacy;
- Having no one to compare information with;
- Not speaking English as a first language; and
- Limited digital capabilities.



Cognitive or behavioural impairments

...due to health, life events which affect sound investment decision-making

- Having permanent or temporary impairments or disabilities;
- Experiencing age-induced cognitive decline or illnesses such as Alzheimer's and dementia; and
- Experiencing temporary impairments due to traumatic life events.

Unique circumstances and life events

...that could lead an investor to be more susceptible to harm

- Receiving a large sum of money/windfall such as retirement or inheritance;
- Facing negative life events such as income or job loss, bankruptcy;
- Having limited access to financial providers due to location, poor mobility, or connectivity; and
- Having low income or high indebtedness.

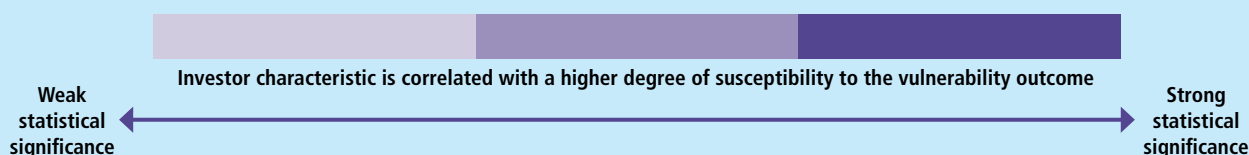
¹ ICMR report forthcoming.

Further empirical analyses of the survey data² shows that these characteristics can relate to different outcomes of vulnerability (Figure 4). Being a vulnerable investor could mean that one is more likely to face issues of inaccessibility and exclusion from capital market products and services, such as being unable to invest or experiencing difficulties while investing. It can also lead to poor outcomes outside of the licensed and regulated capital market via susceptibility to scams – whether being solicited for a scam, being unable to differentiate between a scam and a genuine investment opportunity or incurring financial losses due to a scam.

Figure 4

How investor characteristics influence outcomes of vulnerability – an empirical assessment

Common characteristics of investor vulnerability	Common Outcomes of Vulnerability		
	Scam Susceptibility Being more likely to fall victim to scams	Inaccessibility and Exclusion Being unable to start investing or face issues while investing	Retirement Inadequacy Being financially unprepared for retirement
<i>Unique circumstances or life events</i>			
Having faced a negative life event			
Having a lower income			
Having an unstable income			
Having a higher level of indebtedness			
Having poorer physical health			
Being more socially isolated			
<i>Insufficient knowledge or capabilities</i>			
Having lower knowledge of capital markets			
Having poorer financial literacy			
Having lower language proficiency			
<i>Cognitive or behavioural impairments</i>			
Having poorer cognitive health			
Being more overconfident in own financial capabilities			



Note:

The list of investor characteristics presented in Figure 4 is not comprehensive and represents a selection of the characteristics examined in the analysis. The purple-shaded cells indicate regression results where the particular investor characteristic is correlated with an increase in susceptibility to the corresponding outcome of vulnerability, with the darkest, middle, and lightest shades representing a statistically significant result at the 0.1%, 1%, and 5% levels respectively. For presentation, results where investor characteristics are negatively correlated with the vulnerability outcome are not shown in the figure.

In addition, the impact of the vulnerability is also apparent for longer-term outcomes such as retirement – besides poor knowledge or life circumstances, individual cognitive or behavioural factors can also affect one's preparedness for retirement. The nature of these characteristics necessitates that the interventions to address them are also multi-faceted and take into account cognitive and behavioural challenges in addition to structural problems. This is in alignment with the SC's other work in the area of retirement adequacy.³

² Technical paper on vulnerable investors forthcoming.

³ Paper on behavioural insights forthcoming.

Overall, the empirical findings represent a snapshot of today’s landscape of investor vulnerability. While it provides valuable insights into the particular challenges faced by investors today, these findings are not set in stone – they may evolve with time and with underlying changes in the economic environment. As such, effective identification and response to investor vulnerability will require periodic and regular assessments, with new data potentially generating fresh insights to inform the SC’s investor protection efforts accordingly.

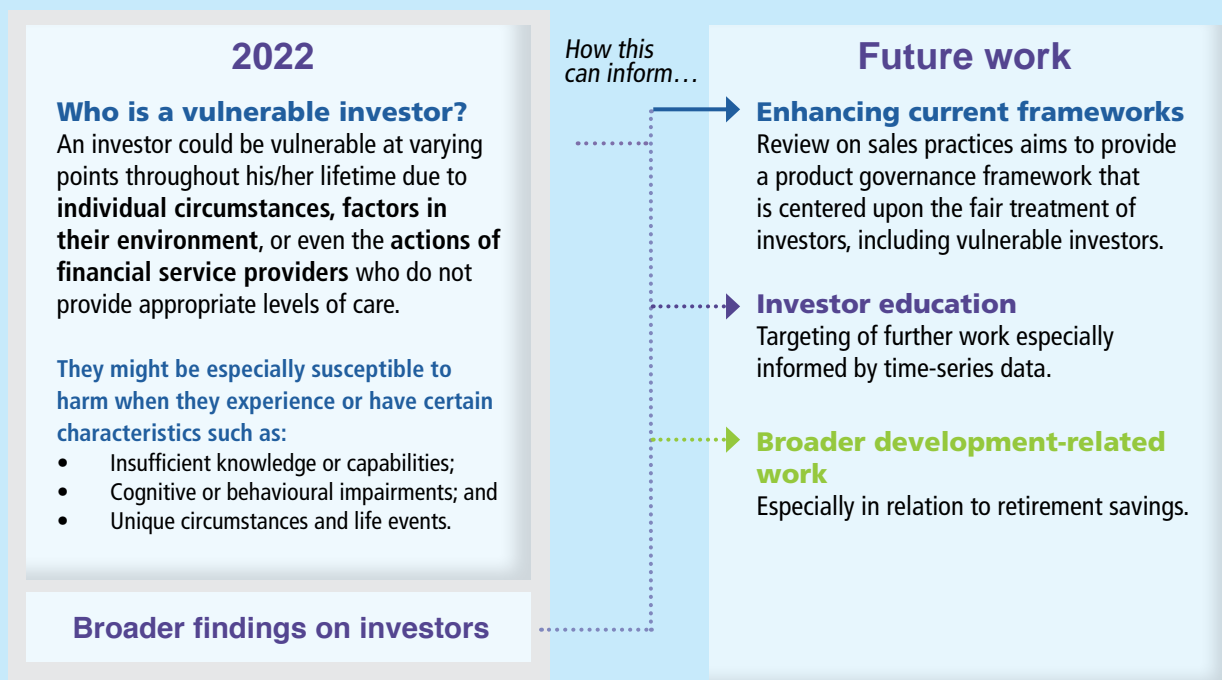
Going Forward – Towards the Enhanced Protection of Vulnerable Investors

The nationwide study represents a first and important step towards the SC’s assessment of vulnerable investors amid a changing investment landscape. The nature of investor vulnerability as shown in the data suggests the need for a more principles-based definition of vulnerability for Malaysian investors, as opposed to strictly defined thresholds to indicate vulnerability. However, there is certainly more room for further study of investor vulnerability as it is in Malaysia – including ongoing efforts to embed this notion into the SC’s other initiatives.

For example, a more nuanced understanding of investor vulnerability serves to inform the enhancement of current frameworks to improve firms’ duty of care as it relates to vulnerable investors. These findings also help to inform investor education and broader development-related work by the SC, such as in relation to retirement savings. Overall, an appreciation that investor vulnerability is multi-faceted means that the protection of vulnerable investors, too, requires multi-faceted interventions. Going forward, this will inform the SC’s efforts towards the enhanced protection of vulnerable investors (Figure 5).

- 🔊 Read more on enhancing current frameworks in the CMP3, *Chapter 4 – Evolving the Regulatory Approach*. <https://www.sc.com.my/api/documentms/download.ashx?id=f713aa9d-2806-4f21-b127-a83560370cd9>
- 🔊 Read more on protecting and empowering investors in *Part 2 – Evolving the Regulatory Approach: Shared Accountability, Efficiency and Embracing the Digital Age*.
- 🔊 Read more on broader development-related work in the Behavioural Insights Workshop for Retirement article in *Part 3 – Enabling a More Relevant, Efficient and Diversified Market*.

Figure 5
Going forward – towards the enhanced protection of vulnerable investors





PART 3
ENABLING A MORE
RELEVANT, EFFICIENT
AND DIVERSIFIED
MARKET

INTRODUCTION

Enabling a more relevant, efficient and diversified market is imperative to facilitate a competitive and inclusive capital market. In 2022, the SC continued to carry out initiatives to enhance the sustainability of the economy through efforts to grow the capital market in line with national goals and targets. The SC's developmental agenda also aims to further catalyse investments, expand the funding ecosystem, and empower investors for a better future, while embracing the digital age. In addition, the SC continued to enhance Malaysia's competitiveness in sustainable and responsible investment (SRI) as well as broaden and deepen the ICM to further strengthen its value proposition to solidify global leadership.

CATALYSING INVESTMENT AND FUNDING ECOSYSTEM

As digitalisation and democratisation reshape how capital markets operate, the SC is committed towards ensuring that the investment and funding ecosystem is in line with the market's changing needs. To this end, efforts have been undertaken to enhance the public and private fundraising ecosystem, strengthen the derivatives market, and embrace the digital age.

Enhancing Public and Private Fundraising Ecosystem

Expanding fundraising avenues for MSMEs

In line with efforts to enable an inclusive multi-layered capital market, the SC continues to look towards more diversified fundraising avenues for businesses, including expanding alternative fundraising platforms for MSMEs and mid-tier companies (MTCs) in particular. Given that MSMEs and MTCs collectively contribute more than half of the country's gross domestic product (GDP), it is essential to support their post-pandemic recovery journey in meeting their financing needs as they are integral to Malaysia's future growth, economic sustainability and continued innovation.

Since inception, ECF and P2P financing have been on a continued rise, with a growing number of MSMEs turning to digital platforms to secure capital. In total, ECF and P2P financing have facilitated 7,218 MSMEs to raise more than RM4.4 billion. Although there was a 36% decrease in total fundraising via ECF in 2022 to RM140.4 million (2021: RM220.7 million), campaign sizes were larger, with 21% of

campaigns raising above RM3 million each (2021: 17% of campaigns). P2P financing continued to grow in 2022, with total fundraising amounting to RM1.6 billion, recording a 38% increase (2021: RM1.1 billion) which benefited 3,732 companies (2021: 1,986).

The SC has also seen traction in the ECF and P2P financing offerings in the agriculture sector – a sector of strategic importance to the local economy. Further, the launch of Malaysia Co-Investment Fund (MyCIF) special co-investment ratio of 1:2 in 2022, has encouraged more private investments into this sector via these alternative financing platforms. Since inception, ECF and P2P financing have fundraised over RM430 million benefitting more than 400 agri-related MSMEs across the entire value chain: upstream, midstream and downstream.

To promote the ECF and P2P financing market further, several initiatives had been successfully implemented to serve the needs of a wider range of businesses and spur higher market growth, such as the following efforts:



Widening access to Shariah-compliant financing in ECF and P2P financing

ECF and P2P financing have continued to broaden access to financing for MSMEs. Shariah-compliant offerings on these platforms have also gained traction, with a total of RM368.13 million funds raised as of 31 December 2022.

To further harness the potential of ECF and P2P financing platforms, the SC opened applications for registration of new ECF and P2P financing operators with Shariah-based solutions and value-propositions in 2022. This measure is expected to catalyse innovation in Shariah-compliant offerings to further facilitate access to funding needs of

MSMEs through alternative fundraising digital platforms, and promote greater recovery. It also aims to foster the growth of MSMEs in the halal economy while allowing greater access to investments for all capital market participants.




Catalysing growth in the underserved segments: SCxSC GROW

In October 2022, the SCxSC GROW, a new collaborative programme, was launched under the SC's fintech flagship initiative Synergistic Collaboration by the SC (SCxSC). The SCxSC GROW embodies a collaborative effort with partners in the fintech ecosystem to harness the potential of alternative fundraising digital platforms to meet the needs of underserved players in strategic sectors.

The first edition of the SCxSC GROW initiative focused on agriculture, a sector which remains at the forefront of Malaysia's growth priorities and is one of the backbone sectors in Malaysia's economic development. The inaugural launch of SCxSC GROW was supported by relevant ministries, agencies and key players in the agriculture ecosystem during a one-day workshop with the theme 'Unlocking Alternative Financing Potential for Agriculture'. The workshop explored the potential roles of alternative financing avenues that may contribute towards addressing some of the financial gaps that exist in the agriculture sector. It also garnered greater awareness on ECF and P2P financing and encouraged better co-ordination to move the agriculture sector forward and strengthen the country's food security.

Some 40 representatives, including senior officials from relevant ministries, agencies and key players attended the workshop. They include the Ministry of Agriculture and Food Industry (MAFI), Federal Agricultural Marketing Authority (FAMA) and Agrobank.

Read more on media release 'SC, Agro-based Agencies Eye Alternative Financing for Agriculture Sector'.

 <https://www.sc.com.my/resources/media/media-release/sc-agro-based-agencies-eye-alternative-financing-for-agriculture-sector>



Helping MSMEs to regain footing in the economic recovery via MyCIF

MyCIF is an initiative set up by the Malaysian government to co-invest in MSMEs and social enterprises alongside private investors via ECF and P2P financing platforms. Since 2019, a total of RM230 million has been channeled to the MyCIF which was set up as part of Budget 2019. As at 31 December 2022, MyCIF has successfully co-invested over RM638 million in approximately 35,000 ECF and P2P financing campaigns, benefitting 3,635 MSMEs. The fund had co-invested alongside more than RM2.56 billion from private investors.

In 2022, MyCIF focused on the agriculture sector, an industry identified to be of strategic importance to the local economic recovery.

Expanding fundraising avenues for MTCs

While MTCs in Malaysia represent about 2% of total registered businesses, the SC recognises that they play a vital role in driving economic growth as they contributed 22.9% to the country's total GDP in 2021. It has been observed that only a small number have been able to tap into the corporate bond and sukuk market, relying instead on private funding and bank loans.

In this regard, the SC in October 2022 allowed the opening of new P2P financing operators, with priority granted to those able to show specific value proposition, including the ability to facilitate debt-based funding opportunities for MTCs. Supported by the SC's RMO framework, it provides a safe, secure and regulated private fundraising avenue which allows for quicker access to financing for MTCs in the capital market.

Through specialised P2P financing platforms, MTCs would have diversified options to raise debt-based financing directly from investors. MTCs would also stand to gain from wider visibility from investors as they will be able to go public through P2P financing platforms. This would also give the opportunity to retail investors who are largely equity-centric to invest in debt instruments issued by MTCs, further enriching Malaysia's capital markets.

The list of eligible issuers able to raise funds on P2P financing platforms has also been expanded to include PLCs and their subsidiaries. This allows PLCs and their subsidiaries to further broaden their funding channels and diversify their investor base.

Private Markets

The Malaysian private markets have shown steady growth with total committed funds of registered venture capital (VC) and private equity (PE) firms amounting to more than RM16.08 billion as at end 2022.

Given its importance to the engines of economic growth, efforts are required to build a more facilitative landscape for private market investments. With several master plans and initiatives introduced by various agencies, aligning these efforts through collaboration is key. To this end, the SC worked closely with key stakeholders including Penjana Kapital, MDEC, Cradle, Khazanah, Bursa Malaysia and supported by EY Malaysia, to carry out engagements to better understand the challenges faced by the industry, explore possible solutions to address these gaps, as well as work collectively to build a stronger start-up ecosystem in Malaysia.

Since November 2021, five engagement sessions were held to create opportunities for networking and strengthen the private market community in Malaysia, which included more than 200 participants from start-up founders, government representatives, institutional investors and VC/PE professionals.

16 November 2021

Ideation Workshop on Startups and Unicorns

The inaugural workshop organised by the SC identified broad challenges faced in the ecosystem such as listing issues, incentives and talent gaps.

1 April 2022

IPO Roundtable with Potential Unicorns

The session focused on understanding issues and gaps of listing avenues in Malaysia.

18 July 2022

Catalysing Malaysian High Growth Opportunities

The session focused on how the Malaysian investor community could be strengthened, as well as how the scale-up of homegrown unicorns and soonicorns could be accelerated.

11 August 2022

Ad-Venture Capital: Macro & Market

The session was organised by Penjana Kapital and held in the SC. Several local and Singapore-based private wealth managers and family offices were invited to discuss Malaysia as an investment destination, as well as to understand needs and considerations to encourage more inbound investment into Malaysian start-ups.

24 August 2022

Bursa IPO Briefing: From Idea to IPO

Organised by Bursa Malaysia to guide and encourage prospective pre-IPO start-ups on listing on the exchange.


Throughout the engagement process, several key gaps were highlighted, including issues on valuations relative to overseas markets, the need to deepen and increase vibrancy of the investor base in Malaysia, challenges in securing talent, as well as co-ordinating policies and support programmes across different agencies.

These sessions have provided valuable feedback to the SC and partnering organisations in identifying efforts that should be prioritised. This includes providing regulatory clarity on start-up fundraising and establishment of VC/PE fund management firms in Malaysia, capacity-building programmes to enhance talent pipeline, efforts to promote corporate venturing and increase investor vibrancy, explore possible tax and non-tax incentives, as well as promotional efforts to build a stronger start-up ecosystem in Malaysia.

In this regard, the SC has taken on board recommendations on needed reforms with the review of the VC/PE registration framework in November 2022. Amendments include the introduction of an additional investment test for investors to be eligible to invest in VC/PE funds, as well as simplifying registration requirements and process. These changes are aimed at strengthening capital formation in the VC/PE asset class, widening the investor base and enabling more investments to be channeled to the economy, particularly early-stage startups.

The SC, together with a growing list of partnering organisations, plan to continue these engagements in the near term, ensuring regular conversations with stakeholders towards strengthening the start-up ecosystem in Malaysia.

Read more on media release 'SC Revises Venture Capital and Private Equity Framework'.

 <https://www.sc.com.my/resources/media/media-release/sc-revises-venture-capital-and-private-equity-framework>

THE JOURNEY STARTED IN OCTOBER 2021 – FIVE EVENTS SUCCESSFULLY ORGANISED

Ideation Workshop on Startups and Unicorns:
~30 participants from 19 organisations



NOV
2021

1

IPO Roundtable with Potential Unicorns:
~50 participants – startups, GLICs, investment banks



APR
2022

2

Catalysing High Growth Opportunities Roundtable: ~30 participants – startups, VCs, GLICs, agencies



JULY
2022

3

Ad-Venture Capital: Macro & Market:
~60 participants – local and foreign family offices and VCs



AUG
2022

4

IPO Briefing: From Idea to IPO at Bursa Malaysia
~50 participants – startups, investment banks, agencies



AUG
2022

5

SPECIAL FEATURE 2

REINVIGORATING CAPITAL FORMATION FOR SUSTAINABLE ECONOMIC DEVELOPMENT

Introduction

As Malaysia continues its transition towards being a high-income nation, the domestic capital market has increasingly grown in importance while catering to a more diverse economic structure. Reforms undertaken to improve access to the capital market over the years have helped to enable firms meet their funding needs more effectively and support economic development. From financing being predominantly bank-based in the 1990s, market-based financing of economic activities has seen tremendous growth, with the capital market now serving as the main source of financing for large-scale investment projects.

Improving capability and capacity of the capital market in directing capital towards productive economic activities has led to the continued rise in gross fixed capital formation (GFCF – henceforth investment) over the years¹. This is key as continued growth in capital formation, facilitated by easier access to financing, is essential in raising productive capacity of the economy, accelerating technological progress, and creating employment opportunities.

Given the unprecedented impact of the pandemic, an assessment was undertaken to examine the latest trends in investment growth *vis-à-vis* the capital expenditure (CAPEX) and financial performance of PLCs, as well as to contextualise the future path of the investment landscape in the Malaysian economy.

Malaysia's recent economic recovery accompanied by subdued private investment momentum

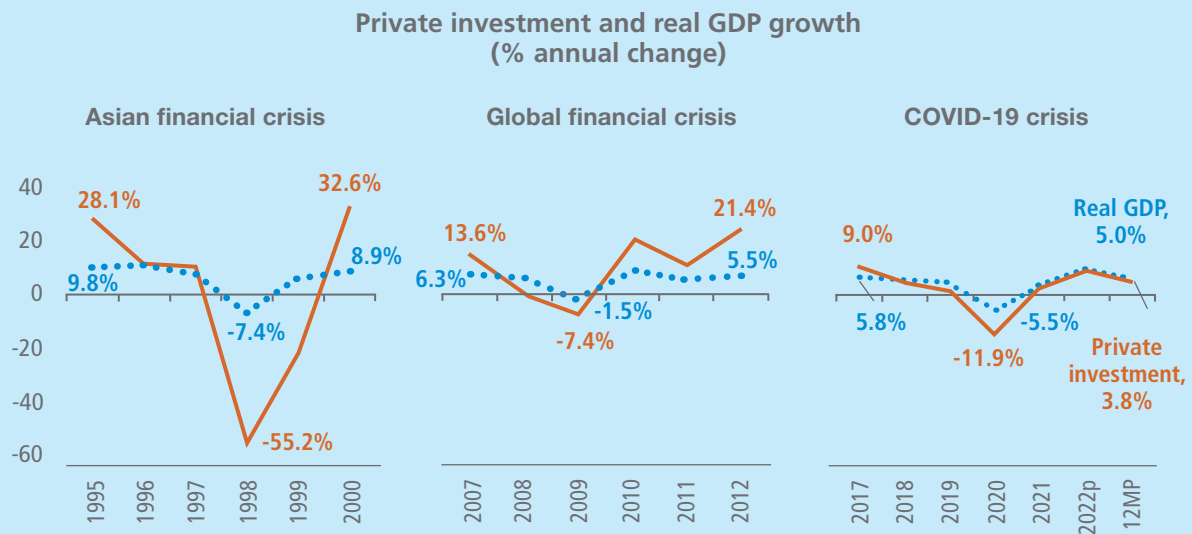
As the Malaysian economy recovers from the pandemic, the momentum in private sector investment, however, has remained relatively subdued. Unlike in past economic crises, private investment growth continued to trail that of real GDP (Chart 1). While this can be attributed to the general increase in macroeconomic uncertainty affecting overall business sentiments, it also partly reflects the uneven and acute impact of the pandemic on Malaysian businesses, especially on smaller firms and contact-intensive industries.

In particular, the GDP of MSMEs grew by 1.0% y-o-y in 2021, while the overall Malaysian economy expanded by 3.1% y-o-y (non-MSMEs: 4.4% y-o-y). This marked the second consecutive year in which MSMEs' GDP growth lagged that of the Malaysian economy, and the first time since 2003 that MSMEs growth trailed that of the overall economy. Continued rise in input costs, alongside ongoing supply-chain imbalances also made the operating environment increasingly challenging and has likely affected the overall capacity of MSMEs to undertake meaningful expansion in capital expenditure.

¹ *Growth of the Malaysian Capital Market in the Last 25 Years: Mobilising Financial Resources for Economic Development*. Feature article in Part 4, SC Annual Report 2018.

CHART 1

Recent recovery in private investment lagged that of recovery in past economic crises



Source: Department of Statistics Malaysia (DOSM); 12th Malaysia Plan; CEIC; the SC's calculations.

PLCs led investment recovery, underpinned by improving financial positions

Malaysia's PLCs showed tentative recovery in CAPEX in 2021, in contrast to the trend seen among MSMEs. Aggregate CAPEX growth of PLCs rebounded swiftly, reflecting increasing contributions of larger firms in driving domestic investment. This reversed the trend seen prior to the pandemic where total PLCs' CAPEX growth historically trailed that of total investment in the economy (Chart 2).

It is worth noting that CAPEX by PLCs is about 20% of the size of total investment in the economy, 70% of which are from FBMKLCI PLCs. Based on the constituents of FBM Indices, FBMKLCI PLCs demonstrated stronger CAPEX growth performance of 8.2% in 2021, outperforming their pre-pandemic trend and the rest of the economy. In comparison, CAPEX growth by non-FBMKLCI PLCs² was relatively slower at 2.3%, although overall growth remained faster than the 0.5% expansion for total investment (Chart 2).

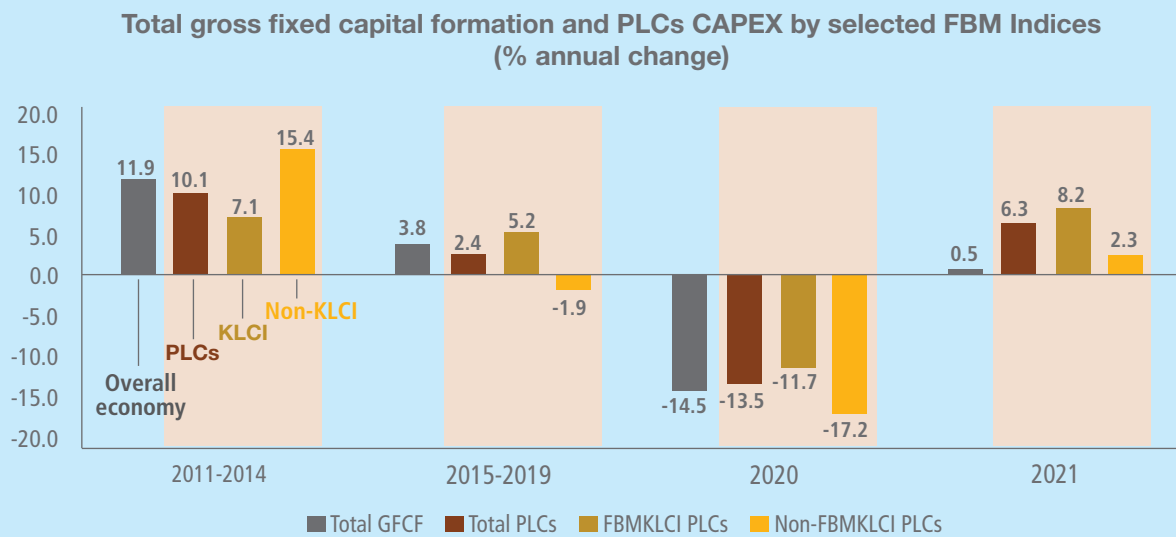
From a sectoral perspective, the recovery in FBMKLCI PLCs' CAPEX growth was led by the utilities and telecommunication sectors, comprising 47% of FBMKLCI PLCs' CAPEX and 19% of FBMKLCI market capitalisation. Meanwhile, among the non-FBMKLCI PLCs, growth in CAPEX was led by the technology, telecommunication and healthcare sectors, which accounted for a combined 21% of non-FBMKLCI PLCs' CAPEX and 23% of non-FBMKLCI market capitalisation. This was in tandem with accelerated global demand in areas of technology and communication induced by the pandemic.

Overall, the improving trend in CAPEX growth was supported by stronger financial position of PLCs, which reflected the resilience of listed firms following the sharp contraction in activities in 2020. Both aggregate net income, and cash and equivalents of PLCs rose significantly to a new height in 2021, well beyond their pre-pandemic average (Chart 3).

² Non-FBMKLCI PLCs comprise constituents of FBM 70, FBM Small Cap, FBM Fledgling and FBM ACE, which amounted to 741 PLCs.

CHART 2

PLCs posted stronger CAPEX growth in 2021 compared to the rest of the economy

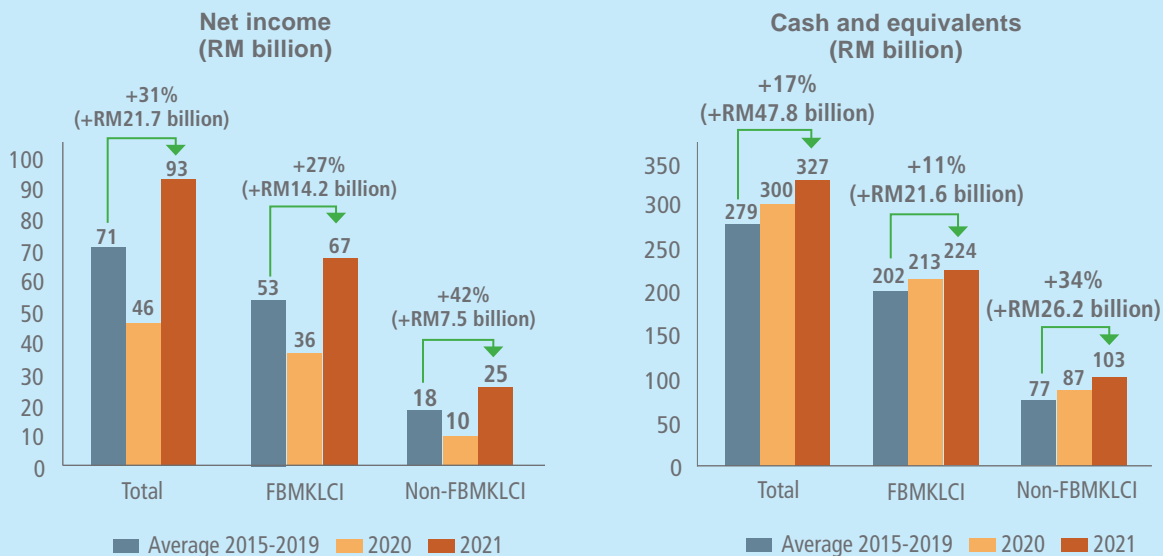


Note: Non-FBMKLCI comprise constituents of FBM 70, FBM Small Cap, FBM Fledgling and FBM ACE, which amounted to 741 PLCs.

Source: Department of Statistics Malaysia (DOSM), S&P Capital IQ, the SC's calculations.

CHART 3

Net income and cash balances of PLCs recovered above their pre-pandemic average



Source: S&P Capital IQ, the SC's calculations.

Going forward, reinvigorating private investment is key to unlocking future growth potential

Going forward, a sustained expansion in capital formation is essential for an entrenched economic recovery and to support economic development. Reinvigorating private investment is key to unlocking future growth potential, especially among smaller businesses and in new growth areas. This can lead to an acceleration in technological readiness and adoption, as well as the creation of high value jobs, all of which will lead to strengthening the economy's productive capacity and ensuring the sustainable growth of the Malaysian economy.

Against the backdrop of an increasingly competitive global environment, the future investment landscape in Malaysia will likely be shaped by three key underlying trends:

- **The changing nature of investment**

Investment activity will likely witness a change in nature as we transition into a higher income and higher value-added economy, in which the focus will increasingly be on quality and its spill-over impacts on wider segments of the economy, rather than just the sheer size of investment. In recognition of this, the recently launched National Investment Aspiration (NIA) serves as a guide to Malaysia's New Investment Policy which will ensure prospective investments are focused on increasing economic complexity, creating high-value jobs, extending domestic linkages, developing new and existing economic clusters, and improving economic inclusivity. With ESG as a key overarching theme for the NIA, the new investment strategies also aim to strike a balance between economic development and sustainability.

- **Recovery of MSMEs will be vital**

MSMEs are the backbone of the Malaysian economy and have become increasingly important for capital formation. MSMEs currently account for 37% of total fixed assets owned in the economy (2010: 25%), generating 37.2% of Malaysia's GDP and providing employment to nearly half of the country's workforce. The recovery of MSMEs will be key to unlocking a more robust and broad-based revival in private sector investment.

In this aspect, the SC continues to facilitate the development of alternative financing avenues that connect issuers with traditionally untapped pools of investors through cheaper, faster, and more convenient delivery channels. This has allowed more Malaysian businesses to obtain access to financing to address their needs at various stages of development. Although still small, alternative fundraising avenues such as ECF and P2P financing have become an important source of financing for MSMEs, increasing their reach by fourfold since their inception.

- **PLCs to spearhead sustainable investment**

The recovery in CAPEX by PLCs is anticipated to continue, increasing their importance in driving investment activities, and further underpinning the productive capacity of the economy. This will be in tandem with the recovery of the Malaysian economy.

The emerging global developments in sustainability and social movements have resulted in increased expectations of corporate accountability to the environment and society. Indeed, increasing numbers of PLCs have initiatives or plans in place that are geared towards sustainability. Furthermore, a number of PLCs have increased CAPEX commitments towards research and development (R&D) especially in mechanisation and digitalisation, towards enabling the ESG transition. This is expected to continue to intensify going forward in line with the national aspirations and initiatives towards ESG, with PLCs spearheading private sector investment towards sustainability.

Conclusion

As Malaysia continues to undergo necessary structural reforms in its transition to a high-income and high value-added economy, the SC's development initiatives will continue to focus on capital formation by facilitating the relevant evolution of the capital market and enhancing access to financing, particularly in new growth areas. The introduction of various strategic initiatives and targeted policy support by the SC since the pandemic have helped underpin economic recovery, ensure business continuity, and maintain the orderliness of capital market activities. Importantly, continuous development of the wider capital market ecosystem will cultivate firms, especially smaller businesses with the potential to structurally upgrade the economy. These are necessary for a more modern economy while ensuring that it remains sustainable and inclusive.

Enhancing the Derivatives Market

Modification of Gold Futures on Bursa Malaysia Derivatives

Following a review, Bursa Malaysia Derivatives (BMD) launched its modified Gold Futures (FGLD) on 19 September 2022. With the SC's approval of the modified FGLD, investors are given opportunities to trade in gold beyond traditional methods such as buying and selling of physical gold, and with minimal exposure to foreign exchange movement.

The FGLD contract was originally launched in 2013. However, due to contract design issues such as contract sizing and exposure to foreign exchange risk, interest to trade the FGLD contract started to wane by 2018.

As gold remains an attractive trading instrument, BMD recently modified the FGLD contract and adopted the 'quanto' feature. The modified FGLD contract will be quoted in US dollar but settled in Ringgit Malaysia using a fixed multiplier, thus minimising exposure to foreign exchange rate.

Having aligned with global trading convention, the modified FGLD contract provides price transparency while trading as close as possible to the true price of gold. This is due to the fact that the FGLD contract is traded in US dollars and the contracts' final settlement price references the London AM Fix Price, an internationally recognised gold benchmark price.

Capturing ESG opportunities through the FTSE4Good Bursa Malaysia Index Futures on Bursa Malaysia Derivatives

On 28 September 2022, the SC granted BMD approval-in-principle (AIP) for the introduction of the FTSE4Good Bursa Malaysia Index Futures (F4GM) contract. This is in line with the clear shift to ESG investing globally and the growing acceptance of such investments in Malaysia.

The F4GM contract will be the first ESG-themed index futures contract available on the derivatives exchange. It is designed to help with the price discovery of ESG assets and caters to investors who have embraced sustainability and are seeking capital market products to match their values and convictions.

The contract is aligned to the nation's sustainability agenda and complements current initiatives such as the implementation of Malaysian Sustainable Palm Oil (MSPO) Certified Physical Delivery for palm oil on the exchange and the launch of Bursa Malaysia's voluntary carbon market in December 2022.

The F4GM contract was successfully launched in December 2022.

Enhancement to structured warrants framework

Since its introduction more than a decade ago, structured warrants (SW) have been a popular trading instrument among retail investors. SW are generally issued based on equity and equity-based indices to investors from a current pool of seven issuers in the market.

To facilitate a greater variety of SW issuances to meet investors' risk profiles, and to further augment the attractiveness of the Malaysian SW market, enhancements were made to the SW framework in 2022, focusing on the product parameters of SW.

The enhancements to the framework include:

- Expanding the underlying assets to include commodities, leveraging Malaysia's strength as a commodity producing country;
- Adjustment to market capitalisation criteria for shares and exchange-traded funds (ETFs) listed on Bursa Malaysia, where the market capitalisation criteria for shares listed on Bursa Malaysia will be lowered to RM500 million, and no market capitalisation criterion will apply on ETFs listed on Bursa Malaysia; and
- Shortening of the minimum tenure for index warrants from the current six months to three months.

With the aim to further improve market efficiency and liquidity, obligations imposed on market makers were also tightened. These market makers are required to be present in the market for at least 80% of the trading hours, provide narrower price spread of 10 bids and maintain the continuous bid-ask offer at a higher volume of at least 5,000 units of SW.

Relevant rules in Bursa Malaysia Securities were amended and came into effect in January 2022 to facilitate the tightening of market makers' obligations. For commodity-based SW, the SC is working towards getting a prescription order to facilitate the introduction of commodity-based SW in the market.

The SC had also revised the *Prospectus Guidelines* on the offering of SW in June 2022 to facilitate clear, balanced, fair and full disclosures to investors. Key amendments include the requirement to disclose the fees and charges involved and potential tax implications when investors exercise their SW as well as disclosure of the relationship between the issuer and the guarantor, where there is a performance guarantee. The revisions are also, aimed at increasing the functionality and ease of navigation in prospectuses for investors and minimising usage of technical and legal jargon to ease investors' comprehension and understanding.

Spurring Continued Growth by Embracing the Digital Age

Development in the digital offerings of the capital market

As the demand for digital services grew, the capital market continued to witness encouraging growth via digital innovation and the introduction of new business models.



Initial exchange offerings

Following the introduction of the regulatory framework governing digital token offering, the SC has registered two initial exchange offerings (IEOs) operators in March 2022. The registered IEO operators will provide an alternative avenue for eligible companies to raise funds via the issuance of digital tokens in Malaysia. These new operators will be required to carry out the necessary assessments to, among others, verify the issuer's digital value proposition, review the issuer's proposal and disclosures in its whitepaper, and undertake a comprehensive due diligence on the issuer and its token offering, prior to hosting the issuer's digital token on their platform. An issuer may raise funds of up to RM100 million from retail, sophisticated and angel investors, subject to the respective investment limits provided in the SC's *Guidelines on Digital Assets*.



Digital asset market

The local digital asset market has moved along with the global market trend in 2022, with an average daily transaction value of RM25.75 million in 2022, compared with RM57.29 million in 2021. Further, more than 128,000 accounts were created in 2022, which added 17% more accounts since end of 2021.

The SC continues to promote responsible innovation within the digital asset space and places a high priority on managing emerging risks and safeguarding the interests of investors. Recognising the strong appetite to operate new digital asset exchanges (DAX) in Malaysia, the SC has opened the application for RMO-DAX registration and enabled a new digital broker business model to operate on the RMO-DAX. This will facilitate the introduction of platforms with different value propositions.

As at 31 December 2022, there were four RMO-DAX operators registered with the SC. Allowing more players to enter the market increases capital market vibrancy by widening the number of regulated exchange platforms for investors to invest in.



Digital investment management

The digital investment management (DIM) segment continued to expand its capital market offerings to address the investment needs of the emerging digital generation of investors. The segment had grown in an upward trend over the years, with a total AUM of more than RM1.39 billion as at end 2022. The number of new accounts created has increased by 42%, since 2021, with the majority of accounts held by men younger than 35 years old. Women-held accounts have invested at least 57% more since December 2021, indicating a positive step towards closing the gender investment gap.



Digital-only brokerage


Digital brokers have enjoyed a dominant presence from retail investors using online brokerage accounts, particularly among millennial investors who comprised the majority (72%) of the clientele base. The increased retail

interest in the equity market has peaked (33%) in 2022 during this economic recovery comparatively to 2021, with digital brokers gaining a retail market share of 4%¹ with total number of accounts having risen by more than 10% to approximately 276,000 in 2022 [2021: approximately 251,000].

Catalysing greater adoption of emerging tech

In the era of post-pandemic recovery, investments into technology has become crucial to sharpen the competitive edge for businesses. Malaysia's capital market players will only continue to grow with the help of innovative digital solutions such as the use of artificial intelligence, data analytics, and blockchain technology. To boost productivity and increase digitalisation in the capital market, the SC, in partnership with the Capital Market Development Fund (CMDf), established a RM30 million Digital Innovation Fund (DIGID). Through this fund, the SC will co-fund innovative projects that demonstrate the use of technology to allow new and competitive propositions to be brought into the Malaysian capital market. DIGID aims to encourage smaller capital market players to adopt innovative digital solutions and the development of industry-wide solutions impacting capital raising and investment activities.

Read more on media release 'SC Unveils Digital-related Initiatives to Bolster Capital Market'.

 <https://www.sc.com.my/resources/media/media-release/sc-unveils-digital-related-initiatives-to-bolster-capital-market>

Facilitating cross-border access to ASEAN Collective Investment Schemes via Digital Repository

In October 2022, the ASEAN Collective Investment Schemes (CIS) Digital Repository was launched at the ASEAN Capital Markets Forum (ACMF) International Conference 2022. The ASEAN CIS Digital Repository is an extension to the ACMF's website and the objective is to provide a 'go to' site for the public to access information regarding the ASEAN CIS Framework. This includes access to information on CIS that have been approved as ASEAN CIS by respective signatories to the ASEAN CIS Framework as well as ASEAN CIS approved for cross-border offering. As the updated ACMF website now acts as a digital repository for the ASEAN CIS' offering and marketing documents, interested investors would only need to go the ACMF website to gain access to the latest information and documentation on ASEAN CIS.

¹ This refers to the year-to-date December 2022 digital brokers' retail trading value as a proportion of the entire brokerage industry's retail trading value.

DRIVING GREATER GROWTH IN SUSTAINABLE AND RESPONSIBLE INVESTMENT

Given the urgent need in meeting the sustainable development and climate goals, sustainable finance and investment continue to be on the growth trajectory globally. In line with the CMP3 and *Sustainable and*

Responsible Investment Roadmap for the Malaysian Capital Market (SRI Roadmap), SRI continues to be one of the key priorities for the development of the Malaysian capital market. In 2022, the SC introduced several initiatives to support the development of a holistic SRI ecosystem, including facilitating a greater transition towards a low-carbon economy.

Shaping the Stakeholder Economy via the Capital Market

Sustainable and responsible investment (SRI) is a key strategy and priority for the development of the Malaysian capital market, as outlined in the SC's CMP3; published in 2021 and the SRI Roadmap; published in 2019.

The SC aspires to help shape a more stakeholder-based economy and strengthen Malaysia's position as a regional SRI hub in the next five years. In 2022, the SC continued to undertake initiatives to accelerate the growth of SRI in the Malaysian capital market.

Widening the range of instruments



The SRI-Linked Sukuk Framework **is aimed at facilitating more innovative Shariah-compliant financing avenues** for sustainability purposes and **encouraging Malaysian companies to transition into low-carbon or net-zero economy.**



FTSE4Good Bursa Malaysia Index Futures (F4GM), introduced by Bursa, will allow traders to gain exposure to **PLCs with leading ESG practices, offering investors a cost-effective avenue to align their financial goals with ESG values.**



The SC as the Co-Chair of the ACMF Sustainable Finance Working Group (SFWG) developed the *ASEAN Sustainability-Linked Bond Standards* (ASEAN SLBS) which will **enhance transparency, consistency and uniformity of ASEAN Sustainability-Linked Bonds and assist investors in making informed investment decisions**, while contributing to the development of a new sustainable asset class in ASEAN.



Expansion of Waqf-Featured Fund Framework to include listed ETFs and REITs to further grow the **Islamic social finance market.**

Increasing investor base

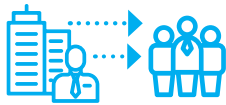


The SC, as the Co-Chair of the ACMF SFWG, led the development of the *ASEAN Sustainable and Responsible Fund Standards* (ASEAN SRFS) to provide **disclosure and reporting requirements for qualified sustainable funds under the ASEAN SRFS and enhance transparency for investors.**



The SC, as the lead of *Perkukuh Pelaburan Rakyat* (PERKUKUH) #11 WG, spearheaded the development of Sustainable Investment Standards initiative to **enhance the role of GLICs in sustainable investments.**

Building a strong issuer base



The SC, with its engagements through SCxSC GROW and NaviGate: Capital Market Green Financing Series, helped to create **greater awareness and connectivity between green and sustainable companies and the various funding avenues in the capital market, to meet the needs of underserved SRI issuers.**



FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Index (FBM100LC) and FTSE Bursa Malaysia Top 100 ESG Low Carbon Select Shariah Index (FBM100LS) were launched by Bursa Malaysia to further **encourage ESG and low-carbon adoption.**

Instilling strong governance culture



Enhanced sustainability reporting requirements in the public markets to **elevate the sustainability practices** and disclosures of listed issuers.



Broad principles of effective stewardship by institutional investors is provided through the MCI 2022.



Guidance Note on Managing ESG Risks for Fund Management Companies enabled FMCs to establish a **responsible investment framework.**



Leading for Impact Programme (LIP), a new mandatory onboarding programme on sustainability for PLC directors aimed at **strengthening ESG fitness of boards.**

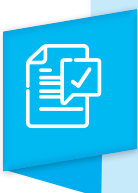


Principles of Good Governance for GLICs established **governance baseline requirements and best practices for adoption by GLICs.**



Adoption of the **best corporate governance practices and quality of corporate governance disclosures** are outlined in the *Corporate Governance Monitor 2022* (CG Monitor 2022).

Designing information architecture



The Joint Committee on Climate Change (JC3) Data Catalogue serves as a **source of reference on climate and environmental data for the financial sector and represents a call to action for stakeholders** to collectively improve the availability and accessibility of climate data.



In alignment with the SRI Roadmap's recommendation on developing ancillary services for SRI, Bursa Malaysia's ESG Advisory Services were introduced to assist more **small-and medium-sized PLCs improve their ESG disclosures and credentials** to enhance the PLC's investability to institutional investors.


Moving forward, the SC will continue to widen the access to SRI for MSMEs, broaden the range of SRI products to facilitate sustainable and transition finance, and increase SRI awareness among businesses and investors – which are also aligned with the CMP3 and SRI Roadmap. These efforts are crucial to facilitate greater capital mobilisation to sustainable and responsible businesses which enables long-term value creation and caters to broader needs of the stakeholders of the economy, while strengthening Malaysia's position as a regional SRI hub.

Enabling Greater Access to Facilitate Sustainable and Transition Finance

As Malaysia transitions to a low-carbon economy, the role of the capital market can be further harnessed to mobilise private investments in enabling greater access to sustainable and transition financing needs. Towards this end, the SC has released the Sustainable and Responsible Investment-linked (SRI-linked) Sukuk Framework to facilitate companies including those in hard-to-abate sectors to tap into the capital market. The SRI-Linked Sukuk Framework, which was released on 30 June 2022, aims to facilitate fundraising by companies, addressing their sustainability concerns such as climate change or social agenda, with features that relate to the issuer's

sustainability performance commitments. This will also cement further Malaysia's ICM position in driving the sustainability agenda.

Read more on media release 'SC Releases New Sukuk Framework to Facilitate Companies' Transition to Net Zero'.

 <https://www.sc.com.my/resources/media/media-release/sc-releases-new-sukuk-framework-to-facilitate-companies-transition-to-net-zero>

The SC led the development of the ASEAN SLBS which was introduced by the ACMF. The ASEAN SLBS aims to facilitate the role of sustainability-linked bonds in funding companies that contribute to sustainability.

SRI-Linked Sukuk Framework

Background

With the accelerated shift towards building a climate-resilient future, high-emitting industries have a higher risk of being phased out if they are unable to manage an orderly and timely transition to low-carbon activities. However, a huge financing amount is required for these companies to transition, which cannot be met by green financing instruments. Globally, sustainability-linked bonds (SLB) and sustainability-linked sukuk (SLS) have proved to be useful financial instruments for issuers, mainly from the high emitting sectors to raise financing in meeting their transition needs.

In 2021, a total of 271 deals amounting to US\$130.2 billion were issued given the growing interest in SLB and SLS globally.*

What is an SRI-linked sukuk?

An SRI-linked sukuk is sukuk where the financial and/or structural characteristics vary depending on whether the issuer achieves its predefined sustainability objectives within a predefined timeline.

Key features of the framework



Characteristics

The financial and/or structural characteristics of the SRI-linked sukuk vary depending on whether the issuer achieves the KPIs



Key Performance Indicators (KPIs)

Sustainable commitments that the issuer would want to improve



Sustainable Performance Targets (SPTs)

Pre-defined targets against which the KPIs are assessed



External review

A report prepared by an independent third party to provide an opinion on the issuer's framework and a verification of the KPIs



Reporting


Issuer's obligation to report at least annually, on the performance of the KPIs

*Source: Climate Bonds Initiative.

The SC has further expanded the SRI Sukuk and Bond Grant Scheme (Grant) to include issuances under the SRI-Linked Sukuk Framework and the ASEAN SLBS accordingly. The Grant is aimed at lowering the cost of issuances as issuers are able to tap into the Grant to offset a portion of the external review costs incurred. The Grant, which was established in 2018, is also eligible for sukuk issued under the SRI Sukuk Framework and bonds issued under the ASEAN Standards.

SRI sukuk continues to play an important role in driving Malaysia's sustainability journey by mobilising financing for eligible green, social and sustainable projects. As of 31 December 2022, RM10.58 billion SRI sukuk was issued in 2022, bringing the cumulative issuances of SRI sukuk to RM18.92 billion, since the introduction of the SRI Sukuk Framework in 2014. Out of the total SRI sukuk issuances, RM16.58 billion were dually recognised under both the SRI Sukuk Framework and the ASEAN Standards. Issuances from Malaysia accounted for 24% of total issuances labelled under the ASEAN Standards.

Read more on media release 'Expansion of SRI Sukuk and Bond Grant Scheme to Facilitate Sustainable Finance'.

 <https://www.sc.com.my/resources/media/media-release/expansion-of-sri-sukuk-and-bond-grant-scheme-to-facilitate-sustainable-finance>

Accelerating growth of sustainable investments for the capital market

The SC led the development of the ASEAN SRFS, which aims to enhance transparency as well as provide minimum disclosure and reporting requirements to be applied to CIS which seek to qualify under the ASEAN SRFS. Following the introduction of the ASEAN SRFS, a review of the *Guidelines on Sustainable and Responsible Investment Funds* (Guidelines on SRI Funds) was undertaken to enhance the disclosure and reporting requirements for SRI funds, as well as to facilitate SRI Funds to qualify as an ASEAN Sustainable and Responsible Fund. As of 31 December 2022, a total of 58 SRI funds with RM7.05 billion NAV were offered in Malaysia.

To enhance SRI intermediation capabilities for foreign and local fund managers, the SC had issued a *Guidance Note on Managing ESG Risks for Fund Management Companies* (Guidance Note) on 30 June 2022. The Guidance Note aims to provide clarity and outlines the SC's expectations on the development and implementation of

practices, policies and procedures for effective analysis and management of material ESG risks and risk-related considerations that are present in the FMC's investment portfolios.

The SC also supported the development of several initiatives under the *Perkukuh Pelaburan Rakyat* (PERKUKUH) programme under the Ministry of Finance (MOF), aimed at prioritising good governance that enables sustainable growth, strengthened socio-economic inclusivity and environmental sustainability. The SC, as the lead of PERKUKUH #11 WG, spearheaded the development of the *Sustainable Investment Standards* initiative to enhance the role of GLICs in sustainable investments, by providing guidance in incorporating sustainability considerations into the investment process.

This is aligned with the role of GLICs towards creating long-term value and impact on the economy, as well as in supporting Malaysia's commitments in meeting the global climate ambitions and sustainability agenda.

Broadening the spectrum of SRI through the introduction of SRI Taxonomy

In line with the recommendation of the SC's SRI Roadmap, the SC developed the *Principles-Based SRI Taxonomy for the Malaysian Capital Market* (SRI Taxonomy). The SRI Taxonomy, which was released on 12 December 2022, is aimed at enabling capital market participants to identify economic activities that are aligned with environment, social and sustainability objectives, thus facilitating a more informed and efficient decision-making for fundraising and investment for sustainability. The development of the SRI Taxonomy was undertaken through an Industry Working Group comprising the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia (World Bank) as the lead technical expert, and representatives from the local stock exchange, asset and fund management companies, investment bank, asset owner and other sustainable finance specialists.

Read more on media release 'SC Unveils Principles-based Sustainable and Responsible Investment Taxonomy for the Malaysian Capital Market'.

 <https://www.sc.com.my/resources/media/media-release/sc-unveils-principles-based-sustainable-and-responsible-investment-taxonomy-for-the-malaysian-capital-market>

Principles-Based Sustainable and Responsible Investment Taxonomy for the Malaysian Capital Market



The *Principles-Based Sustainable and Responsible Investment Taxonomy for the Malaysian Capital Market* (SRI Taxonomy) is aimed at reinforcing the capital market's role in accelerating national climate and sustainability goals.

The SRI Taxonomy provides universal guiding principles for the classification of economic activities that are aligned with environmental, social and sustainability objectives.

It aims to provide greater clarity towards enabling proper and consistent identification and classification of various types of economic activities as well as the definition of sustainable investments. It also seeks to address concerns on the need to mitigate and manage the risks of greenwashing.

Key components under the SRI Taxonomy

Environmental component: The SRI Taxonomy outlines four environmental objectives



Climate change mitigation



Climate change adaptation



Protection of healthy ecosystems and biodiversity



Promotion of resource resilience and transition to circular economy

Social component: The SRI Taxonomy outlines three social objectives



Enhanced conduct towards workers



Enhanced conduct towards consumers and end-users



Enhanced conduct towards affected communities and wider society

Strengthening financial sector response to climate change

As Co-Chairs of the JC3, the SC and BNM continue to collaborate in strengthening the financial sector response to climate change.

Some of the key deliverables in 2022



Implementation of *Climate Change and Principle-Based Taxonomy* through issuance of FAQ and due-diligence questionnaire



Finalisation of a policy document on climate-risk management and scenario analysis



Issuance of the *Task Force on Climate-related Financial Disclosures Application Guide for Malaysian Financial Institutions*



Completion of JC3 Upskilling Sustainability Training programmes



Publication of the Data Catalogue to address the data needs of the financial sector



Publication on JC3 Report on the Sustainable Finance Landscape in Malaysia

The SC led the development of the *JC3 Report on the Sustainable Finance Landscape in Malaysia* (JC3 Report), given the SC's role as the Chair of the JC3 Sub-committee 3 (SC3) (Product and Innovation). The JC3 Report was published on 27 April 2022 and captured key insights from the extensive outreach programmes and a survey on sustainability practices among financial institutions in Malaysia, which was undertaken by the JC3 SC3 in 2021. JC3 had also conducted a series of engagements with government ministries and various agencies to bring greater clarity on the national plans and initiatives that both the financial sector and government can pursue and collaborate.

Read more on media release 'Joint Statement by Bank Negara Malaysia and Securities Commission Malaysia Accelerating the Financial Sector's Response to Climate Risk'.

<https://www.sc.com.my/resources/media/media-release/joint-statement-by-bank-negara-malaysia-and-securities-commission-malaysia-accelerating-the-financial-sectors-response-to-climate-risk>

Read more on media release 'Joint Statement by Bank Negara Malaysia and Securities Commission Malaysia Updates at the 8th Joint Committee on Climate Change (JC3) Meeting'.

<https://www.sc.com.my/resources/media/media-release/joint-statement-by-bank-negara-malaysia-and-securities-commission-malaysia-updates-at-the-8th-joint-committee-on-climate-change-jc3-meeting>

Read more on media release 'Joint Statement by Bank Negara Malaysia and Securities Commission Malaysia Updates at the 9th Joint Committee on Climate Change (JC3) Meeting'.

<https://www.sc.com.my/resources/media/media-release/joint-statement-by-bank-negara-malaysia-and-securities-commission-malaysia-updates-at-the-9th-joint-committee-on-climate-change-jc3-meeting>

Building SRI awareness through capacity-building initiatives

In 2022, the SC organised various awareness and capacity-building initiatives as well as participated as speakers for several external engagements to further develop the knowledge and enhance the profiling of SRI. These initiatives are crucial to further accelerate the growth and development of a facilitative SRI ecosystem in Malaysia.

For more details on the initiatives, kindly refer to *Part 4 – Strategic Engagements with Stakeholders*.

Facilitating International and Regional Sustainable Finance Initiatives

IOSCO Sustainability Task Force

Following the establishment of the International Sustainability Standards Board (ISSB) at the 26th United Nations Climate Change Conference of the Parties (COP26), the IOSCO's Sustainability Task Force (STF) has been focusing its efforts on reviewing the ISSB's Exposure Draft standards to ensure that the proposed standards can serve as an effective global baseline of sustainability disclosures for capital markets.

As a member of the STF's Climate Standards Working Group, the SC was involved in the review of the Exposure Draft on climate-related disclosure standards against a set of assessment criteria. Other areas the STF is focusing on include collaboration with international standard setters for audit and assurance, and capacity building as new reporting standards are emerging.

ACMF's Sustainable Finance Working Group

The SC's ASEAN-related work is primarily delivered through its membership of the ACMF. The ACMF is a high-level grouping of capital market regulators from all 10 ASEAN jurisdictions. Established in 2004 under the auspices of the ASEAN Finance Ministers, the primary responsibility of the ACMF is to develop a deep, liquid and integrated regional capital market.

In relation to the ACMF's efforts on sustainable finance, the SC co-chairs the ACMF's SFWG with the SEC Philippines. As Co-Chair of the SFWG, the SC led the development of the ASEAN SLBS, which were developed based on the internationally-recognised *Sustainability-Linked Bond Principles* (SLBP) published by the International Capital Market Association. The launch of the ASEAN SLBS completed ASEAN's suite of bond standards, which began with the publication of the *ASEAN Green Bond Standards* in 2017, and the *ASEAN Social and Sustainability Bond Standards* in 2018.

The SC also led the development of the ASEAN SRFS, which was identified as a key recommendation under the *ACMF Roadmap for ASEAN Sustainable Capital Markets* in 2020. The ASEAN SRFS and the ASEAN SLBS were launched together at the ASEAN International Capital Markets Conference in Phnom Penh, Cambodia, on 28 October 2022.

In line with the focus on ASEAN sustainable finance, the SC is also a member of the ASEAN Taxonomy Board (ATB), which is working to develop the *ASEAN Taxonomy for Sustainable Finance* (ASEAN Taxonomy) as a framework for classification of sustainable finance activities in the region. Following the launch of Version 1 of the ASEAN Taxonomy, which was used as a basis for stakeholder discussions, the SC was an active part of targeted stakeholder engagements, as well as engagements at various events throughout 2022, including at the ASEAN International Capital Markets Conference. These efforts will culminate in the publication of Version 2 of the ASEAN Taxonomy by the first quarter of 2023.

The SC is also a member of the ASEAN Working Committee on Capital Market Development (WC-CMD), a sectoral body which includes central banks and ministries of finance, in addition to capital market regulators. The SC chairs the WC-CMD's Infrastructure Finance Working Group, which published the *Sustainable Finance First for Sustainable Projects Conversation Pack*

in April 2022, which aims to spur discussions with governments, project owners, and promoters to consider using sustainable finance as the first choice of financing for sustainable projects.

BROADENING AND DEEPENING THE ISLAMIC CAPITAL MARKET

The SC continues to chart its strategic direction to drive a broader and deeper ICM, expanding its reach and value proposition. This entails building on initiatives that focuses on developing the Islamic social finance landscape and enabling more diversified Shariah-compliant offerings. This is in line with the SC's CMP3, where the emphasis is to leverage the ICM to cater to the broader stakeholders of the economy through supporting the sustainable development agenda by enhancing the ICM ecosystem for Islamic social finance.

Shariah governance is also a key focus area for ICM. The SC will continue to undertake initiatives focusing on Shariah governance in various phases, to facilitate the orderly development in shaping a robust ICM products and services ecosystem.

Expansion of Waqf-Featured Fund Framework

Following the introduction of the Waqf-Featured Fund (WQ-FF Framework) for unlisted funds in 2020, the SC had, on 28 November 2022, expanded the framework to include listed funds – Islamic Real Estate Investment Trusts (REITs) and Islamic ETFs, to further grow the Islamic social finance space.

The expanded WQ-FF Framework is expected to broaden the range of innovative ICM products and provide investors with access to Islamic funds that allocate a whole or part of the fund's return towards socially impactful activities via *waqf*.

Under the existing WQ-FF Framework introduced in 2020, there are five unit trust funds and one wholesale fund as at end December 2022 with an aggregate NAV of RM46.7 million. The WQ-FF Framework has since promoted greater collaborations between Islamic Fund Management Companies (IFMCs) and State Islamic Religious Councils in broadening the potential of *waqf* assets in addressing socio-economic welfare, which have been proven to be instrumental for more than 1,400 years.

Enhancing the ICM Information Architecture

Issuance of Guidelines on Islamic Capital Market Products and Services

The SC had, in November 2022, issued the *Guidelines on Islamic Capital Market Products and Services* (ICMPS Guidelines) which serves as a single point of reference that provides a consolidated and distinctive aggregation of Shariah requirements. The ICMPS Guidelines consolidate all Shariah requirements for ICM products including sukuk, Islamic structured product and Islamic CIS, that were previously cited in the relevant chapters within respective guidelines.

Read more on media release on 'SC Issues Consolidated Guidelines on Islamic Capital Market Products and Services'.

 <https://www.sc.com.my/resources/media/mediarelease/sc-issues-consolidated-guidelines-onislamic-capital-market-products-and-services>

Revision of Guidelines on Islamic Fund Management

In further ensuring the efforts of distinctive accessibility for Shariah compliance requirements and clear Shariah governance, the *Guidelines on Islamic Fund Management* had been revised for IFMCs and Islamic windows. Intermediaries will now be able to identify the different sets of requirements between a full-fledged Islamic fund management entity versus activities, respectively.

Spurring Continued Growth of Islamic ECF and P2P financing

Facilitating greater Shariah-compliant ECF and P2P financing offerings

In order to continue facilitating the development of innovative solutions that aim to address the funding needs of MSMEs through alternative fundraising digital platforms, interested parties with capability to operate ECF and P2P financing platforms focusing on Shariah-based solutions and value-propositions were invited to submit their applications.

The registration for new ECF and P2P financing operators with Shariah-based solutions and value proposition, is expected to encourage more solutions for MSMEs seeking market based funding options and promote

greater growth of MSMEs in the *halal* economy while allowing greater access to investments for all participants in the capital market.

Thought Leadership and International Profiling

With Malaysia as the global leader in Islamic finance, the SC continues to advance the growth of ICM by leveraging its strength. Aligned to CMP3, the core focus areas are sustainable finance, inclusivity, Islamic social finance and fintech.

In sustaining and solidifying global thought leadership, the SC's efforts are encapsulated through two key platforms – the Royal Award for Islamic Finance (The Royal Award) and the SC – Oxford Centre for Islamic Studies Roundtable (SC-OCIS Roundtable). The former is jointly organised by SC and BNM, under the Malaysia International Islamic Financial Centre (MIFC) initiative, where it recognises individuals and entrepreneurial efforts who have excelled in advancing Islamic finance through longstanding contributions and achievements. Meanwhile, the SC-OCIS Roundtable and the Scholar in Residence (SIR) Fellowship programme, have continued to facilitate, for more than a decade, the developmental agenda of the SC in furthering efforts in growing the breadth and depth of ICM.

This has produced several innovative products and services which aim to generate a positive impact to the economy, community, and environment. This has been exemplified by the issuance of the Sustainable and Responsible Investment (SRI) Sukuk Framework, and the development of the WQ-FF Framework.

For more details on the programmes, kindly refer to *Part 4 – Strategic Engagements with Stakeholders*.

EMPOWERING INVESTORS FOR A BETTER FUTURE


As Malaysians accumulate wealth, there continues to be a need to develop an advice-centric approach to assist investors to navigate their financial futures. Towards this end, the SC has introduced flexibilities and measures to enable broader investment advisory models that would cater to a wider spectrum of advisory for the domestic investor base and help strengthen the role of the financial planning industry to provide quality advice.

Broadening Advisory Models to Cater to Varied Investor Needs

With increasing access and use of mobile devices, there is an observed emergence of mobile/app-based software providing investment advice. These apps employ algorithms to provide investment advice and are an increasingly popular way for retail investors to get access to advisory services and the market-at-large. These applications provide a convenient and alternative option to investors where there is no human adviser interaction in the advisory process.

Recognising this, the SC sought to provide flexibility and regulatory clarity on the key requirements in undertaking the business of investment advice using automated algorithm-based tools. The aim is to balance the need of attracting new entrants while ensuring quality of players. To this end, the SC issued a technical note in October 2022 to clarify the minimum financial, competency and technological-related ongoing conduct requirements expected for intermediaries interested in providing digital investment advice.

Read more on media release on 'SC Issues New Guidelines and Technical Note to Enhance the Quality and Diversity of Investment Advisory'.

 <https://www.sc.com.my/resources/media/media-release/sc-issues-new-guidelines-and-technical-note-to-enhance-the-quality-and-diversity-of-investment-advisory>

Strengthening the Role of the Financial Planning Industry to Provide Quality Advice

Following the launch of the three-year joint action plan for the financial planning industry in 2020, the industry has witnessed a 5% growth in the number of licensed

firms, and a 49% growth in the number of licensed financial planning representatives.

While this trend of growth is encouraging as it benefits investors with more accessibility to investment advice, initiatives to drive better advisory services and outcomes to more Malaysians continues to be an important consideration within the financial planning industry.

In line with the recommendations under the joint action plan, industry representatives and associations sought and received Capital Market Development Fund (CMDF) funding of RM7.5 million for 16 initiatives that will be implemented between 2023 to 2025 to enhance standards, attract talent and elevate the quality of advice.

These initiatives include:



Enhancing talent pipeline through internships and scholarships



Promoting the profession by improving investors' access to financial planners



Creating awareness on unlicensed financial planning activities



Strengthening professional standards by developing operating standards for financial planning firms

Ultimately, the measures introduced in 2022 would facilitate a move towards a wider spectrum of advisory models which increases accessibility and affordability of quality advice – in turn, empowering more Malaysians to participate in capital markets.

SPECIAL FEATURE 3

BEHAVIOURAL INSIGHTS TO ADDRESS RETIREMENT SAVINGS INADEQUACY

Overview – Retirement Issue in Malaysia

Malaysia is expected to become an aged nation by 2030, with 15% of the population aged 60 and above¹. This poses a demographic challenge as well as an investment challenge for the Malaysian retirement savings landscape to finance old-age consumption that will increase continuously.

Malaysia has adopted a holistic and multi-faceted pension ecosystem that is equipped to mobilise savings and facilitate the *rakyat's* retirement planning needs. This is anchored on a multi-pillar pension framework² and includes mandated public pension plans as well as voluntary private pension schemes through PRS that are regulated by the SC. There has been growing acceptance of PRS as an alternative vehicle to supplement and complement the mandatory public pension system. This is evidenced by an increase in the number of PRS contributors by 7.5% per annum from 416,913 members in 2018 to 557,000 members in 2022.

Despite the private and public avenues available for Malaysians to save and invest for their retirement, there are still gaps in the levels of savings most have available for retirement. The formal retirement system only covers approximately 60% of the labour workforce – most of which have insufficient retirement savings. This problem has been worsened by the recent early withdrawals of retirement savings to tide over cashflow needs through the pandemic. Meanwhile, the remaining 40% of the workforce are yet to be covered by mandatory savings – this could potentially grow as more workers enter self-employment and the gig economy.

The SC recognises that moving the needle on retirement security with respect to private sector solutions requires partnership and collaboration between retirement stakeholders on multiple fronts – including policy development, product innovation and investor education. The SC is also continuously in search of novel ways to address the adequacy of retirement savings. One such means involves approaching the problem through a behavioural lens and applying behavioural insights to encourage greater retirement planning among Malaysians.

Behavioural Insights to Encourage Retirement Planning

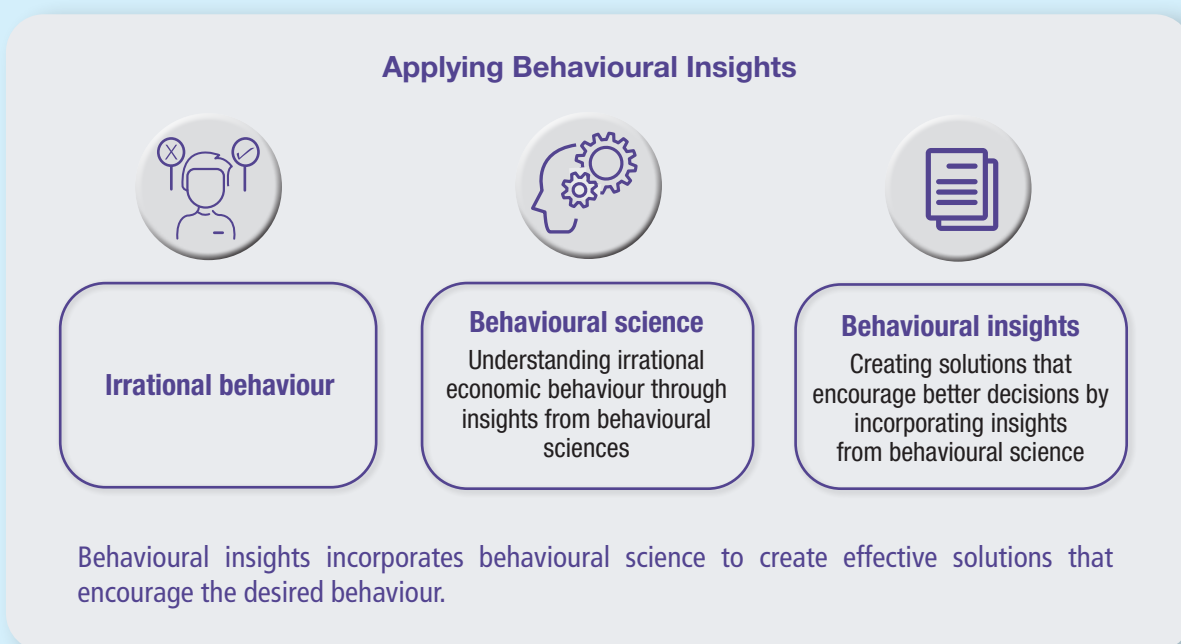
‘Behavioural insights’ is an approach to policymaking that incorporates behavioural sciences to understand how people make choices and subsequently, create effective solutions to encourage desired behaviour.

A key principle to behavioural insights is that people are influenced by subconscious factors (formally referred to as behavioural biases), when making decisions – this may result in decisions that are not in their best interests.

¹ Department of Statistics Malaysia. (2016, November 4). Malaysia population projection 2010-2040. Department of Statistics Malaysia Official Portal. Retrieved December 15, 2022.

² As an example, the World Bank has outlined a 5-pillar pension framework covering universal social pension, mandated public or occupational pension and a voluntary pension scheme.

³ Estimates based on SC internal calculations. Similar analysis can also be found in work done by EPF (2021), World Bank (2020), and Khazanah Research Institute (2020).



This is especially relevant in the context of retirement. Globally, an increasing number of studies in behavioural economics show that financial and savings behaviour relates to psychological factors. For example, the OECD highlighted that while a certain percentage of people are dedicated savers who take responsibility for their retirement, a much larger percentage prefer to spend money than to save it, or would like to save more but lack the willpower or are overwhelmed by too much choice.

While there are structural factors behind Malaysians' retirement savings inadequacy, there are also behavioural barriers that need to be overcome to encourage better retirement planning among the broader population.

By incorporating behavioural insights into policymaking and product design, Malaysians can be nudged into making better decisions to prepare for their retirement.

Retirement Workshop: Exploring the Application of Behavioural Insights

Recognising the need for a collaborative approach and the potential behavioural insights offers to address Malaysia's retirement savings adequacy issues, the SC hosted a retirement workshop in August 2022 to explore potential applications of behavioural insights to enable the retirement agenda in Malaysia.

The workshop was attended by key stakeholders in the retirement ecosystem including fund managers, employers, digital services, and various agencies, and was jointly facilitated by the Behavioural Insights Team (Singapore), a social purpose company that generates and applies behavioural insights to inform policy and improve public services.

Workshop participants set out to determine actionable projects that could address behavioural biases and encourage greater retirement planning and saving among five different personas that represented the typical individuals within the Malaysian workforce – youth, middle-income, to-be retirees, gig workers and other small-to-medium sized business owners or freelancers who are self-employed.

At the workshop, participants were placed in breakout sessions to identify behavioural barriers and drive solutioning based on the above target segments. Among the behavioural barriers identified were:

- **Present bias:** Tendency to focus on what is needed to get through the present day and less emphasis on future payoffs such as ensuring a comfortable retirement.
- **Overconfidence:** An overestimation of one's knowledge, ability and preparedness when it comes to retirement planning and saving.
- **Social norms:** Unspoken set of rules and expectations from people around us that influence our decision-making. For example, the need to focus on immediate gratification at the expense of retirement planning if others are also doing so.
- **Limited cognitive bandwidth:** Limited cognitive capacity which is often taken up by decisions that demand our on a day-to-day basis, resulting in the deprioritisation of less immediate matters such as retirement.

These key behavioural insights, as they relate to each specific target segment, are being utilised to design pilot projects with the intention of nudging people to plan and save more for retirement.

The SC, together with relevant retirement stakeholders, are prioritising and will explore implementation based on outcomes evidenced at the pilot stage. Further to this, the SC has also published an in-depth discussion paper to share insights gained through the workshop and external research on behavioural applications to encourage retirement savings.

Read the discussion paper on the SC website.





PART 4
STRATEGIC
ENGAGEMENTS WITH
STAKEHOLDERS

INTRODUCTION

Strategic stakeholder engagement is one of the key aspects of the SC's commitment towards an inclusive development of the Malaysian capital market. It is integral to ensuring that all stakeholders' interests are considered in the formulation of policies and the implementation of developmental initiatives.

In 2022, greater emphasis was placed on strategic engagements with all key stakeholders including market participants, intermediaries, industry associations, other regulatory authorities, businesses, investors, the government (ministries, state governments and agencies), universities, the media, as well as the SC employees. A stakeholder mapping process was applied to identify and categorise stakeholders according to their areas of interest and tailor the engagement process to ensure that the SC was meeting their needs and expectations.

Consistent and constant communication with stakeholders via consultations, one-on-one meetings, dialogues and briefings is key to facilitating the effective discharge of the SC's roles and responsibilities.

Such engagements enable the SC to formulate facilitative policies, promote a robust regulatory framework, and encourage continuous growth and development of the capital market. This will generate more positive outcomes and align with the SC's mission to promote a fair, efficient, and transparent capital market.

Internally, the SC continued to hold employee engagements and staff discussions, which helped further promote a high-performing culture and a positive working environment.

ENGAGING THE INDUSTRY THROUGH OPEN DIALOGUE

SC Industry Dialogue 2022

One of the highlights of the year was the annual SC Industry Dialogue (SCID). The SCID series, which began in 2012, serves as a key platform for the SC to undertake robust engagements with market participants and industry associations on developments, potential opportunities, and emerging risks in the capital market.

SCID 2022, held from 19 to 28 July 2022, involved around 70 industry participants across four sessions. The SCID gathered industry leaders from investment banks, stockbroking firms and FMCs to share information, provide insights and discuss potential solutions.

Following the SCID sessions, the SC identified four key priorities that needed to be addressed. The four areas were reviving private investments, promoting more effective and inclusive mobilisation of savings, supporting





a sustainable transition, and encouraging market innovation and growth. Insights and inputs received, such as issues regarding the shortage of skilled capital market talent and the need for continuous tax incentives, were incorporated accordingly into the SC's formulation of Budget 2023 proposals and business plan processes.

Fifteen top officials from key PLCs attended the meeting. They represented various industries such as plantations, manufacturing, energy, and media. Specifically, the discussion focused around accelerating the post-pandemic economic recovery, capitalising on the ESG and climate change opportunities, as well as supporting the recovery and growth of the MSMEs/MTCs.

Budget 2023 Focus Group Discussion

As part of the national 2023 Budget preparations, the SC hosted a focus group session attended by Finance Minister Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz and leading corporate captains. The session, held on 1 September 2022, was aimed at gathering insights and perspectives among PLCs to help accelerate the growth of Malaysia's economy and the business sector.



Shared Accountability in Achieving Desired Goals

As part of the review process for the applications it received, the SC actively maintains an ongoing dialogue with applicants and their advisors. Prior to making the submission, applicants are strongly encouraged to engage with the SC to clear any issues or seek clarifications with regards to the application while preparing the submission documents.

Throughout 2022, the SC engaged with the industry, both directly and through industry associations, to establish closer relationships and promote a feeling of ownership and commitment among all stakeholders. This included the Malaysian Investment Banking Association (MIBA), FIMM (an SRO), the Malaysian Association of Asset Managers (MAAM), the Malaysian REIT Managers Association (MRMA), and the Association of Trust Companies Malaysia (ATCM). These dialogues enable industry stakeholders to offer feedback and address matters that enable the SC to establish facilitative policies, a robust regulatory framework, and encourage continuous capital market growth and development.

Specifically, in the area of corporate proposals, the SC held regular focus group engagement sessions with principal advisers through MIBA as well as other industry stakeholders such as lawyers and valuers, with the objective of providing the SC a platform to share key observations when reviewing the proposals submitted to the SC.



INTERNATIONAL STAKEHOLDER ENGAGEMENTS

The SC’s stakeholder engagements at the international level serve to lend Malaysia’s voice to global policymaking in capital markets, support the country’s trade and economic agenda and contribute to regional connectivity within ASEAN. In this regard, the SC has established long-standing and regular engagements with foreign policymakers and regulatory counterparts through various international fora and actively engages with multi-lateral organisations and international industry associations. The SC’s international stakeholder engagements are further driven by the need to ensure that regulatory developments in the Malaysian capital market are closely aligned with international best practices and standards, thereby ensuring that the Malaysian capital market remains competitive and relevant.

International Organization of Securities Commissions

The SC continues to demonstrate its commitment to global regulatory policymaking and international standard-setting by being actively involved in the IOSCO, the leading international standard-setter for securities regulation. The IOSCO’s membership regulates more than 95% of the world’s capital markets in approximately 130 jurisdictions.

In July 2022, the SC was re-elected as the APRC representative to the governing Board of the IOSCO. The SC’s successful re-election to the IOSCO Board is a significant recognition of its active contribution and participation and demonstrates the confidence IOSCO members have in the SC as an organisation. The SC’s membership on the IOSCO Board allows it to be at the forefront of global regulatory discussions and




polymaking and gain relevant insights into emerging regulatory issues impacting global capital markets. Given the SC's priority of strengthening cross-border co-operation in the areas of supervision and enforcement, the SC has supervisory and enforcement co-operations with regional and international regulators.

Throughout 2022, the SC actively participated in the IOSCO's work to further securities regulators' core objectives of protecting investors; maintaining fair, efficient, and transparent markets; and addressing systemic risks. These include, among others, sustainable finance, crypto/digital assets and Decentralised Finance (DeFi), retail market conduct and operational resilience. This work helps guide international regulators to achieve a globally consistent and effective approach to mitigate the risks of regulatory arbitrage and ensure investor protection in a cross-border context. They also foster greater engagement and collaboration among members.

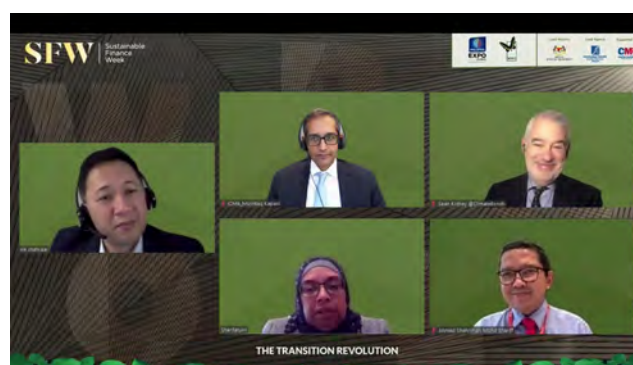
Further, the IOSCO Asia Pacific Hub, hosted by the SC since 2017, continues to play an important role in strengthening the regulatory capabilities of securities regulators globally. Being the only regional hub set up outside of the IOSCO headquarters in Madrid, Spain, the hub's capacity-building initiatives continue to benefit a substantial portion of domestic stakeholders, particularly the SC employees. To date, the hub has collectively trained more than 1,100 participants from over 90 countries.

Read more on media release 'SC Signs Supervisory Co-operation MMoU At Global Regulators Meeting'.

 <https://www.sc.com.my/resources/media/media-release/sc-signs-supervisory-cooperation-mmou-at-global-regulators-meeting>

Association of Southeast Asian Nations

Through the ACMF and the ASEAN Working Committee on Capital Market Development (WC-CMD), the SC engages with securities regulators, central banks and finance ministries from all ASEAN member states to enhance and facilitate better pan-ASEAN connectivity to realise the growing potential of its capital markets, and promote and sustain the inclusiveness of ASEAN capital markets. Regional initiatives led by the SC to help achieve these ambitions include the ASEAN SLBS, the ASEAN SRFs (as Co-Chair of the ACMF's SFWG) and the *Sustainable Finance for Sustainable Projects – Conversation Pack* (as Chair of the WC-CMD's Infrastructure Finance Working Group), all of which were launched in 2022.



Through these workstreams, the SC also engages with multilateral organisations and the industry through the Industry Advisory Panel (IAP), which includes market participants and professionals from the ASEAN region and beyond.

As Chair of the ASEAN Taxonomy Board's (ATB) Working Group on Market Facing and Resourcing, the SC has played a key role in driving engagement with international stakeholders on the ASEAN Taxonomy. Through consultations, targeted events and speaking sessions, there has been close interaction with international organisations, market participants within and outside of the region, as well as regulators and participants in other related sectors.

International Trade Agreements

Through its participation in the negotiations of Malaysia's free trade agreements, led by the Ministry of International Trade and Industry (MITI), the SC supports and facilitates Malaysia's international trade and economic agenda from the perspective of financial services.

Multiple engagements with regulatory counterparts from the financial and other related sectors, such as BNM and the Attorney General's Chambers, allow the SC to shape discussions for the Malaysian capital market ahead of the negotiations. These include negotiations for trade agreements such as the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) review and the Malaysia-European Free Trade Association Economic Partnership Agreement (MEEPA). These engagements are critical to ensuring protection of the overall interests of the Malaysian capital market, including preserving the right to regulate entry into the capital market.

BUILDING A SUSTAINABLE CAPITAL MARKET


Critical to the SC's efforts to build attractive SRI policies and promote a sustainable capital market, are engagements with public policymakers to ensure that the SRI strategic priorities are in line with the overarching national policies and commitments to sustainable development and climate targets. The involvement of capital market intermediaries and other relevant stakeholders is also crucial for the success of SRI initiatives and the development of a facilitative and vibrant SRI ecosystem in Malaysia.

Significant emphasis is placed on strategic discussions with businesses in order to better understand their sustainable financing needs and enhance awareness of the various SRI financing avenues accessible through the capital market. In order to build climate resilience in Malaysia's financial sector, the SC works closely with BNM and other financial industry stakeholders on ways to accelerate the financial sector's response to climate risk.


At the regional and international level, the SC continues to be active in a number of forums such as the ACMF and IOSCO, where it collaborates with other regulators to drive sustainable finance policies, share experiences and knowledge, and develop capacity building in sustainable finance. The SC continues to spearhead the development of ASEAN sustainable capital markets alongside other ASEAN member nations in its role as Co-Chair of the ACMF's SFWG.

To enhance collaboration and knowledge sharing on sustainability, the SC also works with global technical specialists, multilateral development agencies, global sustainable finance platforms, and leading sustainable finance industry groups. The SC frequently engages in speaking engagements organised by relevant stakeholders to promote and elevate Malaysia's profile as a regional SRI hub.

Read more on media release 'ASEAN Capital Markets Forum to Continue Progress on Sustainability While Building on Inclusivity and Promoting Recovery from the Covid-19 Pandemic'.

 <https://www.sc.com.my/resources/media/media-release/asean-capital-markets-forum-to-continue-progress-on-sustainability-while-building-on-inclusivity-and-promoting-recovery-from-the-covid-19-pandemic>

Read more on media release 'ASEAN Capital Markets Forum: Addressing the Challenges Related to Sustainable Development, Inclusivity and Resiliency for the Benefit of the Member States'.

 <https://www.sc.com.my/resources/media/media-release/asean-capital-markets-forum-addressing-the-challenges-related-to-sustainable-development-inclusivity-and-resiliency-for-the-benefit-of-the-member-states>

NaviGate Capital Market Green Financing Series

NAVIGATE

Capital Market Green Financing Series

Following the launch of the SC's NaviGate: Capital Market Green Financing Series in 2021 to create greater awareness among businesses on green and sustainable financing, the SC continues to organise programmes under this series. There were four programmes held in 2022.

The first instalment of the NaviGate programme in 2022, themed 'Alternative Financing for MSMEs in Halal Economy' was held in partnership with the Halal Development Corporation (HDC) and Capital Markets Malaysia (CMM) on 31 May 2022. This programme, which catered to MSMEs operating within the Halal economy, was attended by Halal industry players and MSMEs.

The second NaviGate programme, a Workshop on SRI-Linked Sukuk Framework was held on 23 August 2022. The workshop aimed to enhance greater understanding by capital market intermediaries on the newly released SRI-Linked Sukuk Framework, as Principal Advisers play an important role in educating and advising companies on suitable financing structure. This virtual workshop, which was attended by Principal Advisers, discussed core components of the SRI-Linked Sukuk Framework, issuer's internal framework and developments in the sustainability-linked bond and sukuk market globally.



The SC also hosted a closed-door NaviGate programme for the first time in Sarawak, with the theme on 'Financing Sarawak's Sustainable Development through the Malaysian Capital Market' on 19 September 2022. During the event, the SC briefed representatives of Sarawak State agencies and corporations on the sustainable sukuk and bonds market.

Another NaviGate programme, which was the SRI-Linked Sukuk Conference, was held in 2 December 2022 in collaboration with World Bank and CMM. The conference was joined by issuers, FMCs, PLCs, government-related agencies, etc., following the recent launch of the SRI-Linked Sukuk Framework.



27th United Nations Climate Change Conference of the Parties



The 27th United Nations Climate Change Conference of the Parties (COP27) was held in Sharm El-Sheikh, Egypt on 6 to 18 November 2022. The SC, representing Malaysia, provided support to the MOF in the COP negotiations and shared the SC’s perspective in accelerating efforts to facilitate sustainable and transition finance through various side events and speaking engagements. Together with CMM, the SC also supported side events at the Malaysia Pavilion, which

was the main and centralised platform that promoted Malaysia’s climate change adaptation and mitigation actions, alongside initiatives of Malaysian companies.

Several panel sessions were held during the event with the SC’s active participation, such as the panel session on ‘Malaysia’s Experience in Leveraging Islamic Finance to Develop a Sustainable Finance Ecosystem’, which was jointly organised by the SC and CMM. The panel highlighted Malaysia’s success in leveraging Islamic finance to develop innovation, as well as the breadth and depth in Malaysia’s sustainable finance ecosystem. Another panel discussion was ‘Leveraging Islamic Finance in Advancing Climate Finance – Developments in Malaysia and the rest of ASEAN’, which highlighted regional developments and the role of the ICM in addressing the funding gap for the Sustainable Development Goals (SDGs), climate and other sustainability issues.

The SC also joined a panel session on ‘Green Sukuk for Climate Action – Challenges and Prospects’ hosted by the Islamic Development Bank (IsDB) which brought together key stakeholders in the sukuk and bond markets to share knowledge and experiences. In addition, the SC also participated in the panel discussion ‘Transition Finance: Where we are, where we are going, what we are missing?’ hosted by Mitsubishi UFJ Financial Group (MUFG) which highlighted current progress and issues at stake for deploying transition finance as well as the shared roles of regulators, standard setters, investors, financial institutions, and non-financial corporates.



Promoting SRI Awareness and Capacity Building Internationally

The World Bank Hub with the Beijing Institute of Finance and Sustainability's Global Green Finance Leadership Program

The SC participated in the Global Green Finance Leadership Program (GFLP) 2022, hosted by the World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia in partnership with Beijing's Institute of Finance and Sustainability (IFS), from 29 November 2022 to 1 December 2022 at Sasana Kijang, Kuala Lumpur.

Themed 'Scaling-up Sustainable Finance in South-East Asia', the programme highlighted the challenges in building the enabling policy environment to develop financial markets for sustainability in developing countries. Discussions also centred around innovative sustainable financial instruments and the role of the financial sector in helping firms and households build stronger resilience to climate-related and other environmental physical and transition risks.

The SC's Chairman delivered the keynote address at the programme, where he highlighted the importance of establishing a holistic sustainable finance ecosystem in order for ASEAN to accelerate its own climate action efforts effectively. In addition, the Flagship Report on *Unleashing Sustainable Finance in South-East Asia*, a publication by World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia and IFS, which identified challenges and opportunities for different stakeholders in scaling up sustainable finance in the region, was also launched by the SC's Chairman at the event.

ACMF International Conference 2022

On 28 October 2022, the Chairs of the ACMF, which included the SC's Chairman, launched the the ASEAN SLBS and the ASEAN SRFS at the ACMF International Conference 2022 in Phnom Penh. The SC as Co-Chair of the ACMF SFWG led the development of both sets of standards.



In addition, the SC's Deputy Chief Executive, Datuk Zainal Izlan Zainal Abidin, who represented the SC on the ASEAN Taxonomy Board, participated in a fireside chat entitled 'The ASEAN Taxonomy: Inclusively Orienting Capital for Sustainability'. The discussion touched on the necessity of having a regional taxonomy, inter-operability and the importance of inclusivity to ASEAN.

WC-CMD Sustainable Finance for Sustainable Projects Webinar

On 21 April 2022, the SC as Chair of WC-CMD IFWG organised a webinar to promote and encourage the use of sustainable finance for sustainable projects. The webinar was attended by nearly 200 participants from all 10 ASEAN member states, with participants comprising mainly representatives from relevant ministries and government agencies who were WC-CMD’s target audience.



Emerging Markets Investors Alliance APAC ESG Conference

The Emerging Markets Investors’ Alliance (EMIA) and MSCI invited Datuk Zainal Izlan Zainal Abidin, Deputy Chief Executive to participate in a panel to discuss ESG issues at EMIA’s Asia-Pacific ESG Emerging Markets conference, which was held virtually on 8 and 9 June 2022.

The fireside chat, which was moderated by Miranda Carr, Head of Applied ESG & Climate Research, explored the core principles of the ASEAN Taxonomy, its current state of development, the timescale and scope for implementation and how the Taxonomy was expected to work in practice throughout the region. Following the EMIA Conference, the recording of the fireside chat was promoted through the MSCI platform and associated marketing channels.

The EMIA Conference brought together investment industry leaders, companies and policymakers from across the Asia-Pacific region to examine how these groups are implementing commitments to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest.

ISLAMIC CAPITAL MARKET

As a global leader for the ICM, the SC continues to advance ICM stakeholder engagements and leverage Malaysia's prominent ICM thought leadership. Throughout 2022, the SC-led ICM events have brought key stakeholders together, including scholars, practitioners, regulators, intermediaries, and investors to catalyse discussions ranging from the role of ICM in advancing sustainable development, inclusivity, to Islamic social finance and Islamic fintech. Various strategic platforms, such as conferences, workshops and forums, have provided the impetus to build ICM's stakeholder engagement successes both on a domestic and global level.

Elevating the Sustainability Agenda Through the ICM

Catering to the broader stakeholders' needs is core to the objectives and intent of the SC-ICM stakeholder engagements in 2022, in line with the SC's CMP3. The emphasis is on achieving a stakeholder economy that is driven by long-term value creation, where businesses assume greater responsibilities beyond short-term profits and account for the needs of all stakeholders, ranging from shareholders, employees and business partners to the environment, society, and community.

The movements to promote sustainability and preserve the interests of climate and society are also in line with the concept of *maqasid al-Shariah* (objective of Shariah), embodying the attainment of benefits and prevention of harm for mankind.

SC-UNDP Islamic Finance International Conference 2022

The SC and United Nations Development Programme (UNDP Malaysia), in collaboration with the Islamic Development Bank Group (IsDB), Islamic Banking & Finance Institute Malaysia (IBFIM), and Chartered Institute of Islamic Finance Professionals (CIIF) held a virtual Islamic Finance International Conference (the International Conference) on 24 and 25 February 2022. Themed 'Connecting the Dots: Harnessing Islamic Finance to Accelerate the Achievement of the Sustainable Development Goals (SDGs)', the International Conference is the second collaboration between the SC, UNDP and IsDB.

The International Conference emphasised the appeal of Islamic finance in terms of its ability to promote inclusion and stability, as well as its potential to expand the footprint of socially responsible and impactful investments. Discussions included solutions in achieving and accelerating progress for the SDGs by positioning Islamic finance as a key enabler globally. Local and international delegates comprising development practitioners, policymakers, regulators, and experts attended the International Conference.



SC-Oxford Centre for Islamic Studies Roundtable

The SC-OCIS Roundtable, a long-standing collaboration between the SC and OCIS was formalised in 2012. The objectives of the Roundtable are to promote and drive thought-leadership as well as research and development (R&D) initiatives to advance global development of ICM and strengthening Malaysia’s position in Islamic finance.

The 13th SC-OCIS Roundtable, themed ‘Shaping a Stakeholder Economy for the Islamic Capital Market’, was held at the OCIS on 10 and 11 September 2022. The theme is in line with the SC’s CMP3 initiative in enabling greater capital mobilisation to businesses that create value for stakeholders of the economy via SRI and ICM. Since its inception, the SC-OCIS Roundtable has continued to contribute to a growing and extensive opus of work in Islamic finance; providing direct and indirect benefits in steering discussions for global development of ICM.

Graced by His Royal Highness Sultan Nazrin Muizzuddin Shah, Ruler of the state of Perak Darul Ridzuan and the Royal Patron for Malaysia’s Islamic Finance Initiative who delivered a special address, the SC-OCIS Roundtable garnered participants from a select group of 35 international delegates. Discussions centred along the expansion of *maqasid al-Shariah* guidance to consider ‘externalities’ such as environment and social impact towards businesses, as well as the transformational need of Islamic finance to demonstrate its moral values of social good and shared prosperity, in complementing the broader stakeholders in the financial system.



Profiling Islamic Finance Globally

In solidifying Malaysia's efforts in global Islamic finance profiling, the SC and BNM jointly organised The Royal Award for Islamic Finance on 4 October 2022.

The Royal Award for Islamic Finance 2022

The Royal Award for Islamic Finance (The Royal Award) aims to recognise visionary individuals whose outstanding achievements and innovative ideas contribute significantly to the growth of Islamic finance, the global economy, and social progress of communities around the world. It is jointly organised by the SC and BNM under the Malaysia International Islamic Financial Centre (MIFC) initiative. The Royal Award is given out once every two years, and the inaugural Award was presented in 2010.



The selection of the Award recipient was undertaken by an international jury, comprising eminent Shariah scholars, academicians and finance practitioners, chaired by Tun Musa Hitam. The Royal Award comes with a medallion and a certificate of recognition.

Tan Sri Dr. Mohd Daud Bakar was named as the sixth recipient of the Royal Award for Islamic Finance. The award ceremony was held on 4 October 2022, conferred by His Majesty, the Yang di-Pertuan Agong, accompanied by HRH Sultan Nazrin Muizzuddin Shah, the Sultan of Perak and the Royal Patron for Malaysia's Islamic Finance initiative.

In conjunction with the 2022 Royal Award, two new categories were also introduced, namely the Emerging Leader Prize and Impact Challenge Prize. The Emerging Leader Prize recognises and celebrates young international talent who have made outstanding contributions to the advancement of innovative ideas in Islamic finance. The inaugural prize was awarded to Umar Abdullah Mahmud Munshi, the co-founder and Group Managing Director of Ethis Group.

The Impact Challenge Prize is organised in collaboration with The World Bank Group Inclusive Growth and Sustainable Finance Hub in Malaysia as a technical partner and supported by the Malaysia Digital Economy Corporation. It aims to bring greater recognition to digital and innovative solutions based on Islamic finance principles or Islamic finance enablers, which can improve the economic and social resilience of financially impacted communities globally. Preceded by a six-week accelerator programme, the selection of winners were done by a panel of judges comprising senior representatives from BNM and SC, IsDB, World Bank Group, and the venture capital industry. The Impact Challenge Prize was awarded to duithape (Indonesia) and Pod (Malaysia) in a ceremony on 5 October 2022 at Sasana Kijang, Kuala Lumpur.

Read more on media release 'Tan Sri Dr. Mohd Daud Bakar Named Recipient of the Royal Award for Islamic Finance 2022'.

 <https://www.sc.com.my/resources/media/media-release/tan-sri-dr-mohd-daud-bakar-named-recipient-of-the-royal-award-for-islamic-finance-2022>

Raising Awareness for MSMEs

The SC had participated in various awareness programmes in collaboration with the HDC and the Bumiputera Agenda Steering Unit (TERAJU) as part of efforts to improve financial inclusion for the economy and raise

awareness on market-based funding opportunities and avenues. Being a significant stakeholder in the economy, the MSMEs continue to rely on traditional sources of funding, and the workshop seeks to close this financing gap by connecting the MSMEs with RMOs through the ICM, creating more avenues for alternative fundraising.

SC-HDC Workshop 2022

The SC, in collaboration with HDC and supported by CMM organised the SC-HDC Workshop 2022 as part of ongoing efforts to intensify greater awareness on alternative fundraising avenues among MSMEs, particularly via ECF and P2P financing.

The Workshop brings together RMOs, approved by the SC to facilitate Shariah-compliant fundraising activities, share insights and guide the MSMEs on how to raise funds via their platforms. The Workshop also featured companies with success stories in their efforts to raise funds via ECF and P2P financing. Participating RMOs had the opportunity to provide consultation and network with the attendees at booth provided for the duration of the event.



IMPROVING MEDIA RELATIONS AND ENGAGEMENTS

The media plays an important role in shaping public perceptions and opinions. The SC stepped up media engagements in 2022 through editors' luncheons, news conferences and media briefings. The SC also issued regular press releases, media queries, speeches,

publications and guidelines via the SC's official website, www.sc.com.my. There have also been continuous engagements with market participants via conferences, exhibitions and social media. In 2022, the SC management delivered speeches, attended or participated in about 400 events in Malaysia and abroad. A total of 65 press releases were issued in 2022.



DRIVING RESULTS WITH INTERNAL ENGAGEMENTS

Our people are our greatest asset, and it is vital that the SC continues to attract and retain talent as we foster a high-performing organisation and an inclusive culture. Regular internal engagements are necessary to help create a positive work environment where employees feel supported and valued.

The SC, together with an independent firm, undertook an Employee Engagement Survey to further obtain views on work environment, leadership, well-being, culture, and organisational values. These feedback would aid in the formulation of best HR practices and procedures.

Increased Staff Engagements

The SC increased its employee engagement in 2022, especially through a series of townhall sessions with the Chairman. It is important that staff are regularly informed of the progress and engaged in open dialogue so that objectives remain aligned and concerns are addressed in a timely manner.

Business Planning and Performance Management Approach


In 2022, the SC embarked on an extensive and collaborative business planning process to develop its three-year strategy map and business plan (BP2023-2025). This was done to foster a greater understanding, shared focus and co-ordination among the various business groups and departments.

The SC's planning process consisted of a series of Business Group discussions, in which participants deliberated on the various proposed initiatives and how they would

interlock with those of the other 12 Business Groups and 42 departments. The BP2023-2025 Management Offsite was held in November 2022, where a total of 115 initiatives were clustered and prioritised into 26 needle-moving initiatives.

The BP2023-2025 will be cascaded across the organisation in 2023, and a mid-year review will be implemented to assess progress and determine if any course corrections are necessary.





PART 5
ORGANISATION
INFORMATION

BOARD MEMBERS



**TAN SRI MAZLAN
MANSOR**



**DATIN RASHIDAH
MOHD SIES**



**DATO' WEE HOE SOON
@ GOOI HOE SOON**

- * The line-up of Board Members is effective 1 January 2023.
- * Datuk Syed Zaid Albar was a Board member until 22 May 2022.
- * Datuk Zainal Izlan Zainal Abidin was a Board member for a full year in 2022 and resigned from the Board on 12 January 2023.



**DATO' SERI DR. AWANG
ADEK HUSSIN**



**DATUK DR. ZUNIKA
MOHAMED**



**LYNETTE YEOW
SU-YIN**

BOARD MEMBERS



DATO' SERI DR. AWANG ADEK HUSSIN

Chairman

Appointed 1 June 2022

Dato' Seri Dr. Awang Adek Hussin was appointed the Executive Chairman of the SC on 1 June 2022. He is also the Chairman of the Board of Governors of Universiti Sains Malaysia (USM).

Prior to his appointment as Chairman of the SC, Dato' Seri Dr. Awang Adek served as Malaysia's Ambassador to the United States of America (USA) from 2014 to 2016 and Chairman of Majlis Amanah Rakyat (MARA) from 2017 to 2018.

Dato' Seri Dr. Awang Adek has extensive experience in economics and finance, having spent over 30 years in government and public service. He served as Deputy Minister of Rural Development from 2004 to 2006 and Deputy Minister of Finance from 2006 to 2013. He was also a member of Parliament from 2004 to 2008, and a senator from 2009 to 2013.

Dato' Seri Dr. Awang Adek was with Bank Negara Malaysia for 17 years from 1985 until 2001, holding several positions and eventually rising to the rank of Assistant Governor. He had also served on the boards of directors of several financial institutions and organisations including the SC, the first Director General of the Labuan Financial Services Authority (LFSA), Permodalan Nasional Bhd (PNB), Chairman of Tenaga Nasional Bhd (TNB), and also Chairman of Perbadanan Nasional Bhd (PERNAS).

Dato' Seri Dr. Awang Adek received his Bachelor's degree in mathematics and economics from Drew University, USA, as well as his Master's degree and Doctor of Philosophy (PhD) in economics from University of Pennsylvania, USA.



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 mergers and acquisitions and corporate debt restructuring exercises by PLCs.

He is a member of the EPF Investment Panel and also currently sits on the board of directors of Yinson Holdings Bhd, Red Ideas Holdings Bhd, Perusahaan Sadur Timah Malaysia (PERSTIMA) Bhd, AIA Bhd and LMS Compliance Limited.

Dato' Gooi was the former Chairman of the Board of EON Bank Bhd from 2009 to 2012, Chairman of Amity Bond Sdn Bhd and Deputy Chairman of Avenue Capital Resources 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.



DATUK DR. ZUNIKA MOHAMED

Appointed 1 June 2020

Datuk Dr. Zunika Mohamed is currently the Deputy Secretary General (Policy), Ministry of Economy. She is a trained economist and has served in various capacities at several ministries over the last 25 years, including as the Deputy Secretary General (Policy) of the Ministry of Agriculture.

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, USA respectively. Datuk Dr. Zunika also has a diploma in Public Administration from the National Institute of Public Administration (INTAN) Malaysia.



DATIN RASHIDAH MOHD SIES

Appointed 15 September 2020

Datin Rashidah Mohd Sies is currently the Deputy Secretary General (Management) of the Ministry of Finance, a position she has held since 22 March 2021. Datin Rashidah has served the Ministry of Finance for more than 29 years. She brings onboard 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, USA. She holds a Diploma in Public Administration from INTAN.



LYNETTE YEOW SU-YIN

Appointed 11 June 2021

Lynette Yeow Su-Yin is a lawyer by profession and has been in practice since January 1995. This includes being a partner at Messrs Kadir Andri & Partners and Messrs Zaid Ibrahim & Co. She is currently a consultant at Messrs Sanjay Mohan.

Yeow has extensive experience in the fields of corporate finance, capital markets, mergers and acquisitions, securities regulations and funds (including private equity and real estate investment trusts).

Prior to her appointment to the SC Board, Yeow has been an independent member of the SC's Take-Overs and Mergers Committee since January 2020.

She currently sits as an Independent Non-Executive director on the boards of Malaysia Building Society Bhd and CTOS Digital Bhd. Yeow is also a Trustee of The Datai Pledge, the environmental protection and sustainability initiative founded by The Datai, Langkawi. Yeow holds a BA and MA in law from the University of Cambridge.



TAN SRI MAZLAN MANSOR

Appointed 1 March 2022

Tan Sri Mazlan Mansor was the Deputy Inspector General of the Royal Malaysia Police prior to his retirement in August 2020. He had served in the Police Force for almost 41 years, helming various senior positions including Director of Commercial Crime Investigation Department, Chief Police Officer of Selangor and Commissioner of Police Sarawak, to name a few. In addition to his vast experience in investigation work, Tan Sri Mazlan had also served as a Legal/Prosecution Officer at the Criminal Investigations Department (CID), Bukit Aman after having obtained an LL.B. (Honours) degree from the University of Wales, Aberystwyth United Kingdom in 1992.

In 2021, Tan Sri was appointed as an Independent Non-Executive Director on the board of AmREIT Managers Sdn Bhd (AmREIT). He has stepped down from the AmREIT board prior to the effective date of his appointment as a Member of the SC Board. Tan Sri Mazlan also currently sits as Independent Non-Executive Director in RCE Capital Bhd.

Tan Sri Mazlan's appointment provides diversity to the Board. He brings with him a wealth of experience, given the various positions he had helmed as a senior Royal Malaysia Police official. His appointment to the boards of the two PLCs, as well as on AmREIT, a regulated entity, had provided Tan Sri Mazlan with the relevant exposure for undertaking the role as an independent board member.

EXECUTIVE MEMBERS



**BUDIMAN
LUTFI MOHAMED**
Director
Enforcement



**DATUK SERI ABDUL
JALIL HAMID**
Executive Director
Strategic
Communications
& Chairman's Office



ALEX OOI THIAM POH
Executive Director
and Head
Audit Oversight



YEW YEE TEE
Executive
Director and
General
Counsel



**SALMAH BEE
MOHD MYDIN**
Executive Director
Market Development



KAMARUDIN HASHIM
Managing
Director



**DATO' SERI DR.
AWANG ADEK
HUSSIN**
Chairman



**DATIN AZALINA
ADHAM**
Managing
Director



**SHARIFATUL
HANIZAH
SAID ALI**
Executive Director
Islamic Capital
Market
Development



**DATO' ZAIN
AZHARI MAZLAN**
Executive Director
Corporate Finance &
Investments

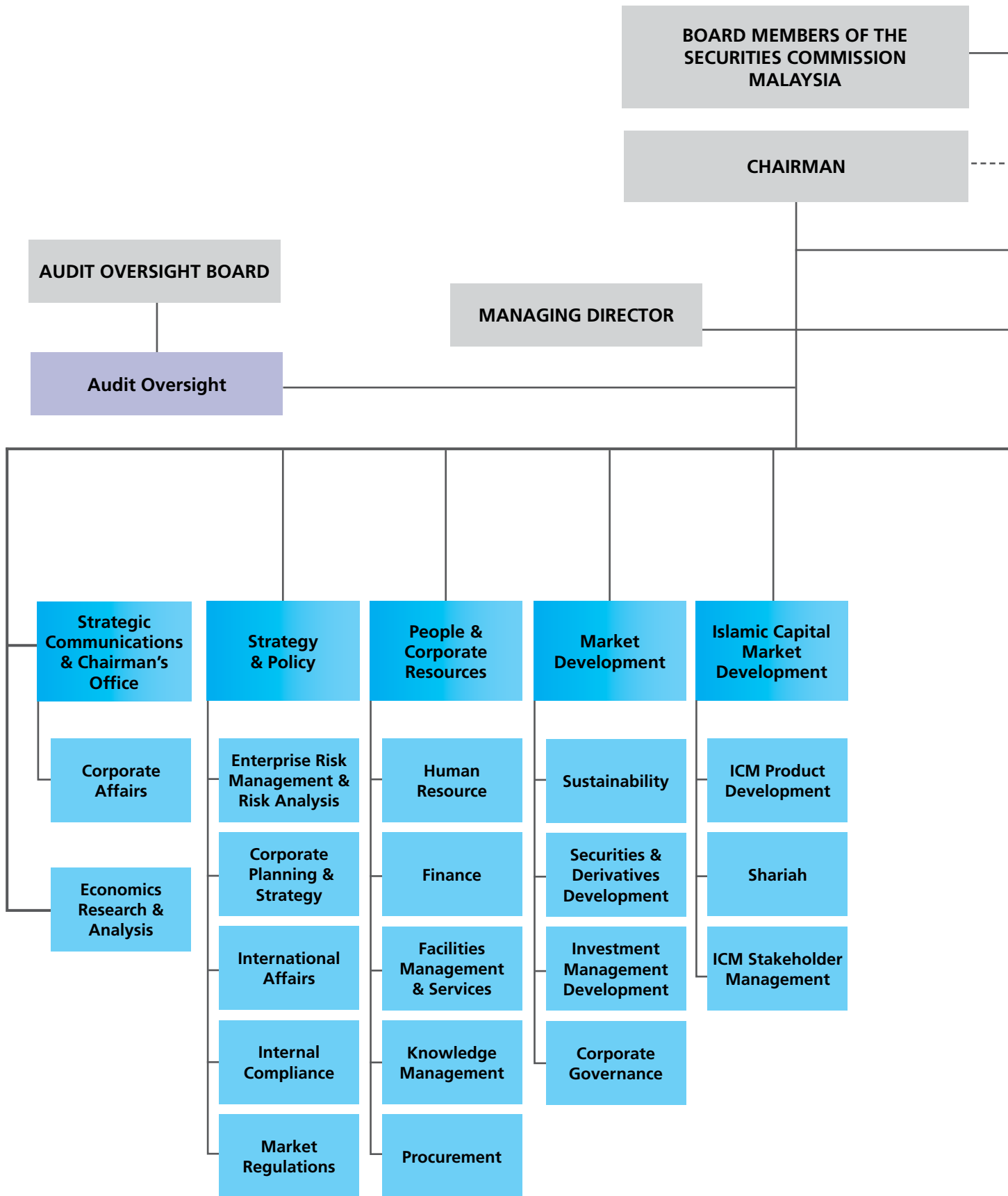


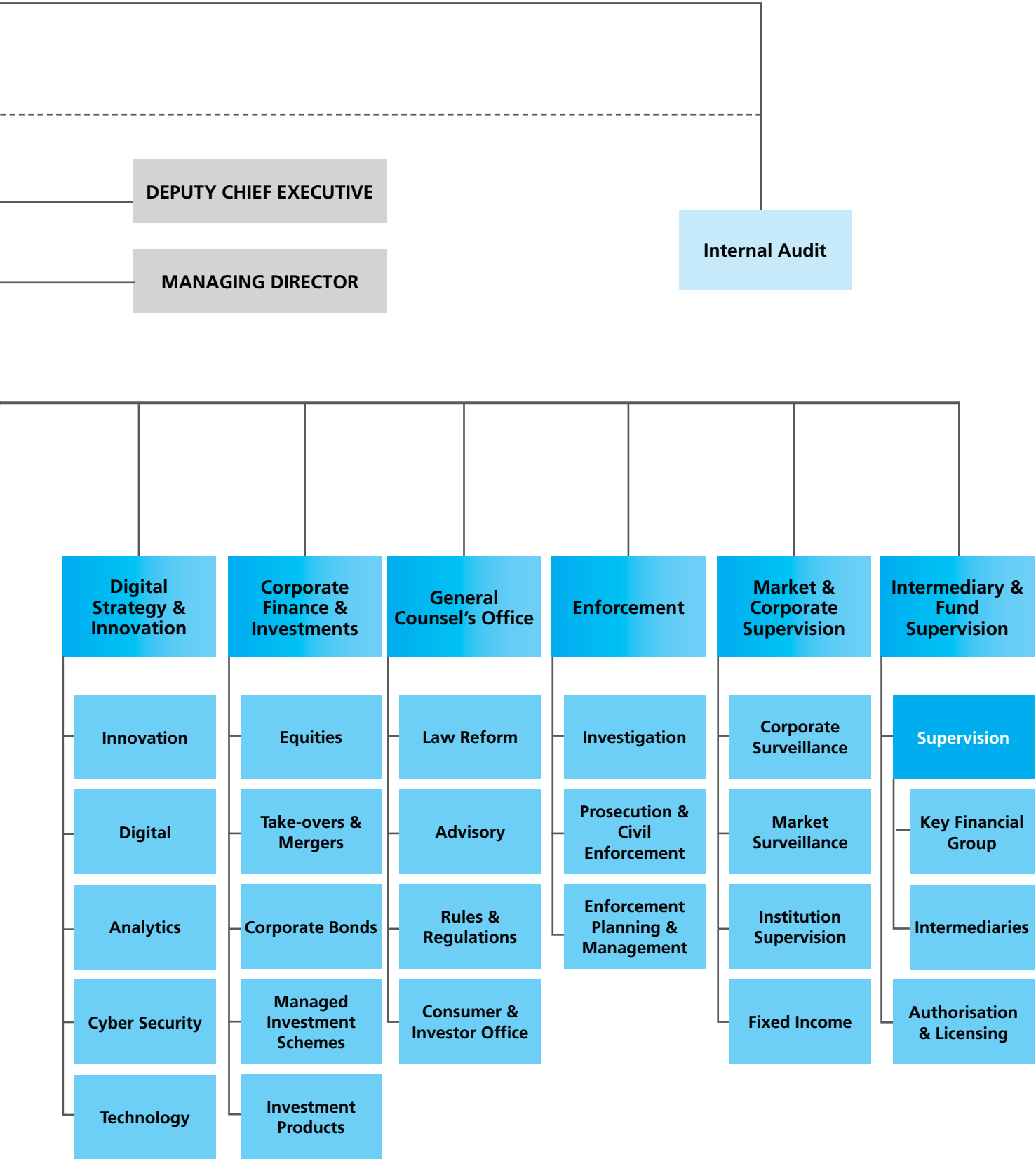
**DR. WONG HUEI
CHING**
Executive
Director
Digital Strategy
& Innovation



**SHAMSUL
BAHRIAH
SHAMSUDIN**
Director
Intermediary
& Fund
Supervision

ORGANISATION STRUCTURE





SHARIAH ADVISORY COUNCIL MEMBERS



Chairman

Tan Sri Dr. Mohd Daud Bakar



Deputy Chairman

Professor Dr. Aznan Hasan



Dr. Shamsiah Mohamad



**Professor Dr. Engku Rabiah
Adawiah Engku Ali**



**Professor Dr. Ashraf Md
Hashim**



**Professor Dr. Asmadi
Mohamed Naim**



**Associate Professor
Dr. Mohamed Fairouz Abdul
Khir**



**Professor Dato' Dr. Mohd
Azmi Omar**



**Dr. Zaharuddin
Abdul Rahman**

STATEMENT ON GOVERNANCE

The Securities Commission Malaysia (SC) is a statutory body established under the *Securities Commission Malaysia Act 1993* (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 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 a Chairman, a Deputy Chief Executive and seven other members who may include persons representing the government and private sector. The 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 Chairman on 1 November 2018 until 31 May 2022. Succeeding him, Dato' Seri Dr. Awang Adek Hussin was appointed as the Chairman effective 1 June 2022. A profile of Board members is featured on pages 100 to 101 and their involvement in the various committees established by the Board is provided on page 109.

The 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.

Similarly, a Board member shall not hold office if he or she—

- is convicted of a criminal offence 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 is 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 functions of the Commission are the following:

- Advise the Minister on all matters relating to the capital market;
- Regulate all matters relating to the capital market;
- Ensure that the provisions of the securities laws are complied with;
- Regulate the take-overs and mergers of companies;
- Promote and regulate all matters relating to fund management, including unit trust schemes and PRS;

- Supervise and monitor the activities of any exchange holding company, stock exchange, derivatives exchange clearing house and central depository;
- Take all reasonable measures to maintain the confidence of investors in the capital market by ensuring adequate protection for such investors;
- 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;
- Suppress illegal, dishonourable and improper practices in the capital market, and in the provision of investment advice or other services relating to the capital market;
- Consider and make recommendations for the reform of the securities laws;
- Encourage and promote the development of the capital market in Malaysia including research and training in connection thereto;
- Encourage and promote self-regulation by professional associations or market institutions in the capital market;
- License, register, authorise, approve and supervise all persons engaging in regulated activities or providing capital market services as may be provided for under the securities laws;
- Promote and maintain the integrity of all licensed persons, registered persons, approved persons and participants in the capital market;
- Register or recognise all auditors of public-interest entities (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;
- 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;
- Take all reasonable measures to monitor, mitigate and manage systemic risks arising from the capital market;
- Promote and regulate corporate governance and approved accounting standards of listed corporations; and
- 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

A total of 10 Board meetings were held in 2022. The quorum required is 5. The attendance record is set out in Table 1.

The work of the Board in governing SC is facilitated by various board committees established under section 18 of the SCMA, as listed in Table 2.

TABLE 1
Attendance at Board meetings

Board members	Number of meetings attended
Datuk Syed Zaid Albar ¹	5/5
Dato' Seri Dr. Awang Adek Hussin ²	5/5
Datuk Zainal Izlan Zainal Abidin ³	10/10
Dato' Gooi Hoe Soon	9/10
Datuk Dr. Zunika Mohamed	6/10
Datin Rashidah Mohd Sies	9/10
Lynette Yeow Su-Yin	7/10
Tan Sri Mazlan Mansor ⁴	7/7

¹ Resigned from the Board on 31 May 2022.

² Appointed to the Board on 1 June 2022.

³ Resigned from the Board on 12 January 2023.

⁴ Appointed to the Board on 1 March 2022.

AUDIT COMMITTEE

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

The Audit Committee has an oversight role over the internal audit function, including reviewing the outcome of audits and approving the annual internal audit plan. The Audit Committee is also 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 of 2022, the Audit Committee had convened 6 meetings.

TABLE 2
Board Committees

Committee	Key responsibility	Members
1. Audit Committee	Review the effectiveness of the SC's risk management and internal control systems and review the annual financial statements.	<ul style="list-style-type: none"> • Dato' Gooi Hoe Soon (Chairman) • Datuk Dr. Zunika Mohamed • Datin Rashidah Mohd Sies • Lynette Yeow Su-Yin
2. Issues Committee	Review and decide on primary listings of corporations, business trusts and real estate investment 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; and secondary or cross-listings of foreign corporations or foreign business trusts on the Main Market.	<ul style="list-style-type: none"> • Dato' Seri Dr. Awang Adek Hussin (Chairman)² • Datuk Syed Zaid Albar (Chairman)¹ • Datuk Zainal Izlan Zainal Abidin³ • Dato' Gooi Hoe Soon • Datin Rashidah Mohd Sies • Lynette Yeow Su-Yin
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.	<ul style="list-style-type: none"> • Dato' Seri Dr. Awang Adek Hussin (Chairman)² • Datuk Syed Zaid Albar (Chairman)¹ • Datuk Zainal Izlan Zainal Abidin³ • Dato' Gooi Hoe Soon • Datin Rashidah Mohd Sies • Lynette Yeow Su-Yin
4. Licensing Committee	Review and decide on applications for the grant of a new Capital Markets Services Licence (CMSL), new licensed representatives, appointments of directors, key management or compliance officers that are submitted together with a new CMSL application; and to consider any policy recommendations relating to licensing issues.	<ul style="list-style-type: none"> • Dato' Seri Dr. Awang Adek Hussin (Chairman)² • Datuk Syed Zaid Albar (Chairman)¹ • Datuk Zainal Izlan Zainal Abidin³ • Dato' Gooi Hoe Soon • Datuk Dr. Zunika Mohamed • Tan Sri Mazlan Mansor⁴
5. Nomination and Remuneration Committee (NRC)	Assess and formulate the remuneration of the Chairman and Deputy Chief Executive (DCE) and make appropriate recommendations to the Minister of Finance.	<ul style="list-style-type: none"> • Dato' Gooi Hoe Soon (Chairman) • Datuk Dr. Zunika Mohamed • Lynette Yeow Su-Yin • Tan Sri Mazlan Mansor⁴

¹ Resigned from the Board on 31 May 2022.

² Appointed to the Board on 1 June 2022.

³ Resigned from the Board on 12 January 2023.

⁴ Appointed to the Board on 1 March 2022.

SHARIAH ADVISORY COUNCIL

The SAC is mandated to ascertain the application of Shariah principles on any matter relating to the ICM and plays an important role in the development of Malaysia's ICM. It advises the Commission on any Shariah issue relating to the ICM and issues rulings on the 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.

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 PIEs and scheduled funds.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The SC recognised the importance of maintaining a robust risk management framework and internal control to safeguard the SC's integrity and governance. The SC's risk management and internal control approach is established and supported by the Board, Board Committees, management committees and a strong internal governance process.

The SC, through the Executive Risk Management Committee (ERMC) and the AC, periodically reviews the effectiveness and adequacy of the risk management framework and internal controls by identifying, assessing, monitoring and reporting key risks with the objective to safeguard the SC's governance, objectives and reputation.

TABLE 3

Shariah Advisory Council members

SAC members	
1.	Tan Sri 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

TABLE 4

Audit Oversight Board members

AOB Members	
1.	Dato' Anantham Kasinather (Non-Executive Chairman)
2.	Alex Ooi Thiam Poh (Executive Officer)
3.	Salmah Bee Mohd Mydin
4.	Hew Ee-Lu ¹
5.	Datuk Nor Azimah Abdul Aziz
6.	Dato' Darawati Hussain
7.	Dato' Seri Ahmad Johan Mohammad Raslan
8.	Hong Chin Pheng ²

Note:

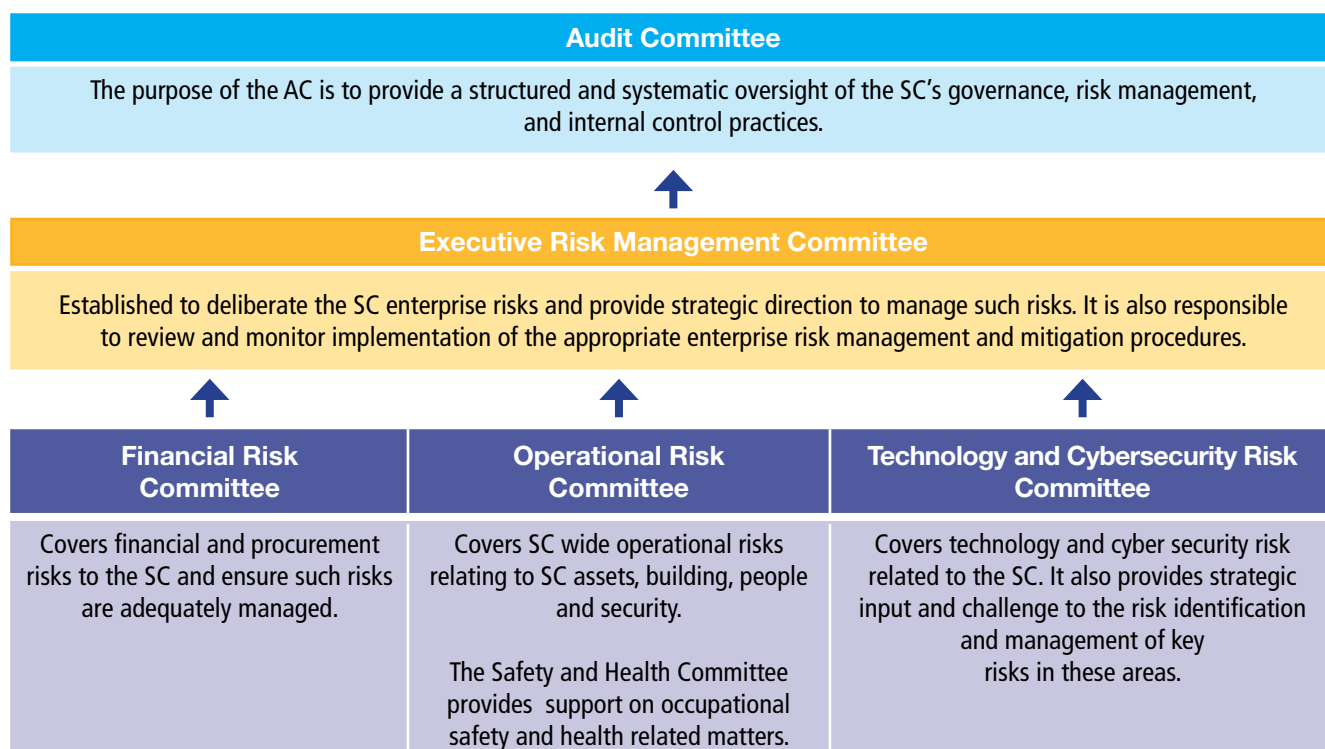
¹ Completed his term as Non-Executive Member on 5 October 2022.

² Appointed to the Board on 11 October 2022.

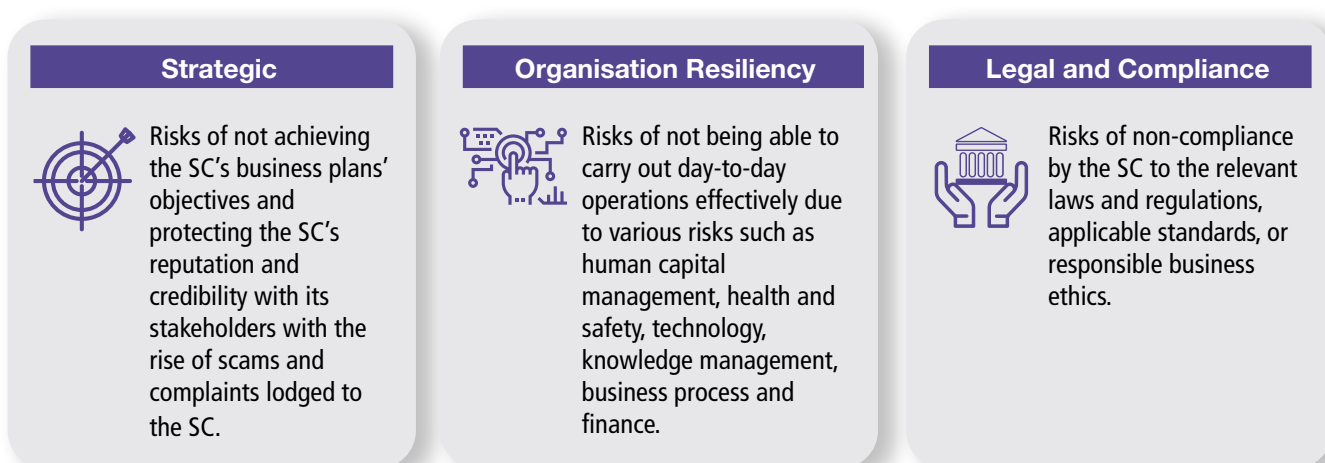
Risk Management

The SC's enterprise risk management framework, which comprises the *Enterprise Risk Management Policy and Guidelines*, provides the foundation and guidance on how risks are managed across the SC and the process is consistent with ISO 31000:2018. All processes are in place to identify, evaluate, report, treat, monitor and review of strategic and operation risks within the SC.

The SC has continuously improved its internal risk monitoring and reporting via the 3 sub-risk committees. These sub-risk committees, chaired by the SC's senior management, manage their respective key risk areas and escalate to the ERM for deliberation. For the safety and well-being of the SC's employees, the Safety and Health Committee will ensure compliance to the *Occupational Safety and Health Act (OSHA)*, who also reports to the Operational Risk Committee.



At the ERM, the SC's senior management deliberates key risks for the enterprise and provides strategic direction to the line departments in addressing the risks. The 3 critical impact areas identified for the SC are strategic, organisational resiliency, as well as legal and compliance. Key risks are actively managed to ensure minimal impact to these critical impact areas.



Business Continuity Management

Organisational resilience is described as the ability of an organisation to anticipate, prepare and respond swiftly to business disruption, which will enable the organisation to survive paradigm shifts in an orderly manner. The SC has established a Business Continuity Management Policy and Framework, aligned with the ISO 22301: 2019 Security and Resilience – Business Continuity Management System (BCMS) requirements to ensure its resiliency and preparedness for any disruption to its critical operations. The SC continuously enhances its business continuity processes, which encompass business resumption, disaster recovery, crisis management and business impact analysis.

The SC, like most organisations, redesigned its business continuity approach to cater for the unprecedented pandemic situation in the past 2 years. The SC continues to be committed to ensure a safe and conducive working environment for its employees. Continuous improvements ensure that the SC remains vigilant, agile, and able to respond to crisis effectively and efficiently.

In addition, to ensure smooth and effective business continuity management, the SC conducts quarterly Information Technology (IT) component testing and

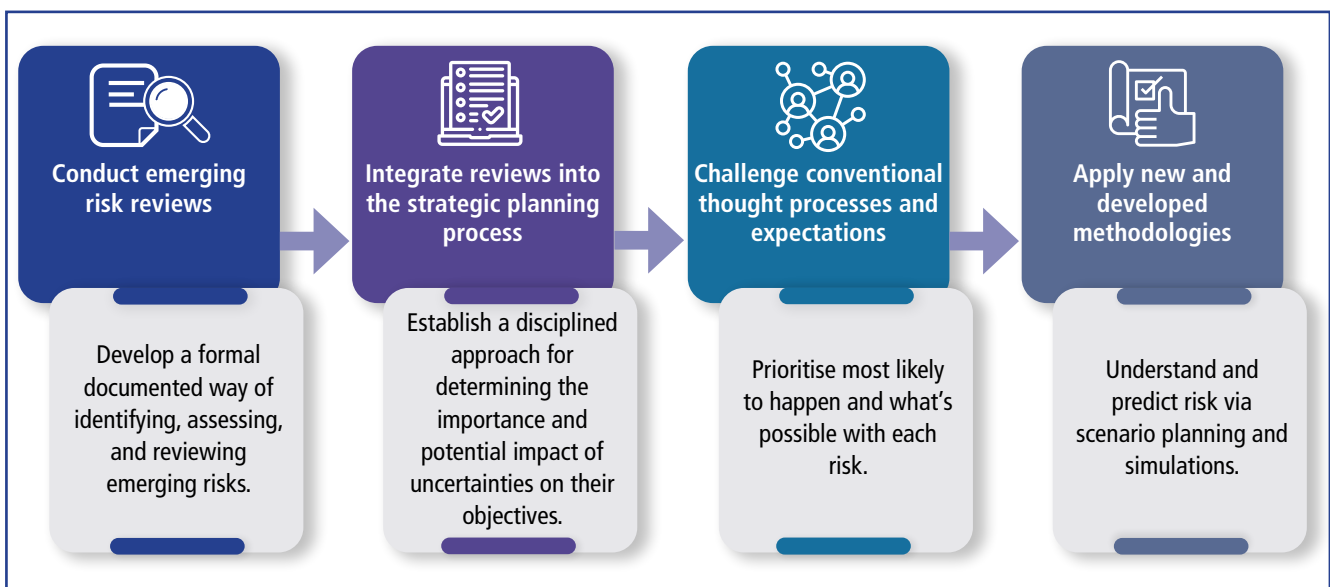
annual building evacuation drill and operational simulation. The BCM policy and framework are reviewed every 2 years to ensure relevancy and updated.

Emerging Risks

As the world evolves and the rate of change increases, particularly with the heavy reliance on digital-based solutions, risks resulting from newly identified hazard could pose significant exposure to the organisation. Emerging risks are often characterised by a high degree of uncertainty in terms of likelihood of occurrence and potential impact on business functions and operations.

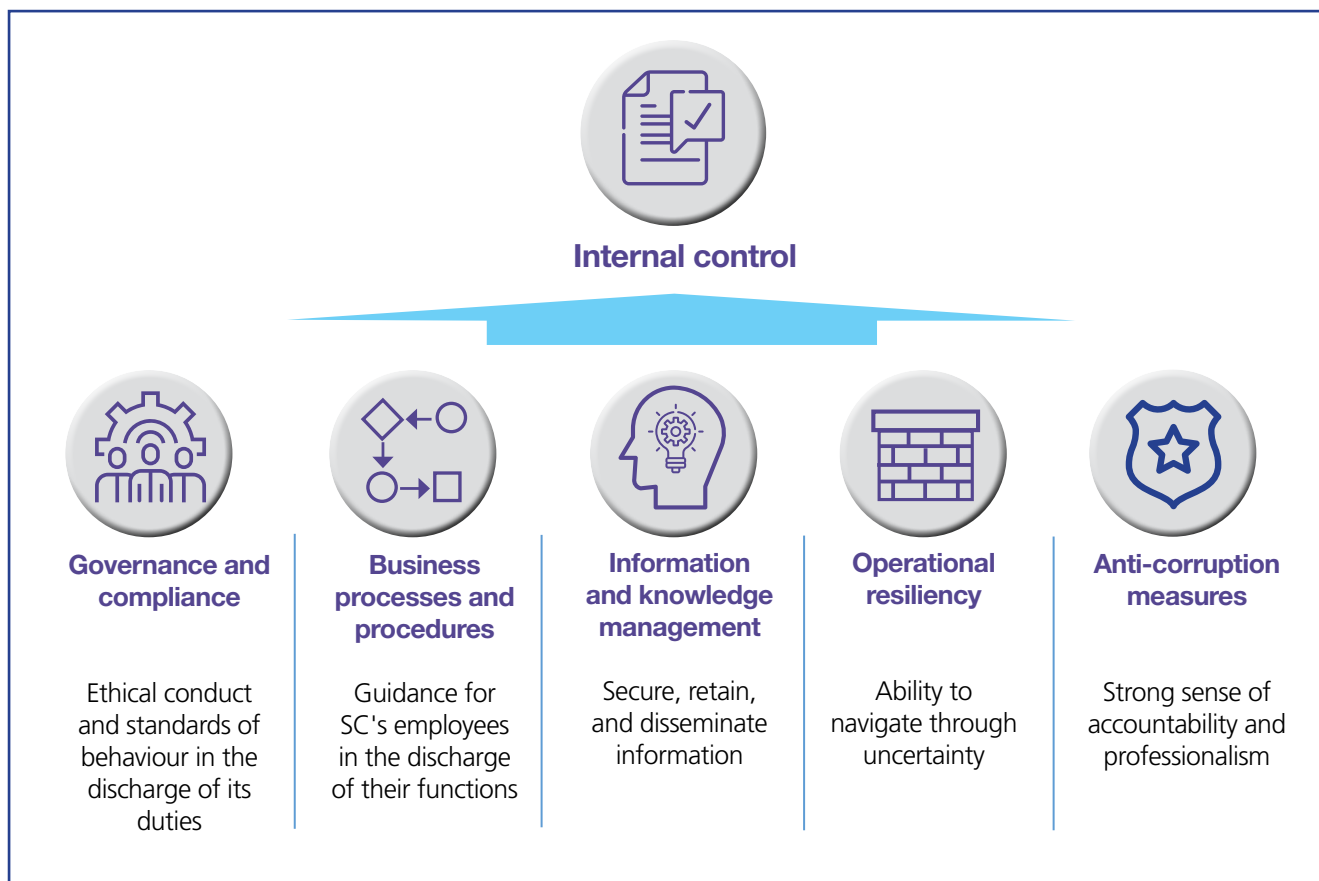
The SC has established an internal process to identify emerging risks on an annual basis. The methodology includes analysis of risk data points derived from leading and lagging key risk indicators; engagement with risk officers and relevant stakeholders; and environmental scan for emerging risk issues. The outcome from this holistic and robust approach is the risk outlook that illustrates the pulse of risk for 2023, which will be funnelled into the strategic planning processes. Early identification of emerging risks will ensure that risk mitigation measures and response plan can be developed accordingly (Figure 1).

FIGURE 1



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 to provide assurance on the effectiveness of control environment.



Governance and Compliance

The *Code of Conduct* was established:

- For Members of the Board which sets out the governance expectations required of Board Members in the discharge of their duties.
- For the SC's employees which outlines the expectations required of employees during their tenure with the SC including ethical conduct and standards of behaviour.
- The statement of the SC *Principles and Standards* facilitates efficient and ethical engagement between the SC and its external stakeholders, which includes suppliers, contractors, vendors, and consultants. The stakeholders are governed by ethical principles, transparency in conducting its business and declare potential conflict of interest situations. In this regard, the SC adopts a zero tolerance policy on all forms of corruption, and any allegation of corrupt practice by employees of the SC, and agents of external stakeholders doing work for the SC will be taken seriously.
- The SC has established a feedback channel for employees and agents to raise concerns on employee misconduct, including the Internal Whistleblowing Procedure to expose or report internal wrongdoing or suspected breaches of law within the organisation.

- The Framework for Handling External Complaints Against the SC and/or SC Employees presents the process for handling complaints made by external parties against the SC as an entity and/or any employee of the SC in relation to the discharge of his duties.
- A robust Conflict of Interest Declaration process has been put in place where Board members and SC's employees are required to comply with, when faced with a perceived, potential or real conflict of interest situation.
- The *Compliance Management Guidelines* provide a structured approach to ensure compliance with the laws, regulations, and internal governance standards, which has an impact on the day-to-day operations of the SC.
- The Compliance and Ethics programme is an interactive e-learning tool and aims to help the SC's employees understand the principles of the SC's internal governance standards. This biennial mandatory programme was developed for its employees to reaffirm on the importance of maintaining high standards of ethics, values, and behaviour at all times. The *Compliance and Ethical Handbook* (Handbook) was issued early 2022 to provide guidance and assist its employees in adopting an ethics and integrity culture when carrying out their duties. The Handbook includes key topics from relevant internal governance documents and serves as a quick reference for the SC's employees.

Business Processes and Procedures

- In promoting a transparent and knowledge sharing culture, the SC facilitates its employees' understanding of the SC's operations by making available Business Process Flows and other relevant business process guidance on the SC's intranet. These business process flows, and guidance documents are reviewed periodically by the respective business process owners to ensure they remain relevant.
- The *Procurement Policy and Guidelines* was established to ensure fair, transparent 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* ensures that the SC's assets provided its employees in discharging their functions are safe guarded and maintained in good working condition.

Information and Knowledge Management

- The *Authorisation for Disclosure of Information Policy* governs the release of material non-public information to third parties. Requests for disclosure of such information will be referred to a committee consisting of senior management of the SC for decision.
- The *Data Loss Mitigation Guidelines* acts as a reference point for the SC's employees when handling both physical and electronic records containing sensitive information. The Guidelines ensures sensitive information is appropriately secured from unauthorised disclosure and protected from alteration, corruption, loss or misuse.
- 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 Resiliency

- In light of COVID-19, the dedicated COVID-19 taskforce continues to monitor incidences, review precautionary measures and manage any emerging COVID-19 risks. This taskforce will also take a proactive approach to anticipate and respond to any emerging COVID-19 risks.
- The SC adapted and designed a single hybrid work arrangement to enable its employees to work from home and the office. Internal policy on managing and responding to the pandemic is continuously revised to align with the Government requirement(s).

- The IT operations and cyber security are continuously assessed against updated technology and cyber security risks to ensure that the SC's infrastructure is adequately protected against malware, unauthorised access, insider threats, and other disruptions which may affect its operations. Besides processes and technology that have been put in place, ongoing user awareness are being conducted to help strengthen the SC's exposure against phishing and other social engineering attacks that may slip through the security gateway.

Anti-Corruption Measures

- The SC remains fully committed to provide an environment that promotes a strong sense of accountability and professionalism among its employees. The establishment of the SC's Anti-Corruption Committee (JAR – Jawatankuasa Anti-Rasuah) reiterates the SC's *Principles and Standards* on embracing the culture of integrity and ethics and is in line with the Government's commitment to fight against corruption. The SC JAR serves as a high-level management platform focused on addressing organisational issues pertaining to governance and integrity, while monitoring the implementation of the SC's initiatives as identified under the *National Anti-Corruption Plan* (NACP).
- As required under the NACP, the SC has established its own *Organisational Anti-Corruption Plan* (OACP) to strengthen its governance, integrity and anti-corruption measures. The OACP covers key elements such as an explicit anti-corruption commitment from key stakeholders, controls in place which include policies and procedures, training and communication, reporting mechanisms and regular auditing and monitoring of proposed action plans.
- The development of the SC's Anti-Bribery Management System (ABMS) Compliance Framework marks the SC's commitment to ensure alignment of its anti-corruption control measures with the ISO 37001 ABMS requirements.

INTERNAL AUDIT

The SC's Internal Audit Department (IAD) assists the Audit Committee in discharging its duties and responsibilities. IAD reports directly to the Audit Committee, which determines the adequacy of scope and function of the department as set out in the Internal Audit Charter. 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 internal audit plan as approved by the Audit Committee, which is developed using a risk-based methodology.

The main activities of IAD for the year 2022 included performing predominantly risk-based audits for the areas identified in the internal audit plan and ad-hoc review of certain functions as requested by Management. The results of the audits and activities performed by IAD were presented to the Audit Committee for its review and deliberation. Where applicable, IAD conducted follow-up enquiries to ensure that Management's corrective actions were implemented appropriately and provided periodic updates on the status or progress of the key actions to the Audit Committee. In addition, IAD played an advisory role in the course of discharging its responsibilities.

IAD had also reviewed the Audit Committee Charter and the Internal Audit Charter (the Charters) every 2 years to ensure that the Charters remain relevant and are in line with The Institute of Internal Auditors (IIA)'s International Professional Practices Framework.

The IIA's International Standards for the Professional Practice of Internal Auditing requires a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activities to be developed and maintained in order to evaluate the internal audit activities' conformance with the Standards and the internal auditors' application of the *Code of Ethics*. Such QAIP must include both internal and external assessments, and the external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside

the organisation. In 2022, IAD had undertaken an external assessment through self-assessment with independent external validation by The Institute of Internal Auditors Malaysia. The outcome of the overall assessment was that IAD 'Generally Conforms' with IIA's *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*.

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 its 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 also 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 monetary disputes 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. They comprise banks, stockbrokers, derivatives brokers, FMCs, unit trust management companies, PRS providers and distributors as well as 2 development financial institutions.

Effective and affordable access to redress for monetary disputes between investors and market intermediaries provided by an independent and impartial body forms part of international best practice and supports the SC's investor protection and empowerment initiative.

Under SIDREC's Mandatory Scheme for claims not exceeding 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 mediation.

Apart from its involvement during 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 SC, and other stakeholders such as related industry associations and self-regulatory organisations to provide positive insights and concerns stemming from its dispute resolution process. This provides valuable feedback to the market, investors, and the regulator.

HUMAN RESOURCES

In tandem with the adoption of best practices pursuant to the COVID-19 pandemic by organisations across the country, the SC has also been embracing the new norms of working. The implementation of a pilot hybrid working arrangement (HWA) for six months was initiated in August 2022, aimed at providing flexibility in the working arrangement for the employees and helping them achieve better work-life balance. This initiative has contributed positively towards raising staff morale, improving physical and mental well-being, and increasing work productivity. While these new norms of remote working proved to be challenging, the SC had rolled out several initiatives to assist and support its employees. These reaffirmed the SC's strategies, aligned to the core purpose of serving, developing, and retaining its people. The adaptation by employees to the new norms of working undoubtedly instilled resilience and improvisation to work practices which were instrumental in ensuring they adapted to unscripted and architected situations.

The SC together with an independent firm undertook an employee engagement survey to further obtain the views on work environment, leadership, well-being, culture, and organisational values. This was an important initiative where real feedback was obtained and further assisted in the formulation of best HR practices and procedures. To remain current and competitive in the market, a new salary structure review was also completed. The structure is pegged to P60 of the Financial Services and the General Market based on the categorisation of employees. The salary structure review is aimed to gradually help enhance the competitiveness in terms of remuneration and make the SC as one of the country's preferred employers.

So long as we have humans in the organisation, they are to an extent motivated by validation, appreciation, and empathy that only humans – not machines can provide. While the automated HR work transactions were further enhanced and implemented to manage critical HR transactions, the top management and departments also increased the engagements with internal stakeholders to further understand their business and developmental needs. Digitalisation of work processes and systems enabled operational continuity across the board and virtual learning interventions were conducted to enhance professional skills and to further hone the skill-sets of a model regulator.

Recruitment and Talent Management

Recruitment and onboarding sessions were conducted virtually, and web-based assessment tools were widely used. These initiatives have ensured continuity of people resources and resulted in the recruitment of 127 candidates, of whom 101 were experienced hires and 26 Graduate Management Executives – GMEs (including 4 returning scholars). The recruitment for these GMEs were done twice in a year to ensure there is sufficient workforce and to build a cohesive talent pipeline. In addition, career progression opportunities were given to deserving employees, which proved to be the testament of the SC in recognising and rewarding strong performance among the employees.

The SC also continued to provide opportunities for young graduates to gain knowledge and work experience in a regulatory environment; 40 undergraduate students from both local and foreign universities had completed their internships in 2022. Collaborating with Khazanah Nasional Bhd, the SC hosted 2 trainees under Malaysia Short-Term Employment Programme (MySTEP), an initiative to enhance the employability of young graduates.

In continuing its talent development efforts, 3 employees underwent secondment or attachment programmes, namely to the Ministry of Finance and Bursa Malaysia. The SC was also supportive of the inception of the Consumer Credit Oversight Board Task Force (CCOB-TF), an initiative jointly spearheaded by the (MOF and BNM). To support the start-up and operationalisation of CCOB, the SC seconded 5 employees. These opportunities enabled them to gain greater learning, broaden work experience, expand networking opportunities, and inculcate knowledge sharing.

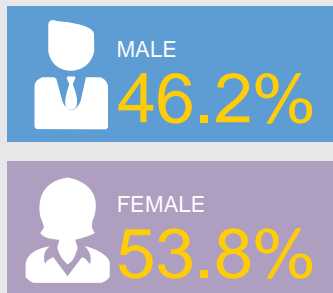
Adapting to the new norms of online learning and skills development, 93% of the SC's employees had attended various programmes ranging from workshops to seminars and conferences. This demonstrates that the SC employees have further adapted to the needs and requirements of continuously equipping themselves with the relevant technical, digital and leadership skills and knowledge to face the evolving working landscape. Given the gravitating need towards digital technology, the SC introduced a Digital Curriculum with modules related to areas such as Data Analytics, Digital Assets, fintech, RegTech, SupTech and the SC's digital initiatives, which were attended by 80% of its employees.

Realising the importance of encouraging its employees to continuously upskill themselves, the SC had awarded financial assistance to employees who are keen to pursue postgraduate studies, ranging from Masters in Business Administration (MBA) to a variety of certification programmes; Chartered Financial Analyst (CFA),

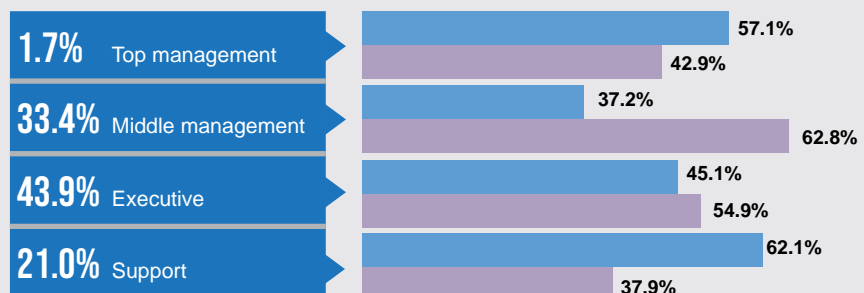
Certified Fraud Examiner (CFE), Certified Information System Auditor (CISA) and Certified Information Security Manager (CISM). In honing the skill-sets of the SC's investigators, the SC together with BNM co-organised the Certified Financial Investigator Programme (CFIP) whereby 16 employees will be graduating from the programme in January 2023.

GENDER & DIVERSITY | HEADCOUNT 829 (As at 31 December 2022)

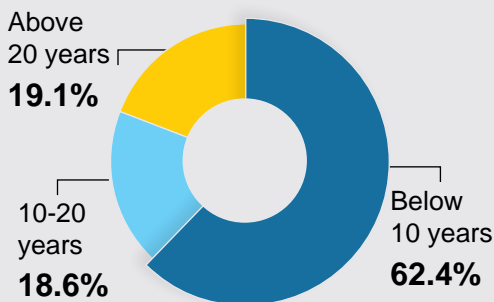
GENDER



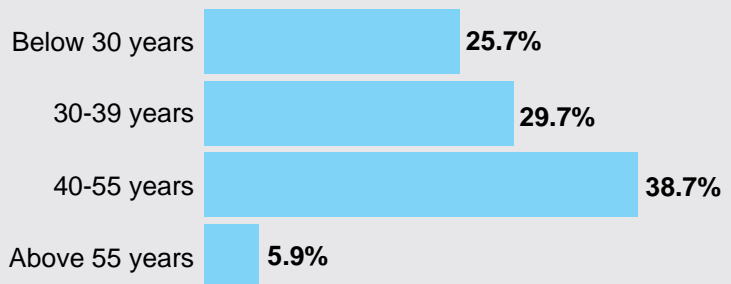
EMPLOYEE CATEGORY



YEARS OF EXPERIENCE



EMPLOYEE AGE GROUP





FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	135,375	137,646
Intangible assets	5	9,295	9,256
Right-of-use assets	6	6,567	6,659
Deferred tax asset	7	10,057	8,972
Other receivables	8	2,448	2,971
Other investments	9	55,030	24,675
		<u>218,772</u>	<u>190,179</u>
CURRENT ASSETS			
Other investments	9	803,926	980,124
Trade and other receivables	10	27,842	26,871
Cash and cash equivalents	11	175,765	83,134
		<u>1,007,533</u>	<u>1,090,129</u>
TOTAL ASSETS		<u>1,226,305</u>	<u>1,280,308</u>
RESERVES			
Compensation fund reserve	12	100,000	100,000
Accumulated surplus		887,941	906,276
TOTAL RESERVES		<u>987,941</u>	<u>1,006,276</u>
NON-CURRENT LIABILITIES			
Post-employment benefits	13	186,950	183,310
CURRENT LIABILITIES			
Tax payable		615	-
Other payables and accruals	14	50,799	90,722
		<u>51,414</u>	<u>90,722</u>
Total liabilities		<u>238,364</u>	<u>274,032</u>
Total reserves and liabilities		<u>1,226,305</u>	<u>1,280,308</u>

The notes on pages 124 to 152 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
REVENUE			
Levies		138,172	243,105
Fees and charges		19,801	16,939
License fees		2,008	2,908
Finance income		26,646	25,813
Registration fees		3,104	3,060
Other income		36,426	16,683
	15	<u>226,157</u>	<u>308,508</u>
Less: Expenditure			
Staff costs	16	192,416	178,539
Administrative expenses		33,175	26,434
Depreciation of property, plant and equipment	4	8,400	8,491
Amortisation of intangible assets	5	3,201	3,111
Depreciation of right-of-use assets	6	92	92
Rental expense		525	522
		<u>237,809</u>	<u>217,189</u>
		(11,652)	91,319
NET OPERATING (DEFICIT)/SURPLUS			
Less: Funds to affiliates	17	<u>(9,020)</u>	<u>(7,600)</u>
(Deficit)/Surplus before tax for the year	18	<u>(20,672)</u>	<u>83,719</u>
Taxation	19	<u>(4,632)</u>	<u>8,972</u>
(Deficit)/Surplus after tax for the year		<u>(25,304)</u>	<u>92,691</u>
Other comprehensive gain/(loss):			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	20	<u>6,969</u>	<u>(34,865)</u>
Total comprehensive (loss)/income for the year		<u><u>(18,335)</u></u>	<u><u>57,826</u></u>

The notes on pages 124 to 152 are an integral part of these financial statements.

STATEMENT OF CHANGES IN RESERVES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Compensation fund reserve RM'000	Accumulated surplus RM'000	Total RM'000
At 1 January 2021	100,000	848,450	948,450
Surplus for the year	-	92,691	92,691
Remeasurement of defined benefit liability	-	(34,865)	(34,865)
Surplus and total comprehensive income for the year	-	57,826	57,826
At 31 December 2021/1 January 2022	100,000	906,276	1,006,276
Deficit for the year	-	(25,304)	(25,304)
Remeasurement of defined benefit liability	-	6,969	6,969
Deficit and total comprehensive loss for the year		(18,335)	(18,335)
At 31 December 2022	100,000	887,941	987,941
	Note 12		

The notes on pages 124 to 152 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/Surplus before tax		(20,672)	83,719
Adjustments for:			
Depreciation of property, plant and equipment	4	8,400	8,491
Amortisation of intangible assets	5	3,201	3,111
Depreciation of right-of-use assets	6	92	92
Amortisation of deferred income		-	(704)
Finance income		(26,646)	(25,813)
Current service cost and interest expense on post-employment benefit	13	13,768	10,805
OPERATING (DEFICIT)/SURPLUS BEFORE WORKING CAPITAL CHANGES		(21,857)	79,701
Changes in working capital:			
Trade and other receivables		(377)	24,481
Other payables and accruals		(39,923)	12,466
CASH (USED IN)/GENERATED FROM OPERATION		(62,157)	116,648
Tax paid		(5,102)	-
Benefit payout from post-employment benefit	13	(3,159)	(2,776)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		(70,418)	113,872
CASH FLOWS FROM INVESTING ACTIVITIES			
Movement in investments in Malaysian Government Securities and Government Guaranteed Bonds		10,212	55,376
Movement in deposits placed with licensed banks		135,631	(196,519)
Finance income received		26,575	26,583
Proceeds from disposal of plant and equipment		6	1
Acquisition of property, plant and equipment	4	(6,135)	(1,155)
Acquisition of intangible assets	5	(3,240)	(5,673)
NET CASH FROM/ (USED IN) INVESTING ACTIVITIES		163,049	(121,387)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		92,631	(7,515)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		83,134	90,649
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		175,765	83,134

The notes on pages 124 to 152 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

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* (CMSA). 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 7 February 2023.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(i) Amendments to published standards that are effective

The SC has applied the following amendments to published standards and annual improvements for the first time for the financial year beginning on 1 January 2022:

- Amendment to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities'
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 141 'Taxation in Fair Value Measurements'

The adoption of these amendments to published standards did not have any material impact on the current period or any prior period and is not likely to affect future periods.

(ii) Amendments to published standards that have been issued but not yet effective

New amendments to published standards and annual improvements that are effective for financial year beginning after 1 January 2022 are set out below:

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.
- Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) clarifies the seller-lessee shall determine the 'lease payments' or 'revised lease payments' in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

- There are two amendments to MFRS 101 'Presentation of Financial Statements'. The first amendments, 'Classification of liabilities as current or non-current' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

Both amendments are effective for the annual reporting periods beginning on or after 1 January 2024.

The amendments shall be applied retrospectively.

These amendments to published standards and annual improvements will be adopted on the respective effective dates. The SC has started a preliminary assessment on the effects of the above amendments to published standards and annual improvements and the impact is still being assessed.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

(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 MFRS 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 13.

(ii) Deferred tax asset recognition

Deferred tax asset recoverability is assessed using the estimated future taxable income based on the approved financial projection, of which involves assumptions and judgement regarding the future financial performance of the SC in which the deferred tax asset has been recognised. The tax losses brought forward will expire in 2028.

3. 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. 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 3(f)(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) Intangible assets

(i) Computer software

Computer software is initially measured at cost. Costs recognised are costs (including staff costs) directly associated with identifiable software controlled by the SC that will generate probable future economic benefits. Following initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

The useful lives of computer software are assessed to be finite. Computer software is amortised over their estimated useful lives of three years and assessed for impairment whenever there is an indication that they may be impaired.

The amortisation periods and methods are reviewed at least at each financial year end. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation periods or methods, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on computer software with finite lives is recognised in profit or loss. Projects-in-progress are not amortised as these computer softwares are not yet available for use.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(d) 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.

(e) 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.

Included in the deposits with licensed banks are reserved deposits amounts held on behalf of stockbroking industry development, brokers' security deposits and government agencies or funds.

(f) 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) Non-financial assets

The carrying amounts of non-financial 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.

(g) 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) Levies

Levies as a percentage of the consideration for every purchase and sale of securities recorded on Bursa Malaysia Securities Bhd (Bursa Malaysia) in respect of different classes of securities as specified in Section 24 of the SCMA and the *Securities Commission (Levy on Securities Transactions) (Amendment) Order 2009*.

The SC recognises levies from Bursa Malaysia as income at point in time on an accrual basis.

(iii) Fees and charges

The SC records fees and charges as income over time when the services are performed. The SC records the fees and charges received in advance as a liability.

(iv) Registration fees

Registration fees are recognised at a point in time upon registration of auditors.

(v) License fees

License fees are recognised as income as the services are performed over time. The SC records the license fees received in advance as a liability.

(vi) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss. It comprises (a) interest earned on bank deposits and debt securities; and (b) the amortisation of premiums or discounts on purchases of debt securities measured at amortised cost.

(vii) Other income

Included in other income are:

- Penalty income on auditors for failing to comply any provisions or condition imposed under Part IIIA – Audit Oversight Board of the SCMA. Penalty income is recognised at a point in time pursuant to Section 31Z of SCMA. The penalty amount is restricted and shall be utilised for planning and implementing capacity building programmes in relation to the accounting and auditing profession.
- Recovery of investigation and proceeding costs that is recognised at a point in time. According to Section 200 and 201 of the CMSA, the SC can recover an amount from person who has contravened Section 175, 176, 177, 178, 179 and 181 as well as 188 of the CMSA where any amount recovered by the SC can be firstly reimburse to the SC for all costs of the investigation and proceedings in respect of the contravention.
- Residual sum that is recognised at a point in time where Section 200 and 201 of the CMSA states that to the extent that any amount obtained has not been distributed to persons who have suffered loss or damage as a result of the contravention, such sum shall either be paid to the Capital Market Compensation Fund or retained by the SC to defray the cost of developing and facilitating educational programmes for capital market investors and professionals or the cost of regulating the capital market, with the approval of the Finance Minister.

(h) Employee benefits**(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave, contribution to social security contributions (SOCSSO), Employees Provident Fund (EPF) or PRS 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) 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.

(i) Deferred taxes

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are offset when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) 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.

(k) 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 SC, 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.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the SC or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

(l) Provisions

Provisions are recognised when the SC has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation and reflects the present value of expenditures required to settle the obligation where the time value of money is material.

(m) 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.

4. 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 2021	232,162	119,887	46,203	1,753	1,309	401,314
Additions	-	630	349	-	176	1,155
Disposals	-	(6)	(5)	-	-	(11)
Transfer to/(from)	-	-	218	-	(218)	-
At 31 December 2021/1 January 2022	232,162	120,511	46,765	1,753	1,267	402,458
Additions	-	434	1,159	-	4,542	6,135
Disposals	-	(17)	(40)	-	-	(57)
Transfer to/(from)	-	4,542	-	-	(4,542)	-
At 31 December 2022	232,162	125,470	47,884	1,753	1,267	408,536
Less: Accumulated depreciation						
At 1 January 2021						
Accumulated depreciation	99,926	110,456	44,173	1,667	-	256,222
Accumulated impairment loss	109	-	-	-	-	109
	100,035	110,456	44,173	1,667	-	256,331
Depreciation for the year	4,643	2,606	1,198	44	-	8,491
Disposals	-	(5)	(5)	-	-	(10)
At 31 December 2021/1 January 2022						
Accumulated depreciation	104,569	113,057	45,366	1,711	-	264,703
Accumulated impairment loss	109	-	-	-	-	109
	104,678	113,057	45,366	1,711	-	264,812
Depreciation for the year	4,643	2,613	1,118	26	-	8,400
Disposals	-	(12)	(39)	-	-	(51)
At 31 December 2022						
Accumulated depreciation	109,212	115,658	46,445	1,737	-	273,052
Accumulated impairment loss	109	-	-	-	-	109
	109,321	115,658	46,445	1,737	-	273,161
Carrying amounts						
At 1 January 2021	132,127	9,431	2,030	86	1,309	144,983
At 31 December 2021/1 January 2022	127,484	7,454	1,399	42	1,267	137,646
At 31 December 2022	122,841	9,812	1,439	16	1,267	135,375

5. INTANGIBLE ASSETS

	Computer Softwares RM'000	Capital work-in progress RM'000	Total RM'000
<u>Cost</u>			
At 1 January 2021	37,435	2,017	39,452
Additions	361	5,312	5,673
Transfer to/(from)	4,257	(4,257)	-
At 31 December 2021/1 January 2022	42,053	3,072	45,125
Additions	109	3,131	3,240
Transfer to/(from)	2,978	(2,978)	-
At 31 December 2022	45,140	3,225	48,365
<u>Less: Accumulated amortisation</u>			
At 1 January 2021	32,758	-	32,758
Amortisation for the year	3,111	-	3,111
At 31 December 2021/1 January 2022	35,869	-	35,869
Amortisation for the year	3,201	-	3,201
At 31 December 2022	39,070	-	39,070
<u>Carrying amounts</u>			
At 1 January 2021	4,677	2,017	6,694
At 31 December 2021/1 January 2022	6,184	3,072	9,256
At 31 December 2022	6,070	3,225	9,295

6. RIGHT-OF-USE ASSETS

	Leasehold land RM'000
At 1 January 2021	6,751
Depreciation	(92)
At 31 December 2021/1 January 2022	6,659
Depreciation	(92)
At 31 December 2022	6,567

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

7. DEFERRED TAX ASSET

Deferred tax asset is offset when there is a legally enforceable right to set off current tax asset against current tax liabilities and when the deferred taxes relate to the same tax authority.

With effect from YA 2022, the SC is subjected to tax at a rate of 24% under the requirements of *Income Tax Act 1967*. Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the tax losses and unutilised capital allowance can be utilised. When it is probable that the tax losses will not be utilised upon its expiry date, deferred tax asset recognised will be derecognised.

	2022 RM'000	2021 RM'000
Deferred tax assets	10,057	8,972
At 1 January	8,972	-
Recognised in statement of comprehensive income (Note 19)		
– property, plant and equipment	2,163	6,318
– tax losses	(2,654)	2,654
– provisions	1,576	-
	1,085	8,972
At 31 December	10,057	8,972
<u>Subject to income tax:</u>		
Deferred tax assets		
– property, plant and equipment	8,481	6,318
– tax losses	-	2,654
– provisions	1,576	-
	10,057	8,972

The amounts of unutilised tax losses for which no deferred tax asset is recognised in the statement of financial position are as follows:

	2022 RM'000	2021 RM'000
Unutilised tax losses	11,060	-
Deferred tax assets not recognised at 24% (2021:24%)	2,654	-

The unutilised tax losses of RM11.1 million (2021: RM11.1 million) which will expire in the following year:

	2022 RM'000	2021 RM'000
Financial year		
2028	11,060	11,060

8. OTHER RECEIVABLES

	2022 RM'000	2021 RM'000
Staff financing	3,513	4,441
Less: Unearned profit		
- Islamic financing on housing and motor vehicles	(111)	(155)
	<u>3,402</u>	<u>4,286</u>
Less: Amount due within 12 months (Note 10)	(954)	(1,315)
	<u>2,448</u>	<u>2,971</u>

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:

	2022 RM'000	2021 RM'000
Within 1 year	954	1,315
More than 1 year and up to 5 years	1,878	2,273
More than 5 years	570	698
	<u>3,402</u>	<u>4,286</u>

9. OTHER INVESTMENTS

	Non-current		Current		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amortised costs:						
- Malaysian Government Securities and Government Guaranteed Bonds	55,030	5,175	10,000	70,067	65,030	75,242
- Deposits placed with licensed banks	-	19,500	793,926	910,057	793,926	929,557
	<u>55,030</u>	<u>24,675</u>	<u>803,926</u>	<u>980,124</u>	<u>858,956</u>	<u>1,004,799</u>

Included in deposits placed with licensed banks is amount reserved for planning and implementing capacity building programmes in relation to the accounting and auditing profession of RM2.9 million (2021: RM2.1 million) and amounts reserved for stockbroking industry development of RMnil (2021: RM14.9 million).

Malaysian Government Securities and Government Guaranteed Bonds will mature in 2023 and 2038. The weighted average yield to maturity of Malaysian Government Securities and Government Guaranteed Bonds was 3.69% per annum (2021: 3.80% per annum).

Deposits placed with licensed banks have maturity period of 6 months and 15 months (2021: 12 months and 15 months) and earned income at rates ranging from 2.35% to 3.80% per annum (2021: 2.20% to 3.80% per annum).

10. TRADE AND OTHER RECEIVABLES

	2022 RM'000	2021 RM'000
Levies	13,430	13,450
Finance income receivable	8,863	8,792
Other receivables	1,652	526
Deposit	145	145
Prepayments	2,798	2,643
Short-term staff financing (Note 8)	954	1,315
	<u>27,842</u>	<u>26,871</u>

11. CASH AND CASH EQUIVALENTS

	2022 RM'000	2021 RM'000
Cash and bank balances	21,006	25,247
Deposits placed with licensed banks	154,759	57,887
	<u>175,765</u>	<u>83,134</u>

Deposits placed with licensed banks have maturity period of 1 month and 3 months (2021: 1 month) and earned income at rates ranging from 2.45% to 3.20% per annum (2021: 1.50% to 1.70% per annum).

Included in deposits placed with licensed banks are amounts reserved for stockbroking industry development of RM15.2 million (2021: RMnil), amounts reserved for brokers' security deposits of RM0.2 million (2021: RM0.2 million) and amount held on behalf of government agencies or funds of approximately RM28.5 million (2021: RM57.3 million).

The bank balances are placed with licensed banks.

12. COMPENSATION FUND RESERVE

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

13. POST-EMPLOYMENT BENEFITS

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 RM3.35 million in contributions to its defined benefit plan in 2023.

Movement in net defined benefit liability

	2022 RM'000	2021 RM'000
Net defined benefit liability at 1 January	183,310	140,416
<u>Included in profit or loss</u>		
Current service cost	4,315	3,981
Interest expense	9,453	6,824
	13,768	10,805
<u>Others</u>		
Benefits paid	(3,159)	(2,776)
Remeasurement of defined benefit liability	(6,969)	34,865
Net defined benefit liability at 31 December	186,950	183,310

Defined benefit obligation actuarial assumptions

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

	2022	2021
Discount rate	5.8%	5.2%
Medical cost inflation	10%, reducing to 6% in 4 years	10%, reducing to 6% 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 2022, the weighted-average duration of the defined benefit obligation was 19 years (2021: 20 years).

Sensitivity analysis

The sensitivity analyses are based on a change in a significant assumption while holding all other assumptions constant. The sensitivities have been assessed by:

	Defined benefit obligation	
	Increase RM'000	Decrease RM'000
2022		
Discount rate (1% movement)	(29,351)	37,390
Medical cost inflation rate (1% movement)	35,521	(28,603)
2021		
Discount rate (1% movement)	(29,513)	37,945
Medical cost inflation rate (1% movement)	36,112	(28,780)

14. OTHER PAYABLES AND ACCRUALS

	2022 RM'000	2021 RM'000
Other payables	41,363	80,147
Prepaid		
– Fees and charges	1,336	4,723
– License fees	2,028	622
– Registration fee	336	440
– Others	33	210
Accruals	5,463	4,266
Brokers' security deposits	240	314
	<u>50,799</u>	<u>90,722</u>

15. REVENUE

	Note	2022 RM'000	2021 RM'000
Revenue	15.1	163,085	266,012
Other income			
– finance		26,646	25,813
– others	15.2	36,426	16,683
		63,072	42,496
Total revenue		<u>226,157</u>	<u>308,508</u>

15.1 Nature of revenue

The following information reflects the 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 over time.
License fees	Not applicable	Revenue is derived from Malaysia and recognised over time.
Registration fees	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.

15.2 The nature of other income

Nature of services	Significant payment term	Timing of recognition or method used to recognise revenue
Penalty income	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.
Recovery of investigation and proceeding costs	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.
Residual sum	Not applicable	Revenue is derived from Malaysia and recognised at a point in time.

16. STAFF COSTS

	2022 RM'000	2021 RM'000
Remuneration, bonus, staff medical, staff training and overtime	154,327	145,360
Defined contribution plan	20,389	19,153
Other employees benefits	3,932	3,221
Post-employment benefits	13,768	10,805
	<u>192,416</u>	<u>178,539</u>

17. FUNDS TO AFFILIATES

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

18. (DEFICIT)/SURPLUS BEFORE TAX

	Note	2022 RM'000	2021 RM'000
(Deficit)/Surplus before tax is arrived at after charging/(crediting):			
Auditors' remuneration		163	135
Executive members' emoluments		5,486	5,465
Non-executive members' allowance		1,162	1,026
Rental expense:			
Property		291	288
Plant and equipment		234	234
Depreciation of property, plant and equipment	4	8,400	8,491
Amortisation of intangible assets	5	3,201	3,111
Depreciation of right-of-use assets	6	92	92
		<u> </u>	<u> </u>

19. TAXATION

	2022 RM'000	2021 RM'000
Current tax (expense)/credit:		
– in respect of current financial year	(5,717)	-
Deferred taxation (Note 7)	1,085	8,972
	<u> </u>	<u> </u>
	(4,632)	8,972
	<u> </u>	<u> </u>

The explanation and the relationship between taxation and (deficit)/surplus before tax is as follows:

	2022 RM'000	2021 RM'000
(Deficit)/ Surplus before tax	(20,672)	83,719
Tax calculated at the Malaysian tax rate of 24% (2021: 0%)	4,961	-
Tax effects of:		
– expenses not deductible for tax purposes	(7,785)	-
– income not subject to tax	16	-
– recognition of previously unrecognised deferred tax assets	830	8,972
– reversal of deferred tax assets on unutilised tax losses	(2,654)	-
	<u> </u>	<u> </u>
Taxation	(4,632)	8,972
	<u> </u>	<u> </u>

The SC was granted approval from the Minister of Finance to be exempted from taxation with effect from Year Assessment (YA) 2007 until YA 2021. With effect from YA 2022, the SC is subjected to tax rate of 24% under the requirements of *Income Tax Act 1967*.

20. OTHER COMPREHENSIVE GAIN/(LOSS)

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2022			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	6,969	-	6,969
2021			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit liability	(34,865)	-	(34,865)

21. 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 remuneration of the key management personnel is disclosed in Note 18 under the heading of 'Executive members' emoluments'.

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

Significant related-party transactions

The significant related-party transactions with SIDC is shown below:

	2022 RM'000	2021 RM'000
Funding to SIDC	4,000	3,500

- 21.2** The SC has a related-party relationship with the Capital Market Compensation Fund Corporation (the CMC) as CMC was established under the CMSA, the SC may provide monies to the CMC as stated in Section 159(a) of CMSA, the CMC is required to consult the SC where there is an event of default of the Relevant Persons, the CMC is required to submit its annual regulatory report and audited financial statements to the SC as required by the provision of CMSA, and one of the CMC Board Members is also a member of the Senior Management in the SC.

Significant related-party transactions

The significant related-party transactions with the CMC is shown below:

	2022 RM'000	2021 RM'000
Management fee paid by the CMC	158	158

- 21.3** The SC has a related party relationship with the Capital Markets Promotion Council (CMPC), as a Director of the CMPC was also the Deputy Chief Executive of the SC.

Significant related-party transactions

The significant related-party transaction with the CMPC is shown below:

	2022 RM'000	2021 RM'000
Funding to the CMPC	600	-

- 21.4** The SC has a related-party relationship with the IOSCO Asia Pacific Hub (the Hub), as the two Directors of the Hub are also members of the Senior Management in the SC.

Significant related-party transactions

The significant related-party transaction with the Hub is shown below:

	2022 RM'000	2021 RM'000
Funding to the Hub	320	-

22. CAPITAL COMMITMENTS

	2022 RM'000	2021 RM'000
<u>Capital expenditure commitments</u>		
<u>Plant and equipment</u>		
Approved but not contracted for:		
Within one year	54,300	37,630
Within two – three years	55,050	-

23. FINANCIAL INSTRUMENTS

23.1 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
2022		
Financial assets		
Other receivables – long term	2,448	2,448
Other investments	858,956	858,956
Trade and other receivables*	24,899	24,899
Cash and cash equivalents	175,765	175,765
	<u>1,062,068</u>	<u>1,062,068</u>
Financial liabilities		
Other payables and accruals*	(47,066)	(47,066)
2021		
Financial assets		
Other receivables – long term	2,971	2,971
Other investments	1,004,799	1,004,799
Trade and other receivables*	24,083	24,083
Cash and cash equivalents	83,134	83,134
	<u>1,114,987</u>	<u>1,114,987</u>
Financial liabilities		
Other payables and accruals*	(84,727)	(84,727)

* Exclude non-financial instruments

23.2 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

23.3 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.

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 be collected within 30 days.

Recognition and measurement of impairment loss

The SC uses an allowance matrix to measure Expected Credit Loss (ECL) 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 2022.

	Gross- carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
<u>2022</u>			
Not past due	24,899	-	24,899
<u>2021</u>			
Not past due	24,083	-	24,083

Receivables that are not past due and has not recognised any loss allowance comprise receivables from:

- (a) Bursa Malaysia which has no history of default and has been remitting levies to the SC within the stipulated timeframe;
- (b) Financial institutions and debt issuers who have no history of default; and
- (c) Staff financing who 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.

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

The SC's investments are mainly in fixed deposits with approved financial institutions and bonds issued by the Government and other government agencies. The SC can also engage approved financial institutions to manage fixed income related securities with ratings A and above.

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. As these investments are liquid and with counterparties that have credit rating that are sovereign or near sovereign, the credit risk is low. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

23.4 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
<u>2022</u>			
<u>Financial liabilities</u>			
Other payables and accruals*	47,066	47,066	47,066
<u>2021</u>			
<u>Financial liabilities</u>			
Other payables and accruals*	84,727	84,727	84,727

* Exclude non-financial instruments

23.5 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.

23.5.1 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:

	2022 RM'000	2021 RM'000
<u>Fixed rate instruments</u>		
Financial assets	1,013,715	1,062,686

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.

23.6 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				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<u>2022</u>					
<u>Current</u>					
<u>Financial assets</u>					
Malaysian Government Securities and Government Guaranteed Bonds	-	9,985	-	9,985	10,000
	-	9,985	-	9,985	10,000
<u>Non-current</u>					
<u>Financial assets</u>					
Long-term receivables	-	-	2,448	2,448	2,448
Malaysian Government Securities and Government Guaranteed Bonds	-	20,756	35,000	55,756	55,030
	-	20,756	37,448	58,204	57,478

	Fair value of financial instruments not carried at fair value			Total RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2021					
Current					
Financial assets					
Malaysian Government Securities and Government Guaranteed Bonds	71,012	-	-	71,012	70,067
	71,012	-	-	71,012	70,067
Non-current					
Financial assets					
Long-term receivables	-	-	2,971	2,971	2,971
Malaysian Government Securities and Government Guaranteed Bonds	-	5,190	-	5,190	5,175
	-	5,190	2,971	8,161	8,146

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 (2021: 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.

24. 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.

25. COMPARATIVE FIGURE

- (a) Effects of the adoption of the 'IFRIC Agenda Decision on IAS 7 Statement of Cash Flows' (Agenda Decision)

In April 2022, the IFRS Interpretation Committee issued the final agenda decision on demand deposits with restrictions on use arising from a contract with a third party. Based on the Agenda Decision, the restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7.

The SC updated the presentation of the restricted deposit in the Statement of Cash Flow and included restricted deposits as a component of cash and cash equivalents.

- (b) During the financial year, the SC updated the presentation of property, plant and equipment and intangible assets in the Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flow to conform with the current year's presentation.

The effects of the reclassification and the adoption of the Agenda Decision on the Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flow are shown below:

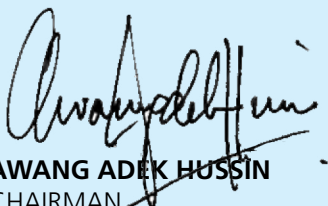
	As previously reported RM'000	Reclassification RM'000	After reclassification RM'000
Impact on Statement of Financial Position:			
<u>As at 1 January 2021</u>			
Non-current Assets:			
Property, Plant and Equipment	151,677	(6,694)	144,983
Intangible assets	-	6,694	6,694
	<u> </u>	<u> </u>	<u> </u>
<u>As at 31 December 2021</u>			
Non-current Assets:			
Property, Plant and Equipment	146,902	(9,256)	137,646
Intangible assets	-	9,256	9,256
	<u> </u>	<u> </u>	<u> </u>
Impact on Statement of Comprehensive Income:			
<u>As at 31 December 2021</u>			
Expenditure:			
Depreciation of property, plant and equipment for the year	11,602	(3,111)	8,491
Amortisation of intangible assets for the year	-	3,111	3,111
	<u> </u>	<u> </u>	<u> </u>

	As previously reported RM'000	Adoption of Agenda Decision RM'000	Reclassification RM'000	After reclassification RM'000
Impact on Statement of Cash Flow:				
<u>As at 31 December 2021</u>				
CASH FLOW FROM OPERATING ACTIVITIES				
Adjustments for:				
Depreciation of property, plant and equipment	11,602	-	(3,111)	8,491
Amortisation of intangible assets	-	-	3,111	3,111
<u>As at 31 December 2021</u>				
CASH FLOWS FROM INVESTING ACTIVITIES				
Movement in restricted deposits placed with licensed banks	(4,599)	4,599	-	-
Acquisition of property, plant and equipment	(6,828)	-	5,673	(1,155)
Acquisition of intangible assets	-	-	(5,673)	(5,673)
NET CASH USED IN INVESTING ACTIVITIES	(125,986)	4,599	-	(121,387)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(12,114)	4,599	-	(7,515)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	37,736	52,913	-	90,649
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25,622	57,512	-	83,134
Cash and cash equivalents comprise:				
Cash and bank balances	25,247	-	-	25,247
Deposits placed with licensed bank	57,887	-	-	57,887
	83,134	-	-	83,134
Less: Restricted deposits	(57,512)	57,512	-	-
	25,622	57,512	-	83,134

STATEMENT BY BOARD MEMBERS

In the opinion of the Board Members, the financial statements set out on pages 120 to 152 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 2022 and of its financial performance and cash flows for the financial year then ended.

On behalf of the Board Members:



AWANG ADEK HUSSIN
CHAIRMAN



WEE HOE SOON @ GOOI HOE SOON
MEMBER

Kuala Lumpur
7 February 2023

STATUTORY DECLARATION

I, **Nur Fatin binti Abdul Aziz**, 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 152 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*.



NUR FATIN BINTI ABDUL AZIZ
OFFICER

Subscribed and solemnly declared by the abovenamed **Nur Fatin binti Abdul Aziz**, NRIC No. 770108 -14-5000, at Kuala Lumpur in the Federal Territory on 7 February 2023.

Before me:



No. 23, 2nd Floor,
Jalan Medan Tuanku,
50300 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE BOARD MEMBERS OF THE SECURITIES COMMISSION MALAYSIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of the Securities Commission Malaysia (the SC) give a true and fair view of the financial position of the SC as at 31 December 2022, and of its financial performance and its cash flows for the financial year then ended in accordance with *Malaysian Financial Reporting Standards* and *International Financial Reporting Standards*.

What we have audited

We have audited the financial statements of the SC, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 120 to 152.

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 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' *International Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the *By-Laws* and the IESBA Code.

Responsibilities of the Board Members for the financial statements

The Board Members are responsible for the preparation of the 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 judgement and maintain professional scepticism throughout the audit. We also:

- (a) 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.
- (b) 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 SC's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- (d) 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 SC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the SC, including the disclosures, and whether the financial statements of the SC represent the underlying transactions and events in a manner that achieves fair presentation.

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 MATTERS

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.



PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants



MAHESH A/L RAMESH
03428/04/2023 J
Chartered Accountant

Kuala Lumpur
7 February 2023



PART 6
MARKET
STATISTICS

CORPORATE PROPOSALS

EQUITY

The SC received 20 equity applications in 2022, of which 8 applications were for IPO, 3 were in relation to a proposed acquisition resulting in a significant change of business direction or policy and 9 were for transfer of listings to the Main Market.

Out of the total 27 equity applications for consideration in 2022, 18 were considered, 1 was withdrawn and 1 lapsed as it exceeded the validity period of 6 months from date of submission while the remaining 7 will be considered in 2023 (Table 1).

In 2022, the SC approved 16 equity applications, of which 6 were for IPO on the Main Market of Bursa Malaysia with a total market capitalisation of RM9.44

billion. The estimated amount of funds raised from these IPOs is RM3.08 billion (Table 2). The remaining applications approved include 2 proposed acquisition resulting in a significant change of business direction or policy and 8 transfers of listing from the ACE Market to the Main Market.

There were 35 new listings¹ in 2022, of which 5 were on the Main Market, 25 were on the ACE Market and the remaining 5 were on the LEAP Market with a total market capitalisation of RM11.15 billion. The total amount of funds raised from these new listings in 2022 was approximately RM3.49 billion.

The SC also registered 34 equity prospectuses, comprising 19 prospectuses for IPO and 15 abridged prospectuses (Table 3).

TABLE 1

Status of equity applications

Applications	2022	2021
Brought forward from 2021	7	6
Received during 2022	20	17
Total for consideration	27	23
Approved during 2022	16	13
Not approved during 2022	2	-
Returned during 2022	-	-
Total considered during 2022	(18)	(13)
Withdrawn during 2022	(1)	(3)
Lapsed (Exceeded 6-month validity period)	(1)	-
Carried forward to 2023	7	7

¹ Include listing of AME Real Estate Investment Trust (AME REIT).

TABLE 2
Equity applications approved by type of proposals

Type of proposals	2022		2021	
	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	6	3,075.57	8	3,512.42
Secondary listing on Main Market	-	-	1	-
Restructuring / Mergers and acquisitions	2	-	-	-
Transfer from ACE Market to Main Market	8	-	4	
TOTAL	16	3,075.57	13	3,512.42

TABLE 3
Registration of equity prospectuses

	2022	2021
Prospectus	19	14
Abridged Prospectus	15	40
TOTAL	34	54

CORPORATE BONDS AND SUKUK

The Malaysian corporate bonds and sukuk market reported total issuances of RM153.32 billion in 2022, representing a 34.16% increase from RM114.28 billion issued in 2021.

In 2022, the SC received 62 lodgements under the LOLA Framework and approved 2 applications for issuances of corporate bonds and sukuk, as compared to 72 lodgements received and 4 applications approved in 2021 (Table 4). Ringgit-denominated corporate bonds and sukuk issues continued to form the majority of the proposals approved by/lodged with the SC with a total nominal value of RM187.27 billion, of which 78.96% or RM147.87 billion were sukuk (Table 5).

The total number of ringgit-denominated corporate bonds and sukuk approved by/lodged with the SC with tenures of 1 to 7 years and 8 to 15 years decreased by 19.05% and 37.50% respectively. There was also an 11.11% decrease in the total number of ringgit-denominated corporate bonds and sukuk with tenures of more than 15 years (Chart 1).

In 2022, a total of 45 ratings were assigned by credit rating agencies to ringgit-denominated corporate bonds and sukuk issues lodged with the SC, as compared to 63 ratings assigned in 2021. The number of unrated issues has decreased by 27.27% as compared to 2021 (Chart 2).

There were 2 foreign currency-denominated corporate bonds and sukuk lodged with the SC in 2022.

TABLE 4

Number of corporate bonds and sukuk lodgements and applications

	2022	2021
Lodgements¹	62	72
Applications		
- Received	2	6
- Approved	2	4
- Withdrawn	-	2

Note:

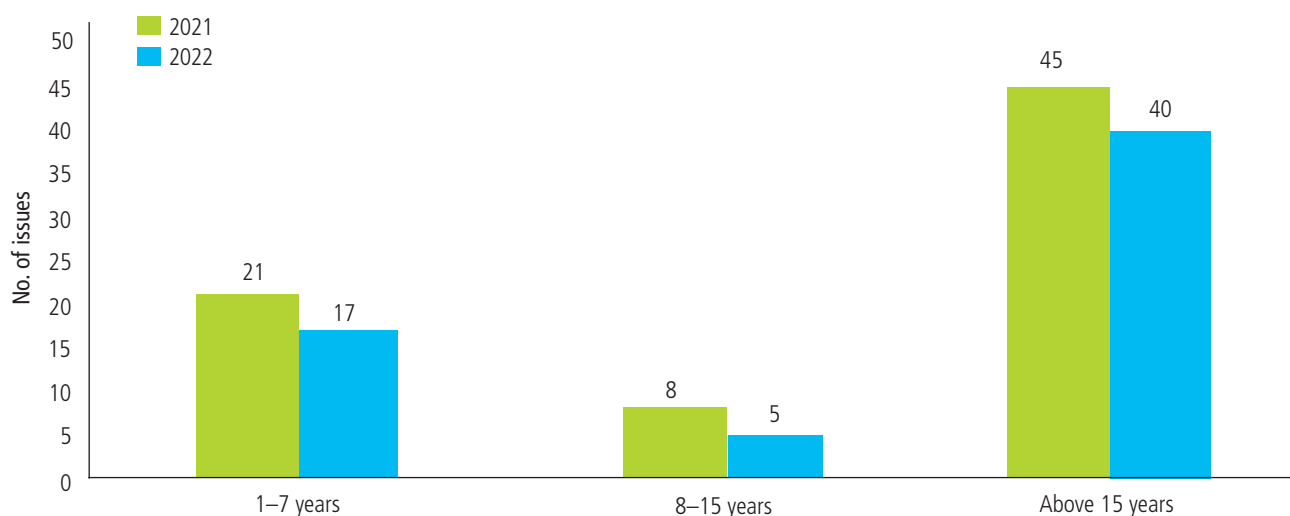
¹ Pursuant to the LOLA Framework.**TABLE 5**

Lodged/approved ringgit-denominated corporate bonds and sukuk issues

Type of issues	2022		2021	
	No. of issues	Nominal amount (RM million)	No. of issues	Nominal amount (RM million)
Corporate bonds				
- Commercial papers/Medium-term notes	15	19,030.00	12	13,240.00
- Bonds	-	-	2	3,200.00
- Loan stocks	2	370.24	3	164.64
Subtotal	17	19,400.24	17	16,604.64
Sukuk				
- Islamic commercial papers/Islamic medium-term notes	40	140,849.00	49	113,196.00
- Islamic bonds	-	-	2	30,000.00
- Islamic loan stocks	3	7,016.00	2	1,032.06
Subtotal	43	147,865.00	53	144,228.06
Combination of corporate bonds and sukuk				
- Commercial papers/Islamic commercial papers	2	20,000.00	4	2,000.00
Subtotal	2	20,000.00	4	2,000.00
TOTAL	62	187,265.24	74	162,832.70

CHART 1

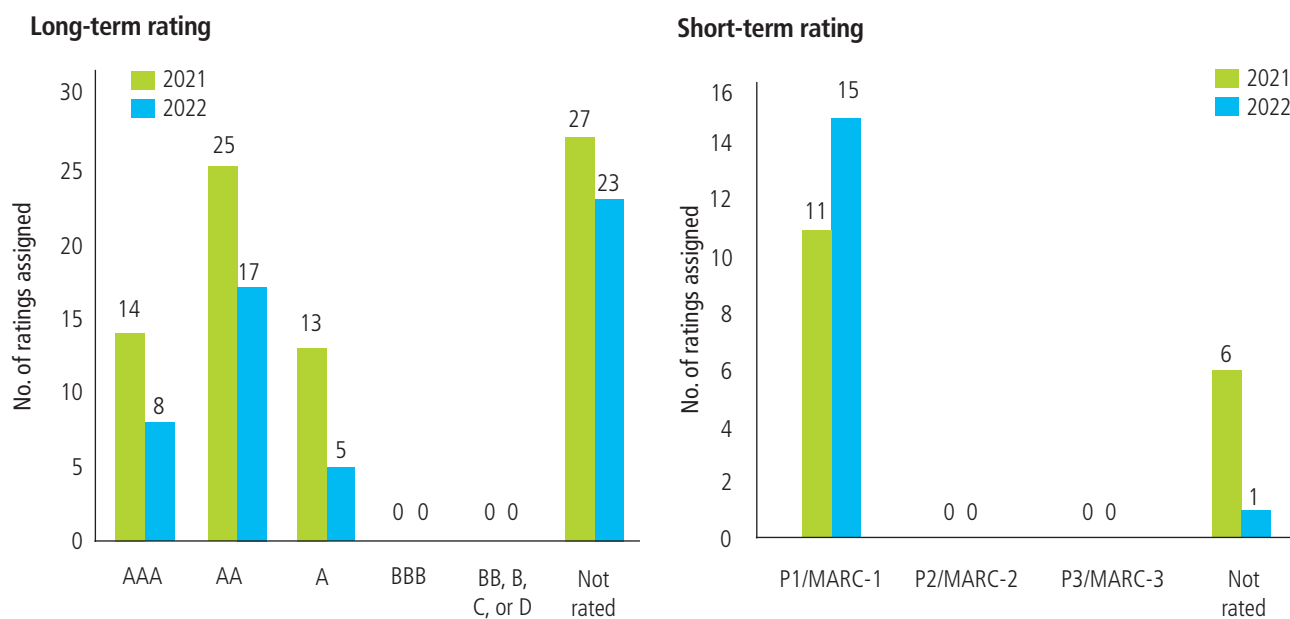
Tenure of lodged/approved ringgit-denominated corporate bonds and sukuk issues



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

CHART 2

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



Note:
A corporate bond or sukuk issue may be assigned with 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).

TAKE-OVERS AND MERGERS

In Malaysia, take-overs and mergers are regulated under the CMSA, the *Malaysian Code on Take-overs and Mergers 2016* (Code) and the *Rules on Take-overs, Mergers and Compulsory Acquisitions* (Rules). In this regard, the Code sets out the broad principles to be adhered to by parties involved in take-overs, mergers and compulsory acquisitions and the Rules provides the operational and conduct requirements. One of the key objectives of the Code and Rules is to ensure that the acquisition of control takes place in an efficient, competitive and an informed market.

The SC supervises take-over and merger activities including vetting of disclosure documents. Further, the SC also focuses on the conduct of relevant parties involving the offeree company's shareholders to ensure that the shareholders are treated fairly and are given the opportunity to decide on the merits of a take-over and are afforded equal treatment by an offeror. However, it is important to note that the take-overs regulations are not concerned with the financial or commercial advantages or disadvantages of a take-over, which are matters for the offeree company and its shareholders to decide. From time to time, the SC also reviews the take-overs policies to ensure that the requirements provide an orderly framework within which take-overs, mergers and compulsory acquisitions are to be conducted.

In 2022, the SC considered a total of 77 applications under the Rules compared to 79 applications in 2021. The SC declined to give its approval for 2 of the 77 applications that it received in 2022. The SC cleared 18 offer documents involving a total offer value of RM2.10 billion or an average of RM116.93 million per offer, which represented a decrease of RM6.49 billion against the previous year (2021: 18 offers with total offer value of RM8.59 billion or an average of RM477.17 million per offer). Of these 18 offers, 3 offers were undertaken by way of schemes (2021: 3 schemes).

In 2022, the privatisation scheme of Cocoaland Holdings Bhd by Fraser & Neave Holdings Bhd was the largest offer at RM0.49 billion in offer value, representing 23% of the total offer value in 2022. Other notable offers in terms of offer value include Mulpha International Bhd and Hextar Industries Bhd with offer values of RM0.36 billion and RM0.24 billion, respectively.

Of the 18 offers in 2022, 16 were in relation to offeree companies listed on the Main Market of Bursa Malaysia

Securities Bhd, 1 was in relation to an offeree company listed on the LEAP Market of Bursa Malaysia Securities Bhd and 1 was in relation to an unlisted public company. There were 5 privatisation exercises in 2022 (2021: 7 privatisation exercises), 4 of which were listed on the Main Market and 1 was listed on the LEAP Market. All 5 companies had since been successfully delisted from the stock exchange.

The offer by Jardine Cycle & Carriage Ltd in relation to Cycle & Carriage Bintang Bhd was the offeror's third attempt to privatise the company, after the offeror's earlier attempts by way of a selective capital reduction and repayment exercise in 2020 and the subsequent voluntary offer in 2021. Cycle and Carriage Bintang Bhd has since been delisted on 19 September 2022.

In terms of offer value, the consumer products and services sector was the highest with RM0.99 billion in total offer value, representing 47% of the total offer value and involved 5 offeree companies or 28% of the total number of offers. Another sector of significant interest was the industrial product and services sector with a total offer value of RM0.72 billion, representing 34% of the total offer value and involved 6 offeree companies or 33% of the total number of offers.

The SC also cleared 25 independent advice circulars comprising 18 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. Pursuant to the revised Rules issued on 28 December 2021, circulars for whitewash exemptions must be submitted to the SC for SC's comments and clearance on the contents relating to the whitewash exemptions. Subsequently, there were 3 whitewash circulars cleared by the SC in 2022.

Additionally, the SC considered 11 applications for exemptions from having to undertake a mandatory take-over offer, of which 6 applications related to whitewash exemptions. The remaining 5 applications related to acquisition of additional voting shares or rights by members of a group acting in concert whereby the SC did not approve 1 of the applications as it did not fully meet the factors stipulated in the Rules.

Further, the SC also considered 20 applications for various matters under the CMSA and the Rules, including 1 application which was not approved. A total of 6 applications were in relation to extensions of time sought to meet obligations under the Rules.

TABLE 6

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

Type of applications/documents cleared	2022	2021
Clearance of offer/scheme documents	18	19
Clearance of independent advice circulars	25	28
Clearance of whitewash circulars*	3	-
Applications for exemption from mandatory offer obligation	11	16
Other applications	20	16
TOTAL	77	79

Note:

* Pursuant to the revised Rules on 28 December 2021, circulars for whitewash exemption must be submitted to the SC for the SC's comments and clearance on the contents relating to the whitewash exemption.

As part of its mandate, the SC also closely monitors misconduct and breaches relating to the take-overs regulations which could jeopardise the interests of the investing public. In 2022, there were non-compliances identified which included breaches of the mandatory offer obligation, failure by advisers to use all reasonable effort to ensure their clients comply with the take-overs regulations, furnishing of false or misleading information to the SC, non-compliances relating to dealings in securities during the offer period and/or disclosure of information to shareholders, for which the SC had directed appropriate remedies ranging from the issuance of reprimands and warnings, imposition of fines as well as infringement notices, where necessary.

The SC seeks to pre-empt major issues in take-overs and other relevant transactions by encouraging early consultation to clarify the application of the Code/Rules governing such transactions. In 2022, consultations with the SC involved diverse aspects of take-overs

regulation including on concert party matters, individual/single/collective trigger of the mandatory offer obligation, funding for offers, downstream offer implications and offer price, restrictions during and following close of the offer period and other general enquiries.

Apart from the SC's interaction with advisers while reviewing applications or consultations, the SC also engages practitioners to discuss novel or difficult points at hand and to ensure that the regulation of take-overs activities in Malaysia keeps up with changing circumstances. On 15 July 2022, the 7th focus group meeting was held between the SC and 9 participating legal firms to discuss on various corporate finance and investment related matters, including on take-overs and mergers. Further, on 14 October 2022, the SC had a fruitful dialogue session with representatives from 22 advisory firms and the Malaysian Investment Banking Association (MIBA) which were focused on recent take-over and merger issues encountered.

INVESTMENT MANAGEMENT

FUND MANAGEMENT

The total AUM of licensed FMCs in Malaysia decreased by 4.69% to RM906.46 billion as compared to RM951.05 billion in 2021. In 2022, the top 5 FMCs contributed 55.42% of total AUM as compared to 54.81% in 2021 (Chart 1).

Sources of funds under management were largely from unit trust funds (UTFs), 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 RM624.87 billion, representing 68.94% of the total AUM as at end of 2022 (Chart 2). The bulk of investment was allocated to equities with 47.59% at end of 2022, as compared to 49.20% in 2021 (Chart 3). A similar trend was observed in asset allocation inside and outside Malaysia (Chart 4).

TABLE 1

Source of clients' funds under management

Source of funds	2022 (RM billion)	2021 (RM billion)
Unit trust funds	487.94	526.90
EPF	157.83	164.95
Corporate bodies	97.76	94.81
Wholesale funds	76.50	79.45
Statutory bodies and government agencies	38.21	37.27
Individuals	20.53	20.78
PRS	5.41	5.63
Others	22.28	21.26
TOTAL	906.46	951.05

CHART 1

Asset managed by FMCs

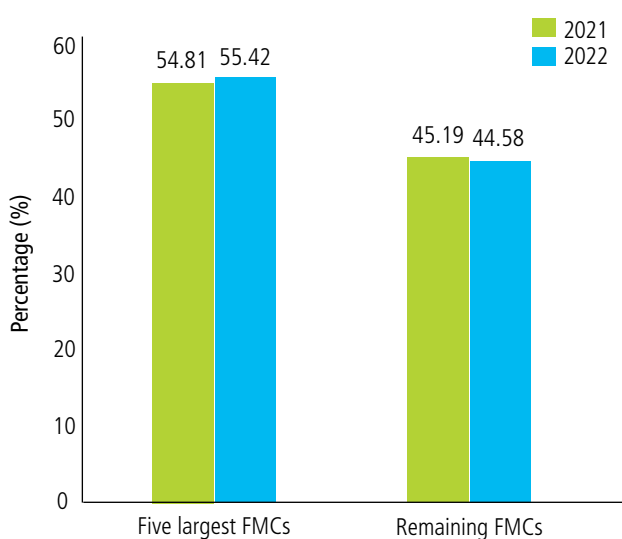


CHART 2

Assets invested inside and outside of Malaysia

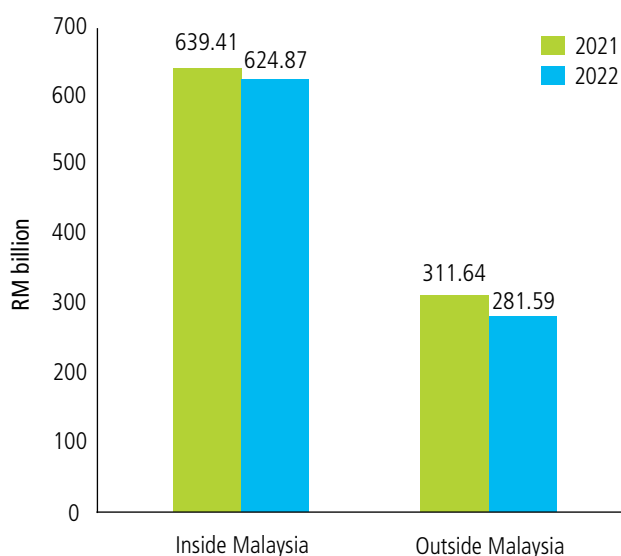
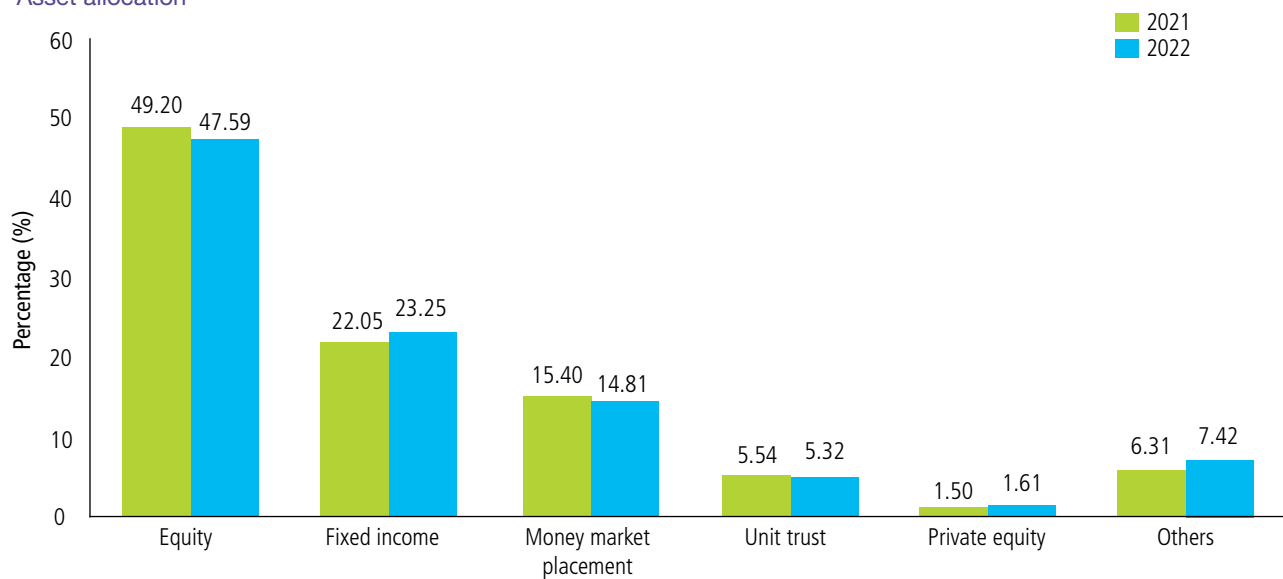
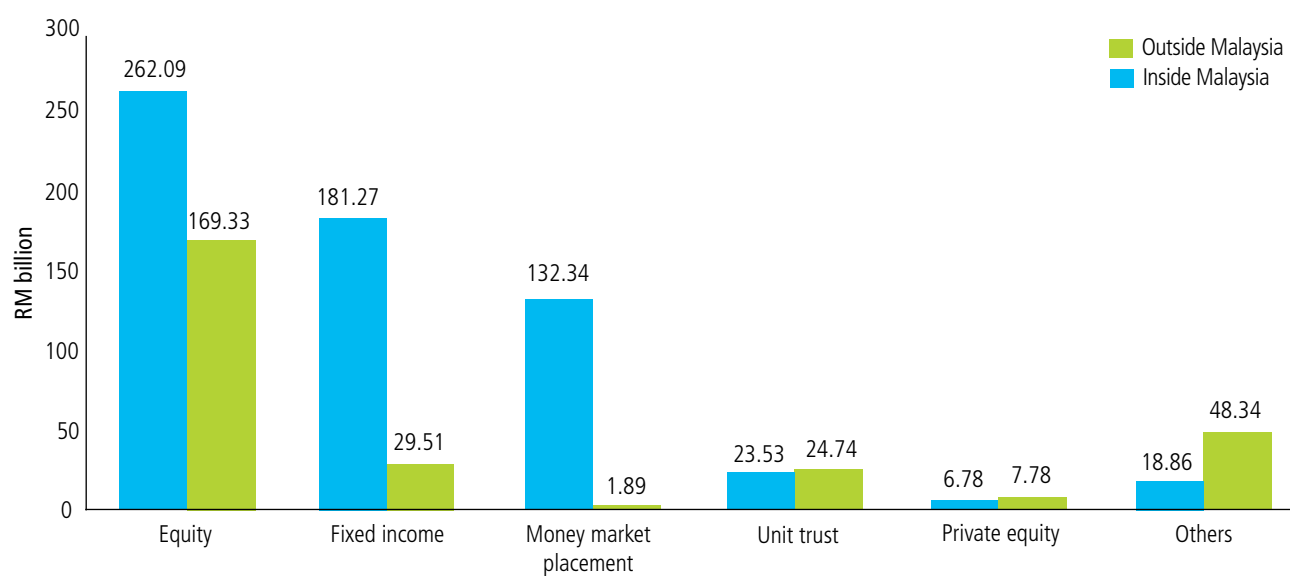


CHART 3

Asset allocation

**CHART 4**

Asset allocation inside and outside of Malaysia as at 31 December 2022



COLLECTIVE INVESTMENT SCHEMES AND PRIVATE RETIREMENT SCHEMES

Unit Trust Funds

Unit trust funds continued to be the largest component of the Malaysian collective investment schemes (CIS) industry with a total NAV of RM487.94 billion recorded as at 31 December 2022 (2021: RM526.90 billion). The percentage of the total NAV of unit trust fund industry against Bursa Malaysia market capitalisation is 28.10% (2021: 29.45%). In 2022, a total of 39 unit trust funds were launched while 11 funds were terminated and 9 funds matured, which brought the total number of unit trust funds offered by 38 locally-incorporated unit trust management companies to 759 funds as at 31 December 2022 (Table 2).

The unit trust fund industry recorded total gross sales (excluding reinvestment of distribution) of RM222.89 billion (2021: RM404.52 billion), the majority of which were distributed by unit trust management companies with total gross sales of RM118.00 billion (Chart 5). Overall, the unit trust funds industry recorded net redemptions (excluding reinvestment of distribution) of -RM26.28 billion in 2022 (2021: -RM1.46 billion).

CHART 5
Distribution channels

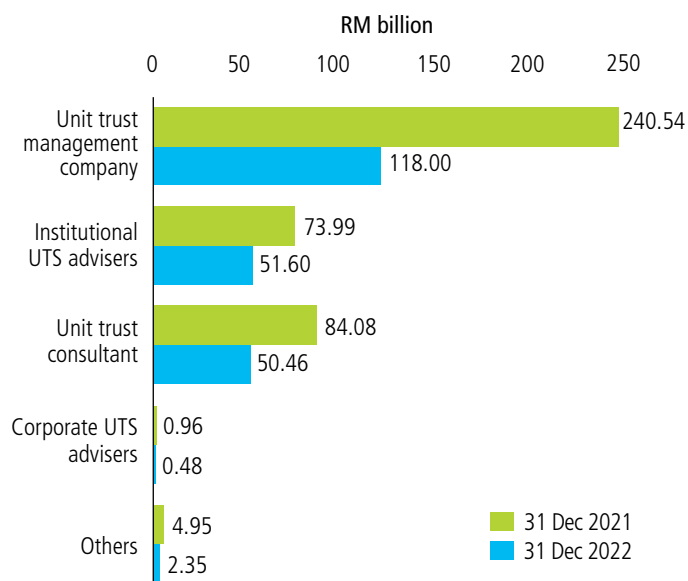


TABLE 2
Overall status of UTF industry

	31 December 2022	31 December 2021
No. of funds offered	759	740
– Conventional	473	467
– Shariah-compliant	286	273
Units in circulation (billion units)	769.00	772.63
No. of accounts (million)*	25.32	24.06
Total NAV (RM billion)	487.94	526.90
– Conventional (RM billion)	380.55	398.57
– Shariah-compliant (RM billion)	107.39	128.33
% of NAV to Bursa Malaysia market capitalisation [^]	28.10	29.45

Note:

* No. of accounts include number of unitholders accounts with institutional unit trust schemes (UTS) advisers that operate nominee account systems.

[^] 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.

Wholesale Funds

In the wholesale funds segment, a total NAV of RM76.50 billion was recorded as at 31 December 2022 (2021: 79.45 billion). A total of 46 funds were launched under the LOLA Framework to sophisticated investors while 15 funds were terminated and 8 funds matured in 2022, which brought the total number of wholesale funds offered by 44 FMCs to 437 funds as at 31 December 2022.

SRI Funds

As at 31 December 2022, there were 58 funds offered to investors which have been qualified as SRI funds under the *Guidelines on Sustainable and Responsible Investment Funds* (2021: 34 funds). The 58 funds comprised 31 unit trust funds and 27 wholesale funds with a total NAV as at 31 December 2022 of RM7.05 billion (2021: RM5.07 billion).

Real Estate Investment Trusts

With the listing of AME Real Estate Investment Trust in 2022, the total number of REITs listed on the Main Market of Bursa Malaysia as at 31 December 2022 was 19 with a total market capitalisation (including a stapled group) of RM39.08 billion (2021: RM38.44 billion). The total asset size grew from RM59.44 billion as at 31 December 2021 to RM61.50 billion as at end of 2022. There are 2 unlisted REIT offered to sophisticated investors as of 31 December 2022.

Exchange-Traded Funds

As at 31 December 2022, there are total of 19 ETFs listed on Main Market of Bursa Malaysia (2021: 19) with a total market capitalisation of RM2.10 billion (2021: RM2.16 billion).

Closed-End Fund

As at 31 December 2022, there continued to be only one closed-end fund (CEF) listed on the Main Market of Bursa Malaysia with a market capitalisation of RM280 million (2021: RM314 million).

Private Retirement Schemes

With the launch of a new PRS in 2022, there are 13 PRS (2021: 12 PRS) offered by 9 PRS providers (2021: 8 PRS providers) as at 31 December 2022. A total of 16 new private retirement funds were launched in 2022, which brought the total number of private retirement funds in operation as at 31 December 2022 to 75 (2021: 59), with total NAV of RM5.41 billion (2021: RM5.63 billion).

While NAV growth slowed, contributions by members remained robust with RM817 million invested into PRS in 2022. Further, pre-retirement withdrawals continued to decline in 2022 occupying a 5% share of total withdrawals in 2022 as compared to 19% in 2021 and 52% in 2020.

The total number of members as at 31 December 2022 increased by 4.90% to 557,000 from 531,000 as at 31 December 2021. Refer to Charts 6, 7 and 8 on the key PRS member demographics.

Number of Applications and Lodgements Relating to CIS and PRS

In 2022, the SC considered a total of 436 applications relating to CIS and PRS, comprising applications to establish new funds, register prospectuses/disclosure documents, register deeds and other ancillary matters (Table 3).

CHART 6
PRS members by age group

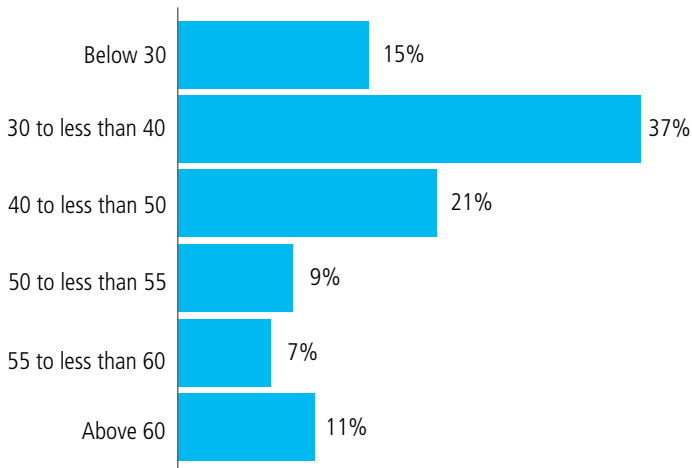


CHART 7
PRS members by gender

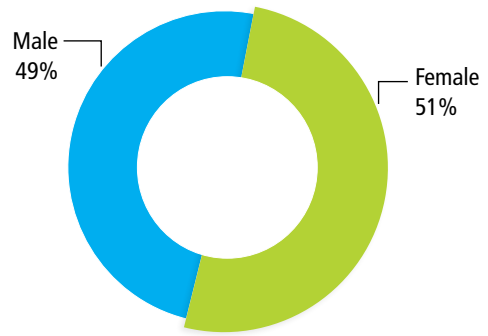
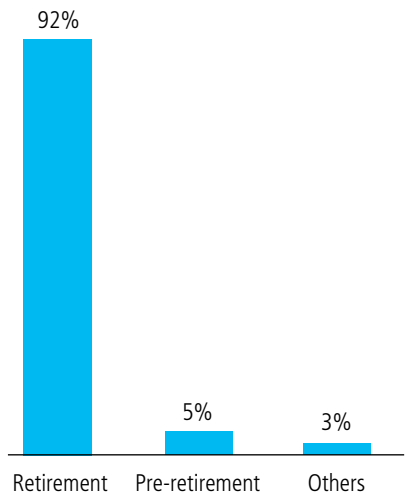
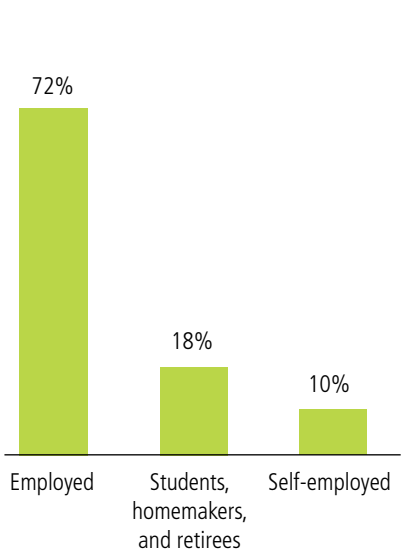


CHART 8

Withdrawal by PRS members



PRS members by type of employment



PRS members fund preference

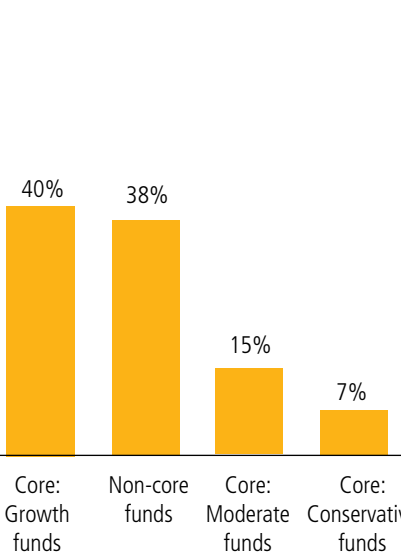


TABLE 3

Number of applications and lodgements relating to CIS and PRS

(i) Application	Considered		Approved		Pending Consideration	
	2022	2021	2022	2021	As at 31 December 2022	As at 31 December 2021
Authorisation of CIS	40	67	40	67	6	6
– Unit trust funds	39 ¹	65 ²	39	65	6	5
– ETFs	-	-	-	-	-	-
– REITs	1	2	1	2	-	1
Authorisation of private retirement funds	16	1	16	1	-	3
Exemption/variation from guidelines	2	18	2	18	1	-
Other applications	31 ³	38 ⁴	30	38	7	8
Registration of prospectuses/disclosure documents	126	188	126	188	30	14
Registration of deeds	221	125	221	125	77	13
TOTAL	436	437	435	437	121	44

(i) Lodgements	Lodged		Launched	
	2022	2021	2022	2021
Wholesale funds	45	74	46	75

Note:

- ¹ Includes 6 funds which were also qualified as SRI funds.
- ² Includes 14 funds which were also qualified as SRI funds.
- ³ Includes 20 applications seeking qualification as SRI funds.
- ⁴ Includes 16 applications seeking qualification as SRI funds.

INVESTMENT PRODUCTS

Structured Warrants

There were 7 eligible issuers of structured warrants in 2022 (2021: 6 eligible issuers) including Affin Hwang Investment Bank Bhd which is a new eligible structured warrants issuer. The SC received and registered 7 base prospectuses and 22 supplementary prospectuses from these issuers in 2022 (Table 4).

In 2022, the SC registered 1,456 term sheets for the offering of structured warrants compared to 1,470 term sheets registered in 2021.

The number of structured warrants term sheets with foreign underlying has expanded in 2022 with 392 terms

TABLE 4

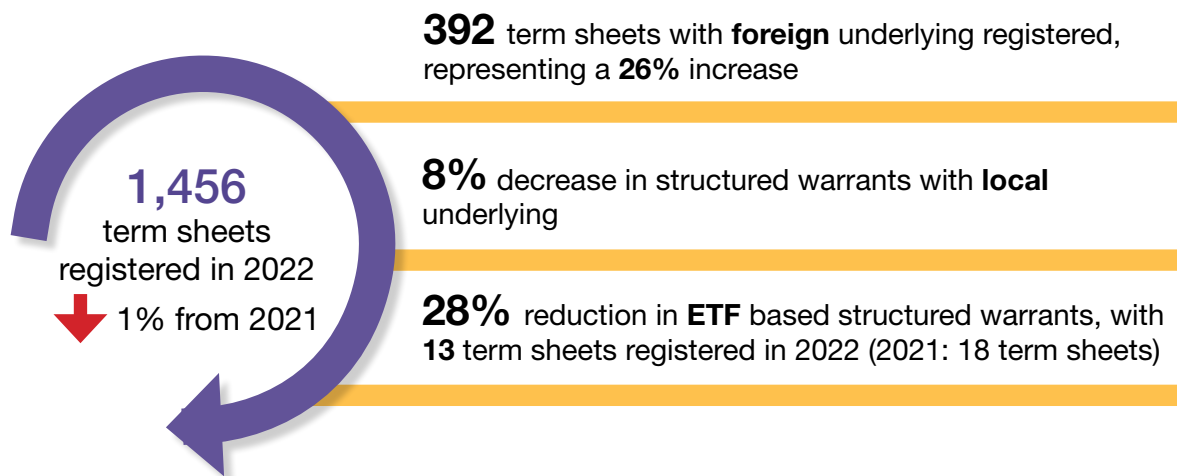
Structured warrants considered

	2022	2021
No. of eligible issuers	7	6
Base prospectuses registered	7	6
Supplementary prospectuses registered	22	13
Term sheets registered	1,456	1,470

sheets registered, representing an increase of 26% compared to 2021 (2021: 312 term sheets). A total of 1,064 term sheets with local underlying were registered in 2022 as compared to 1,158 term sheets in 2021, representing a decrease of 8%.

FIGURE 1

Overall status of structured warrants industry



In 2022, the number of registered structured warrants term sheets with ETF as an underlying decreased by 28% (2022: 13 term sheets, 2021: 18 term sheets).

Structured Products

In 2022, a total of 9 issuers lodged 22 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 RM110 billion with each programme having a size limit of up to RM5 billion (Table 5).

Structured Product Series

The Malaysian structured product market reported a substantial increase of 25% of total new issuances in 2022 compared to 2021.

High-net worth individuals (HNWIs) continued to form the majority of investors accounting for 91.6% of investors in structured product. 2022 saw a significant increase of 38% on the offering of structured product to HNWIs from 2021. There was also an introduction of a new category of investor who is allowed to purchase structured product² in 2022. Issuance to this new category of investor accounted for 0.3% of the total

TABLE 5

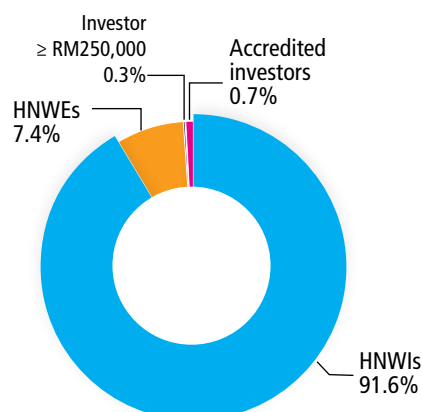
Structured product programmes

New programmes lodged	2022		2021	
	No. of programmes	Size (RM billion)	No. of programmes	Size (RM billion)
Principle				
– Conventional	20	100	17	85
– Islamic	2	10	3	15
TOTAL	22	110	20	100

² Persons who acquire the unlisted capital market product for a consideration of not less than RM250,000 per transaction.

CHART 9

Breakdown by investor type



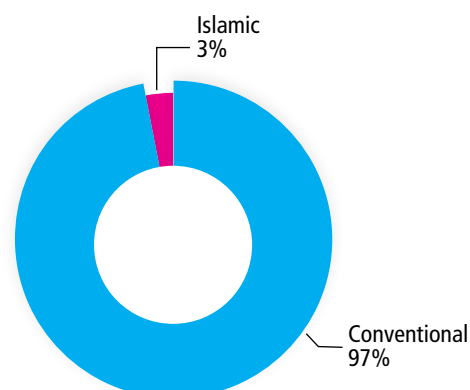
issuance amount during 2022. The balance of 8.1% of investors comprised high-net worth entities (HNWEs) and accredited investors (Chart 9).

Conventional structured products continued its market domination accounting for 97% of issuance in 2022 (Chart 10). There was an exponential growth in the sales of Shariah-compliant structured products in 2022, the highest issuance amount recorded since 2016. Issuance of Shariah-compliant structured product increased y-o-y by 326% in 2022.

Interest rate-linked structured product also gained popularity in 2022 with expectations of rising interest rates, registering an increase in issuance amount of 424% y-o-y.

CHART 10

Breakdown by principle



In 2022, a total of 153 structured product series were lodged under the LOLA Framework for the offering to sophisticated investors (2021: 164).

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.

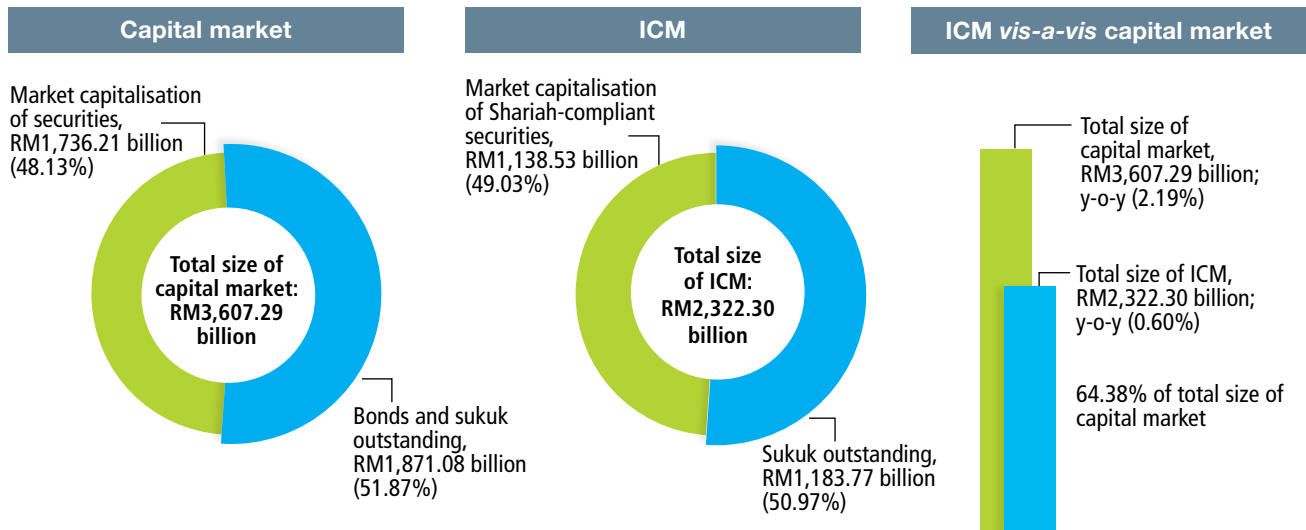
In 2022, there were 2 CFD providers offering CFD in Malaysia based on shares and indices.

ISLAMIC CAPITAL MARKET

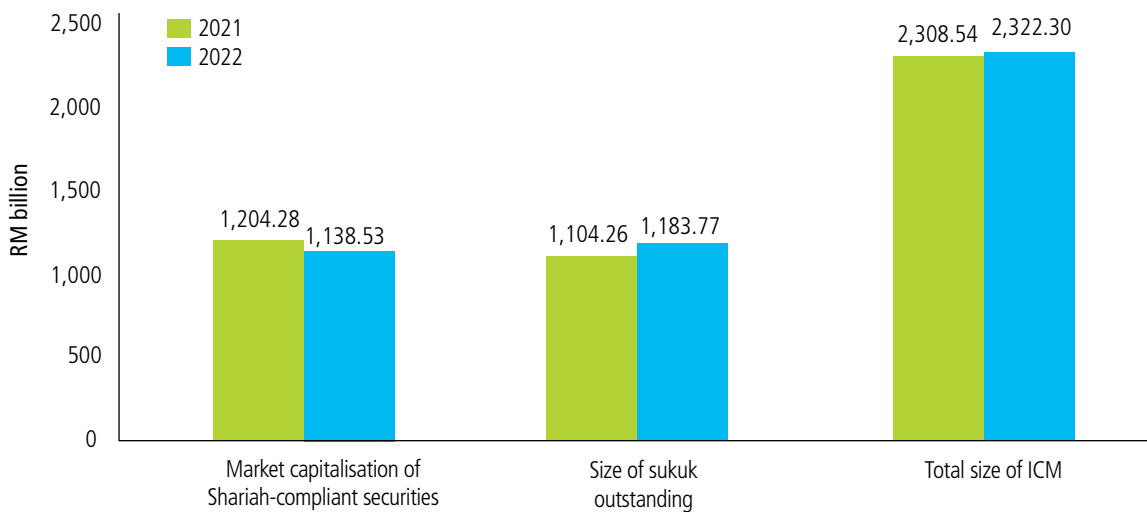
The ICM remains a key component to the Malaysian capital market, contributing 64.38% to its total size. The size of the ICM increased to RM2,322.30 billion as at end 2022 from RM2,308.54 billion as at end 2021. This

comprised a total market capitalisation of Shariah-compliant securities of RM1,138.53 billion and total sukuk outstanding amounting to RM1,183.77 billion (Chart 1 and Table 1).

CHART 1
ICM as at December 2022



Size of ICM



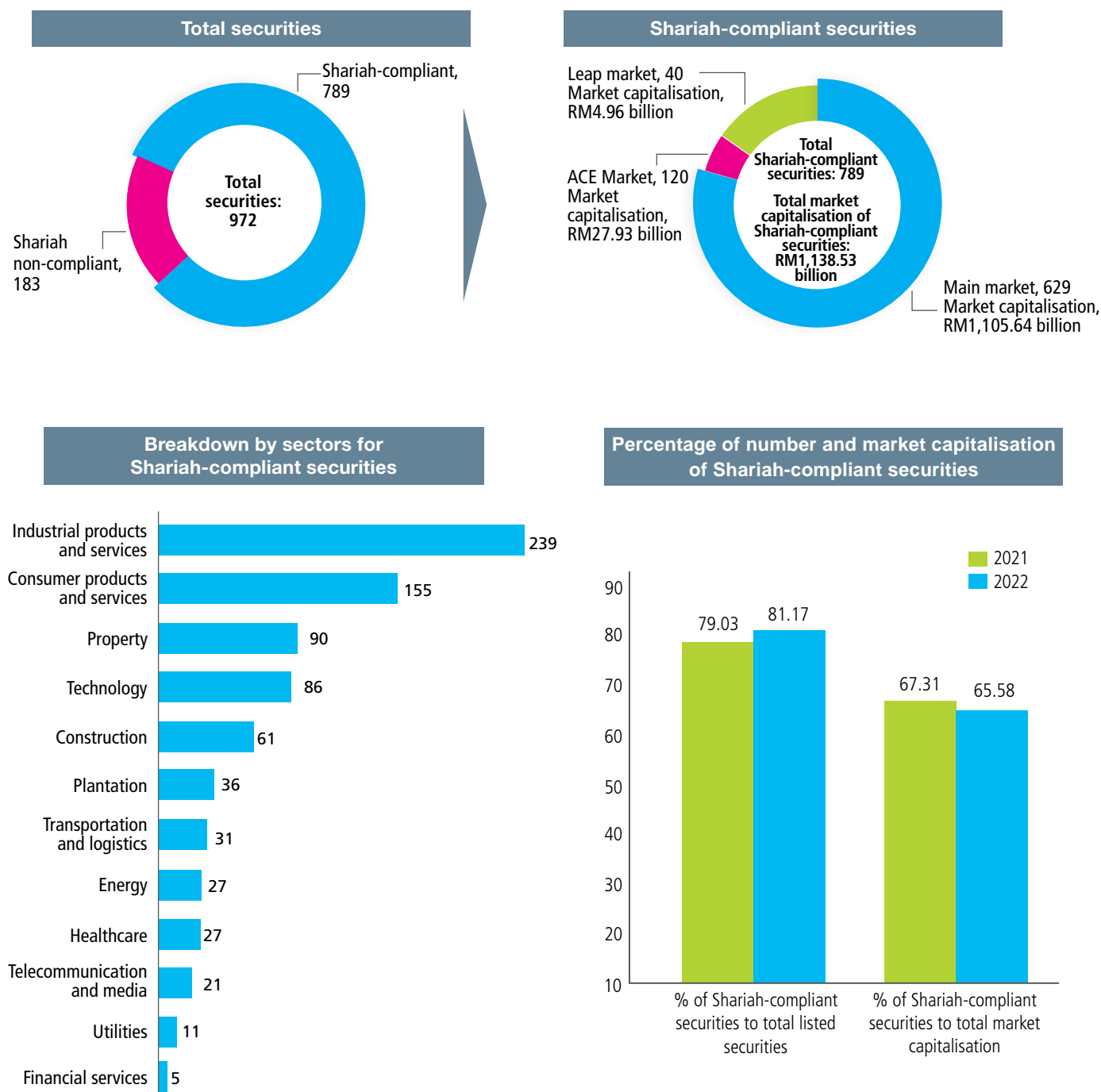
SHARIAH-COMPLIANT SECURITIES

As at December 2022, Shariah-compliant securities increased to 789 from 750 as at end 2021, which constituted 81.17% of the 972 listed securities on Bursa

Malaysia. The market capitalisation of Shariah-compliant securities stood at RM1,138.53 billion or 65.58% of the total market capitalisation, a decrease of 5.46% as compared to end 2021 (Chart 2 and Table 2).

CHART 2

Shariah-compliant securities as at December 2022



SUKUK

Corporate sukuk issuances represented 81.66% (2021: 79.98%) of total corporate bonds and sukuk issuances while corporate sukuk outstanding accounted for 82.83% (2021: 81.42%) of total corporate bonds and sukuk outstanding (Table 3).

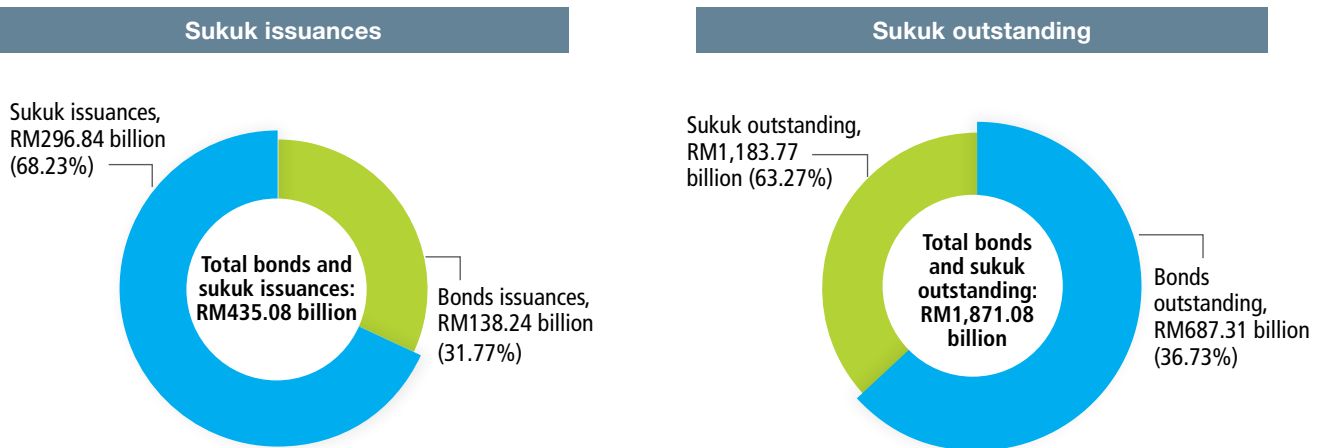
Total sukuk issuances in 2022 represented 68.23% (2021: 62.91%) of total bonds and sukuk issuances whereas total sukuk outstanding represented 63.27%

(2021: 63.43%) of total bonds and sukuk outstanding (Chart 3 and Table 4).

Seven issuers issued SRI sukuk in 2022, bringing the total of SRI sukuk issuers to 25 since 2015. Corporate SRI sukuk issuances in 2022 amounted to RM10.58 billion, which was 8.45% of total corporate sukuk issuances, while corporate SRI sukuk outstanding grew to RM17.93 billion as at December 2022 from RM8.11 billion in 2021, constituting 2.69% of total corporate sukuk outstanding³.

CHART 3

Sukuk as at December 2022

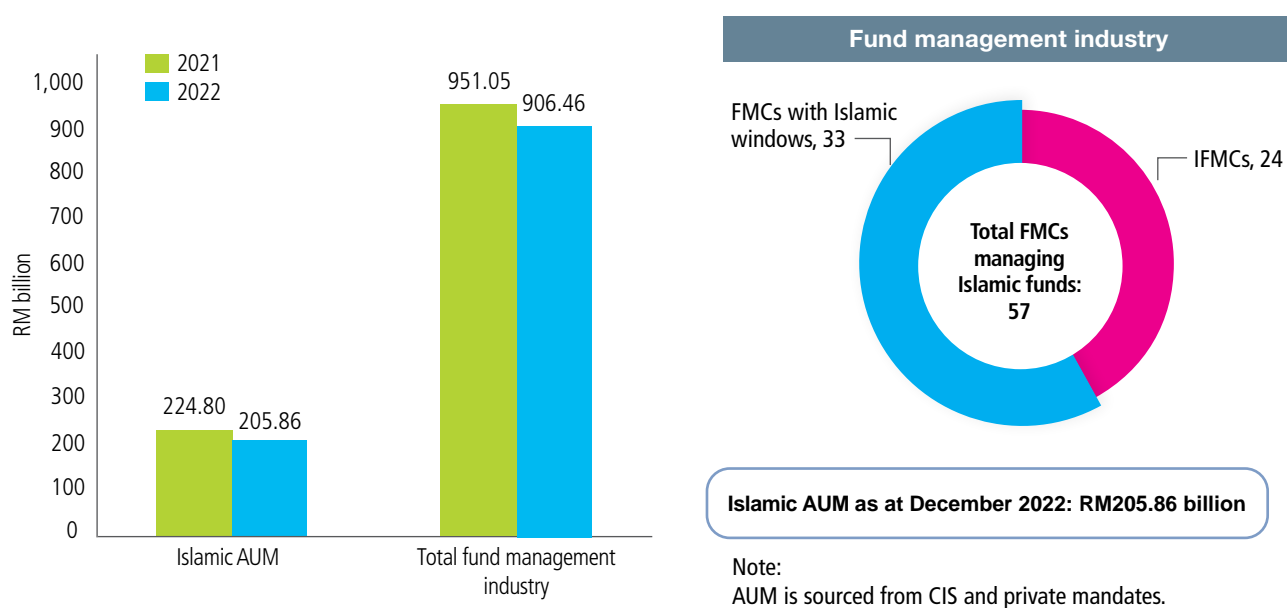


³ Excluding CP/ICPs.

ISLAMIC FUND MANAGEMENT

Islamic AUM as at December 2022 stood at RM205.86 billion registering an 8.43% decrease from RM224.80 billion as at end 2021 (Chart 4). The number of Islamic CIS, unit trust fund (UTF), wholesale fund (WF), PRS, real estate investment trusts (REIT) and ETF stood at 404 as at December 2022 including 20 Islamic SRI funds. There were 57 FMCs managing Islamic funds, with 24 IFMCs and 33 FMCs with Islamic windows as at December 2022.

CHART 4
AUM of Islamic fund management

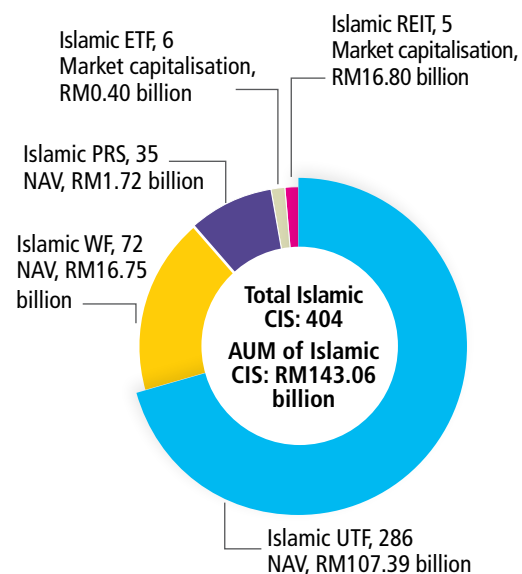
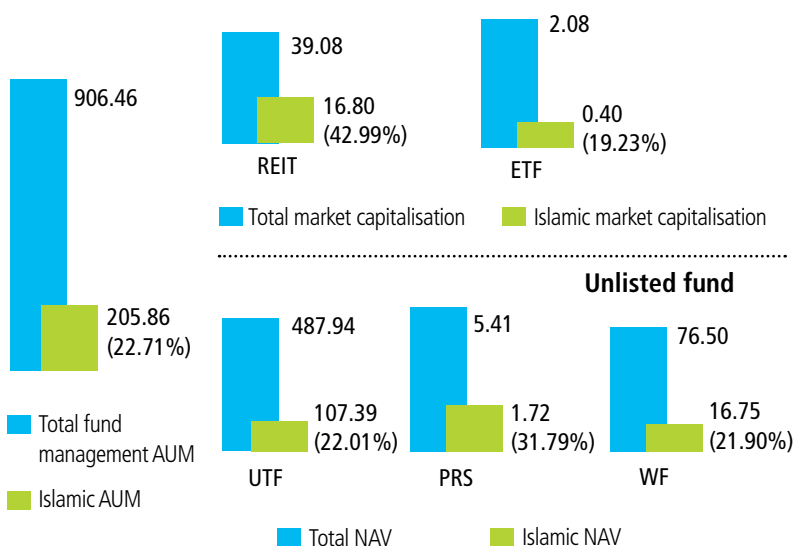


Fund management industry

Islamic CIS

RM in billion

Listed fund



KEY STATISTICS

TABLE 1
Size of ICM

	2022 RM billion	2021 RM billion
Market capitalisation of Shariah-compliant securities	1,138.53	1,204.28
Size of sukuk outstanding	1,183.77	1,104.26
Total size of ICM	2,322.30	2,308.54
% ICM to total capital market	64.38%	65.40%

TABLE 2
Shariah-compliant securities

	2022	2021
Number of securities:		
Shariah-compliant securities	789	750
Total listed securities	972	949
% of Shariah-compliant securities to total listed securities	81.17%	79.03%
Market capitalisation (RM billion):		
Shariah-compliant securities	1,138.53	1,204.28
Total market capitalisation	1,736.21	1,789.20
% of Shariah-compliant securities to total market capitalisation	65.58%	67.31%

TABLE 3
Corporate sukuk

	2022	2021
Total issuance (RM billion)		
Sukuk issuance	125.20	91.40
Total corporate bonds and sukuk issuances	153.32	114.28
% of sukuk to total corporate bonds and sukuk issuances	81.66%	79.98%
Total outstanding (RM billion)		
Sukuk outstanding	666.00	629.27
Total corporate bonds and sukuk outstanding	804.10	772.84
% of sukuk to total corporate bonds and sukuk outstanding	82.83%	81.42%

TABLE 4
Total sukuk

	2022	2021
Total issuance (RM billion)		
Sukuk issuance	296.84	237.41
Total bonds and sukuk issuance	435.08	377.41
% of sukuk to total bonds and sukuk issuances	68.23%	62.91%
Total outstanding (RM billion)		
Sukuk outstanding	1,183.77	1,104.26
Total bonds and sukuk outstanding	1,871.08	1,740.83
% of sukuk to total bonds and sukuk outstanding	63.27%	63.43%

TABLE 5
Islamic AUM

	2022	2021
Islamic AUM (RM billion)	205.86	224.80
Total fund management industry (RM billion)	906.46	951.05
% Islamic AUM to total fund management industry	22.71%	23.64%

TABLE 6
Islamic UTF

	2022	2021
Islamic UTF	286	273
Total industry	759	740
NAV of Islamic UTF (RM billion)	107.39	128.34
NAV of total industry (RM billion)	487.94	526.89
% NAV of Islamic UTF to total industry	22.01%	24.36%

TABLE 7
Islamic WF

	2022	2021
Islamic WF	72	75
Total industry	437	414
NAV of Islamic WF (RM billion)	16.75	11.74
NAV of total industry (RM billion)	76.50	79.45
% NAV of Islamic WF to total industry	21.90%	14.78%

TABLE 8

Islamic PRS funds

	2022	2021
Islamic PRS	35	28
Total industry	75	59
NAV of Islamic PRS (RM billion)	1.72	1.90
NAV of total industry (RM billion)	5.41	5.63
% NAV of Islamic PRS to total industry	31.79%	33.83%

TABLE 9

Islamic REIT

	2022	2021
Islamic REIT	5	4
Total industry	19	18
Market capitalisation of Islamic REIT (RM billion)	16.80	16.13
Market capitalisation of total industry (RM billion)	39.08	38.44
% market capitalisation of Islamic REIT to total industry	42.99%	41.96%

TABLE 10

Islamic ETF

	2022	2021
Islamic ETF	6	6
Total industry	19	19
Market capitalisation of Islamic ETF (RM billion)	0.40	0.42
Market capitalisation of total industry (RM billion)	2.10	2.16
% market capitalisation of Islamic ETF to total industry	19.05%	19.57%

TABLE 11

Registered Shariah advisers

	2022	2021
Individual	65	62
Corporation	20	19
Total Shariah advisers	85	81

VENTURE CAPITAL AND PRIVATE EQUITY

The total number of registered corporations stood at 129 as at 31 December 2022 (Table 1). The venture capital (VC) segment accounted for 109 registered corporations (venture capital management corporation (VCMC) and venture capital corporation (VCC), while the private equity (PE) segment consisted of 20 registered corporations (private equity management corporation (PEMC) and private equity corporation (PEC).

As at end 2022, the number of professionals employed by the industry with at least 4 years experience stood at 229.

TABLE 1
Statistics of industry participants

Source of funds	2022	2021
Number of registered corporations	129	124
Number of registered VCMCs and VCCs	109	105
Number of registered PEMCs and PECs	20	19
Number of VC and PE professionals ¹	229	344

Note:

¹ Professionals with more than 4 years of experience.

TABLE 2
Industry key statistics (RM million)

	2022		2021	
	Private equity	Venture capital	Private equity	Venture capital
Total committed funds under management [1]	10,711.59	5,372.93	9,648.42	5,183.50
Total drawn capital [2]	7,644.83	3,868.54	6,884.29	3,870.73
Estimated capital available for investment [3]=[1]-[2]	3,066.75	1,504.39	3,495.88	1,312.77
Total no. of investee companies	68	186	41	211

Note:

The statistics are based on self-reported figures by registered VC/PE firms. Y-o-y movements may vary.

Total committed funds in the industry as at the end of 2022 stood at RM10.71 billion and RM5.37 billion for PE and VC respectively (Table 2), with a combined total of RM16.08 billion. For PE, commitments are sourced largely from corporate investors (33.40%), individuals and family offices (16.97%), and financial institutions (12.78%) (Chart 1).

For VC, government agencies and investment companies (36.01%), sovereign wealth funds (27.27%) and corporate investors (22.68%) make up the top 3 sources of funding (Chart 2).

The top 3 registered corporations by the amount of investor commitments as at end 2022 were Creador, Xeraya Capital, and MAVCAP.

CHART 1

Sources of funds, private equity (2022: RM10,711.59 billion)

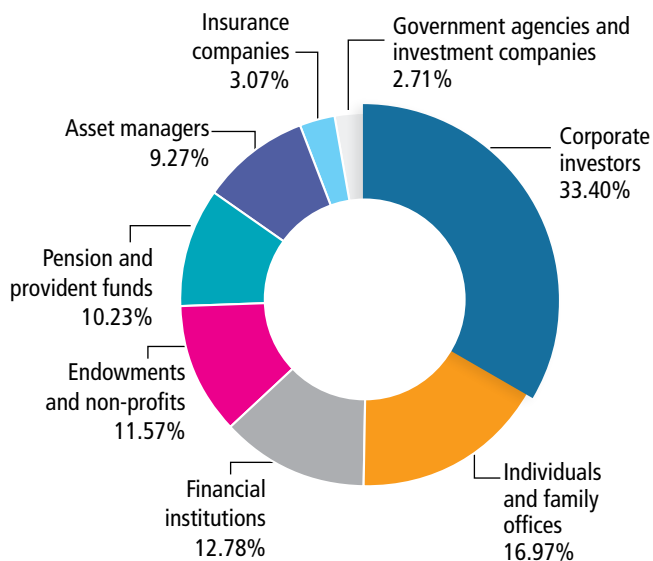
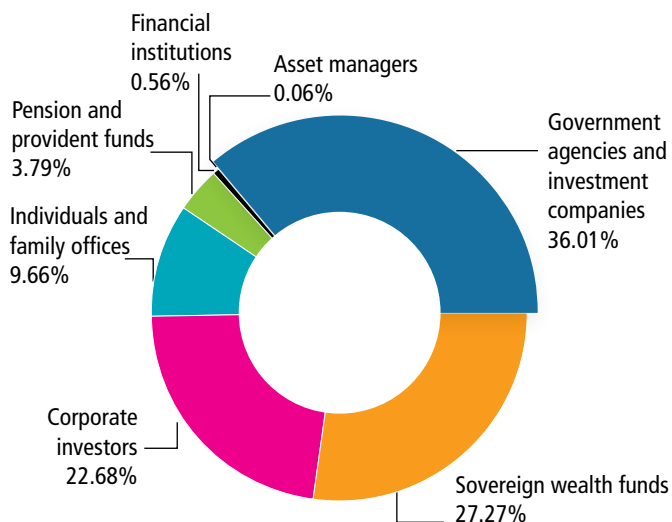


CHART 2

Sources of funds, venture capital (2022: RM5.37 billion)



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

VC investments in 2022 concentrated on growth (48.18%), followed by early stage (36.53%) and seed (10.54%) opportunities. PE investments were primarily channeled into growth plays (64.87%), with some

investments made to early stage opportunities (28.20%), followed by bridge, mezzanine and pre-IPO investments (6.85%). In total, 34 VC and 38 PE deals were recorded in 2022 (Table 3).

TABLE 3

Investments during 2022

Business stage	New investments (RM '000)	% of segment	No. of companies
Venture capital			
Seed	14,637.49	10.54%	10
Start-up	6,592.35	4.75%	3
Early stage	50,705.45	36.53%	8
Growth	66,885.45	48.18%	13
Private equity			
Early stage	320,479.10	28.20%	7
Growth	737,112.57	64.87%	27
Bridge/Mezzanine/Pre-IPO	77,857.08	6.85%	3
Turnaround/Restructuring	890.00	0.08%	1
Total	1,275,159.49	100.00%	72
<i>Venture capital</i>	<i>138,820.73</i>	<i>10.89%</i>	<i>34</i>
<i>Private equity</i>	<i>1,136,338.76</i>	<i>89.11%</i>	<i>38</i>

In terms of target industries, medical and biotechnology (34.83%) saw the highest share of VC investment in 2022, followed by information and communication (16.45%), and financial and insurance/takaful activities (12.70%).

As for PE, investments were largely channeled to wholesale and retail trade (53.66%) in 2022, followed by healthcare (13.45%) and manufacturing (13.41%) (Chart 3).

CHART 3

Investments in 2022, top 5 target industries

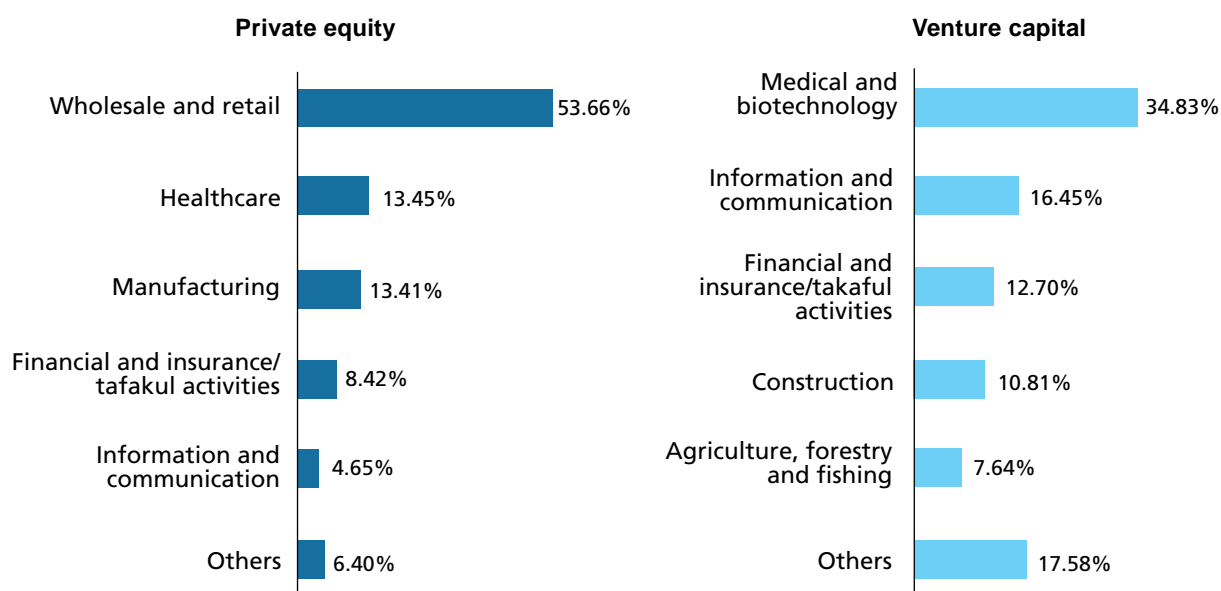


TABLE 4

Divestments during 2022

Business stage	Divestments (RM '000)	% of segment	No. of companies
Venture capital			
Growth	421,905.34	97.89%	23
Buyout	8,212.41	1.91%	1
Turnaround/Restructuring	890.00	0.21%	1
Private equity			
Seed	18,112.61	7.17%	6
Start-up	5,570.92	2.21%	3
Early stage	165,813.00	65.63%	11
Growth	59,134.11	23.41%	12
Bridge/Mezzanine/Pre-IPO	4,000.00	1.58%	1
Total	683,638.38	100.00%	58
<i>Venture capital</i>	<i>252,630.63</i>	<i>36.95%</i>	<i>33</i>
<i>Private equity</i>	<i>431,007.75</i>	<i>63.05%</i>	<i>25</i>

Note:

Figures measured at cost.

Divestments in PE portfolios during 2022 were mainly exits in the growth stage, while the majority of divestments in VC were early stage positions, followed

by growth (Table 4). While trade sales and secondary sales remain common routes for liquidity, 2022 saw several exits via IPOs.

EQUITY CROWDFUNDING¹

CAMPAIGNS

Since inception, total funds raised via ECF stood at RM560.34 million via 330 campaigns. Shariah-compliant campaigns contributed to 3% of the total funds raised.

In Chart 1, total funds raised in 2022 decreased to RM140.38 million from RM220.72 million in 2021. Similarly, total successful campaigns decreased from 104 in 2021 to 67 in 2022. Nevertheless, campaign sizes continued to be of larger fundraising amounts, with 89% of campaigns raising above RM500,000 (Chart 2). In particular, there was an increase in larger campaigns size, with 21% of campaigns raising above RM3 million

(2021: 17%) on ECF platforms. The highest amount of funds raised in 2022 by a single fundraising campaign stood at RM17 million.

In terms of the sectors served, professional, scientific and technical activities continued to receive the most funds in 2022, with total funds raised amounting to RM41.37 million in 2022 (Chart 3). In particular, the agriculture, forestry and fishing sector grew exponentially, from RM753,750 in 2021 to RM19.32 million in 2022. In Chart 4, the number of campaigns for Series A grew from 54% in 2021 to 72% in 2022. In 2022, majority of the campaigns were fundraising for purposes of business expansion.

CHART 1
Total funds raised

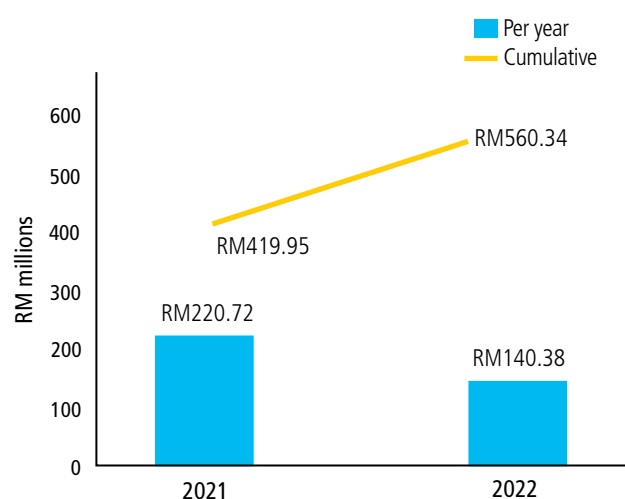


CHART 2
Campaign sizes

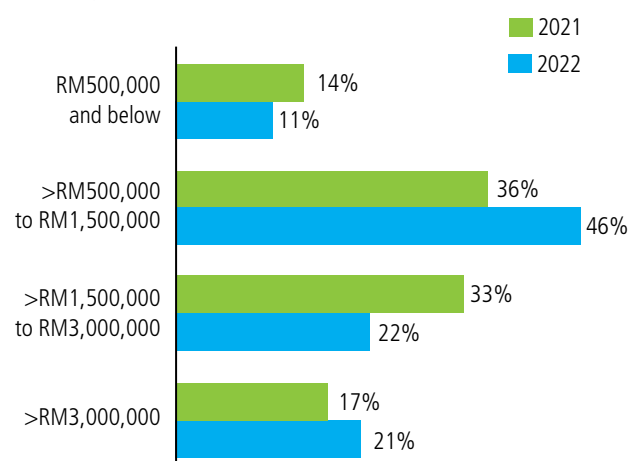


CHART 3
Top 5 sectors by total funds raised

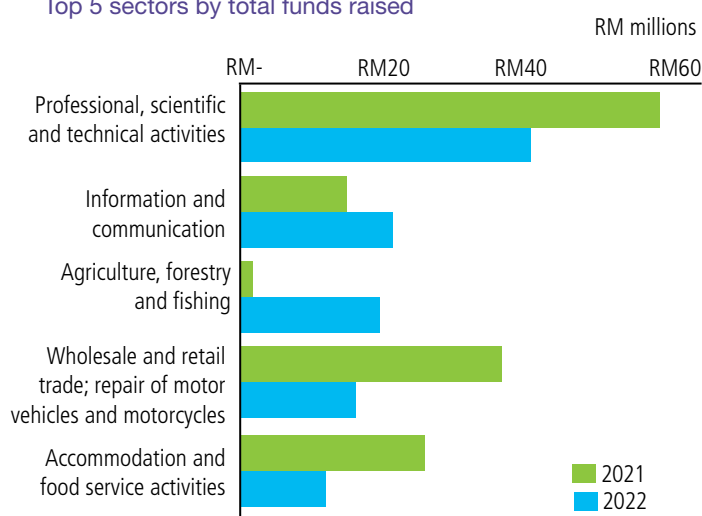
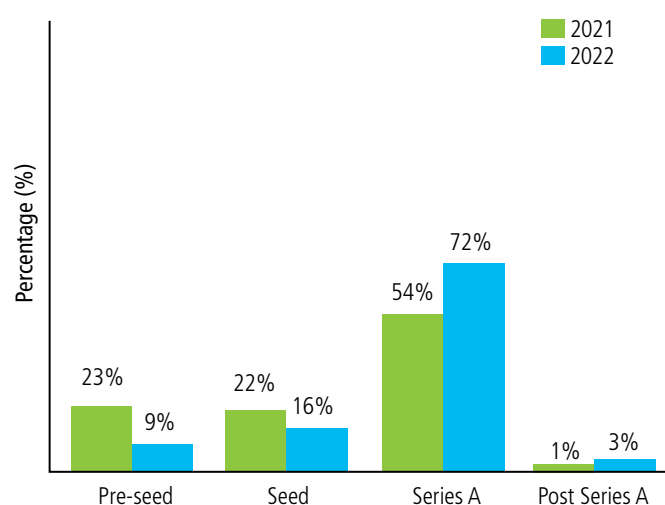


CHART 4
Fundraising stages



View and download the complete data.

<https://lookerstudio.google.com/reporting/d3477cae-288a-49c4-86d2-88621d50daa6/page/BnPQC?s=lug1SXaSTdw>

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

ISSUERS

As at end 2022, total number of issuers stood at 305. Nevertheless, the total number of issuers decreased to 65 in 2022 from 104 in 2021. In terms of business location, issuers in 2022 were predominantly from Selangor and Kuala Lumpur (Chart 5), while technology-focused issuers formed 49% of total issuers (Chart 6). In Chart 7, majority of 2022 issuers have been in operation for less than 3 years.

CHART 5
Issuers' business location

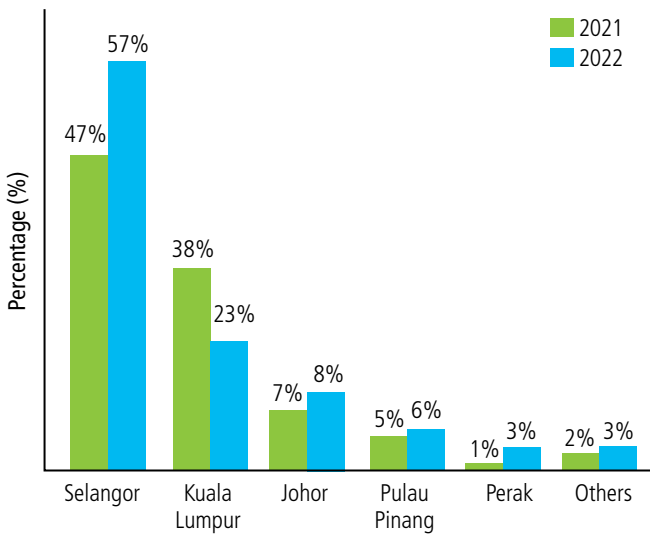
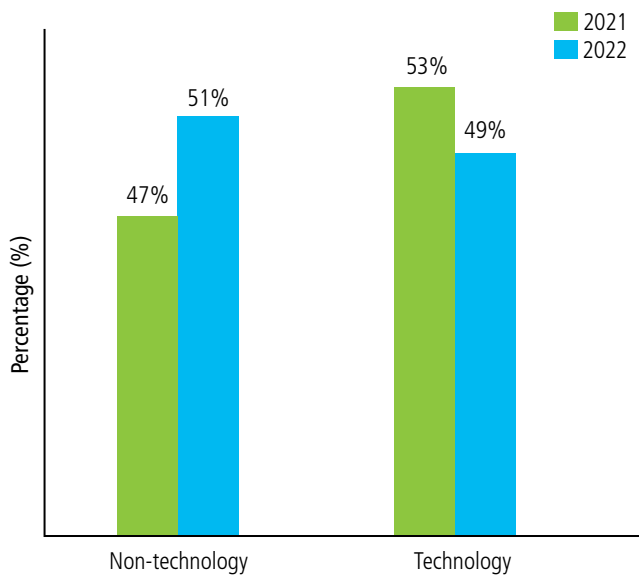


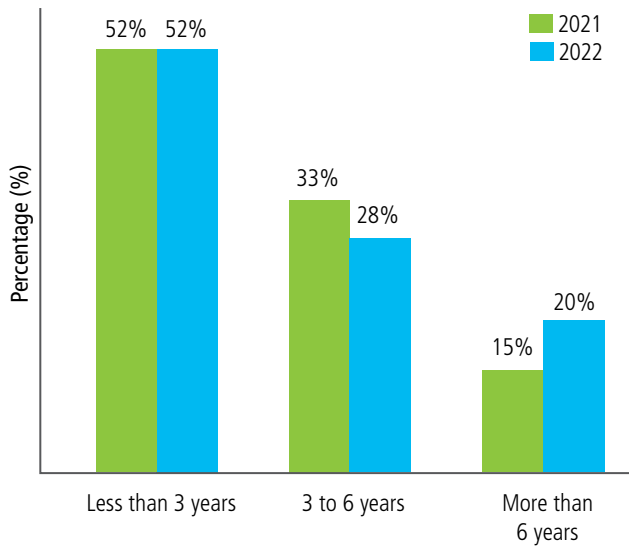
CHART 6
Technology-focused issuers



Note:

² Investor participation stands for investors that have invested in a campaign.

CHART 7
Issuers' years in business



INVESTORS

Since inception, total number of participating investors² surpassed the 14,000 mark. While the total number of investors decreased in 2022 (Chart 8), first time investors comprised the majority of ECF investors in 2022 at 83%.

CHART 8
Investor participation

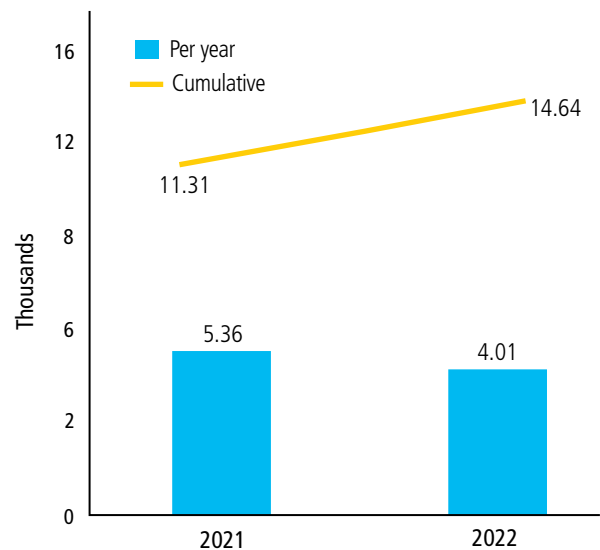


TABLE 1
Investor demographics

		2021	2022
Nationality	Malaysian	96%	94%
	Foreign	4%	6%
Gender	Female	38%	37%
	Male	62%	63%
Age	Below 35	47%	37%
	35 to 45	33%	34%
	>45 to 55	13%	19%
	Above 55	7%	10%
Type	Retail	57%	48%
	Angel	24%	28%
	Sophisticated – HNWI	17%	7%
	Sophisticated – HNWE and Accredited	2%	17%

View and download the complete data.

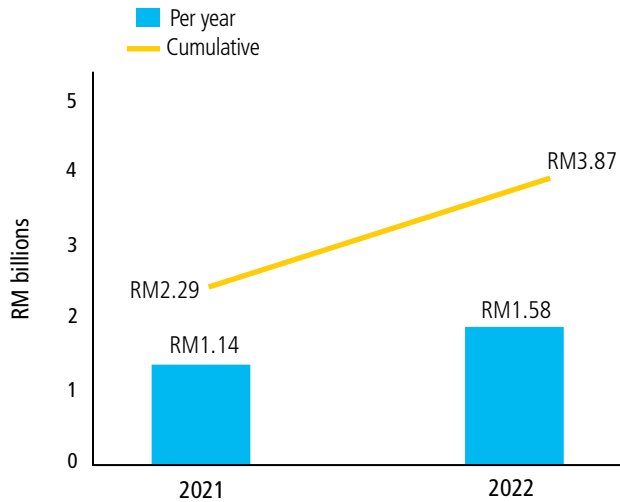
 <https://lookerstudio.google.com/reporting/d3477cae-288a-49c4-86d2-88621d50daa6/page/BnPQC?s=lug1SXaSTdw>

PEER-TO-PEER FINANCING¹

CAMPAIGNS

Since its inception, the total funds raised via P2P financing stood at RM3.87 billion via 54,791 campaigns. 9% of the total funds raised were via Shariah-compliant campaigns.

CHART 1
Total funds raised



In Chart 1, total funds raised in 2022 increased to RM1.58 billion from RM1.14 billion in 2021. Similarly, total campaigns in 2022 increased by 71%, from 14,301 in 2021 to 24,455 in 2022.

In Chart 2, campaign sizes in 2022 continued to be of smaller fundraising amounts, with 70% of campaigns raising funds at RM50,000 and below.

In terms of the sectors served, wholesale and retail trade; repair of motor vehicles and motorcycles continued to receive the most funds in 2022, with total funds raised amounting to RM927.72 million (Chart 3).

In Chart 4, 54% of investment notes issued in 2022 are categorised as other financing types, comprising distinct product offerings from various RMOs.² Majority of the campaigns continued to trend towards shorter-term financing in 2022, with 69% of investment notes having tenures of 3 months or less (Chart 5). The purpose of fundraising in 2022 continued to be predominantly for working capital (Chart 6).

CHART 2
Campaign sizes

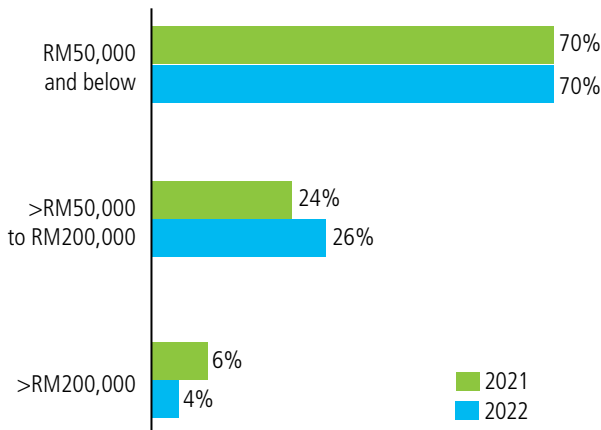
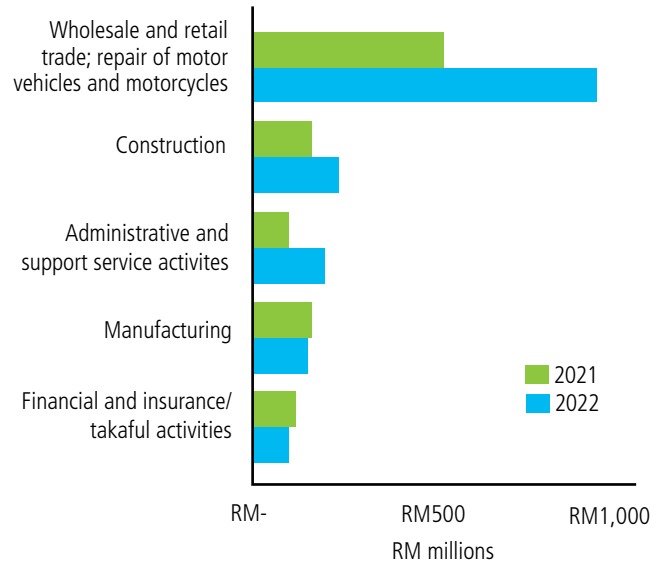


CHART 3
Top 5 sectors by total funds raised



View and download the complete data.

<https://lookerstudio.google.com/reporting/c30bfa6c-e636-47f3-944f-8b52fb83e174/page/xdDAC?s=pAtI3FrMkhs>

¹ Previously reported statistics have been adjusted according to the RMOs' latest reported numbers.
² Complete list of other financing types: AP financing, auto dealer program-MUV, business credit line, dealer financing, e-commerce, guaranteed settlement financing, insurance premium financing, short-term financing-NAS, short-term financing-UA, short-term financing-CBB, and working capital financing.

CHART 4
Financing types

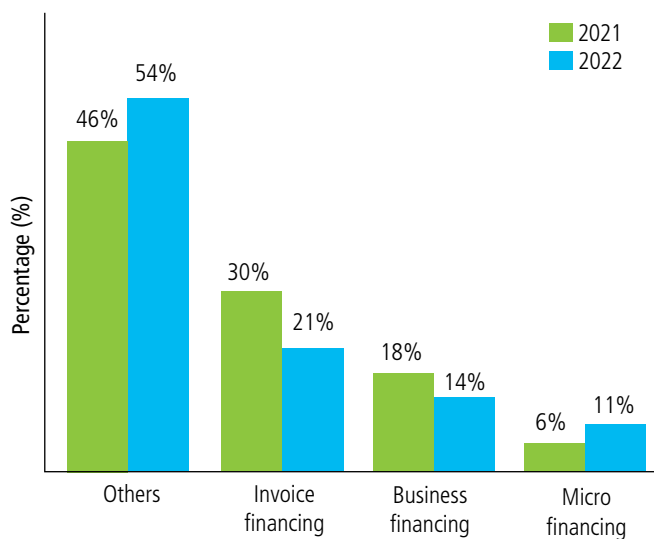


CHART 6
Fundraising purposes

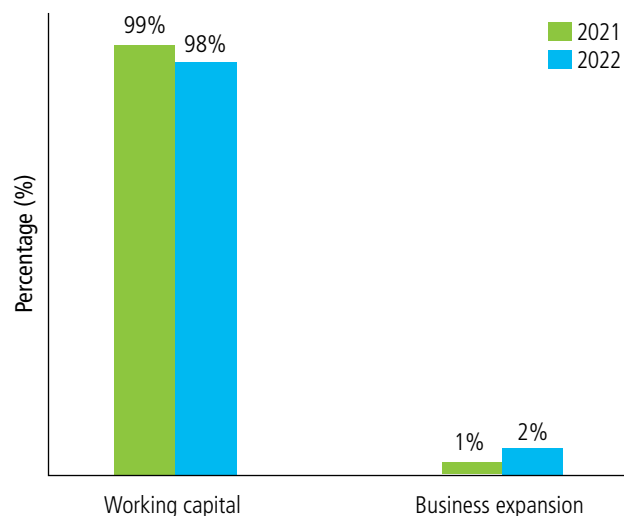


CHART 5
Tenure types

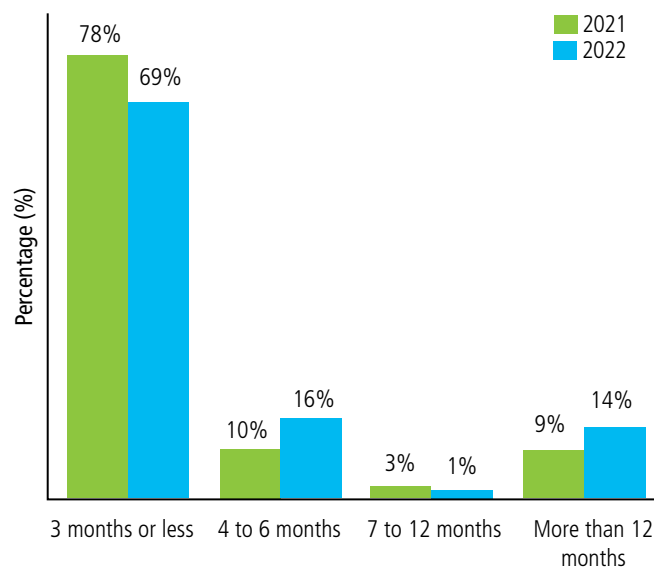
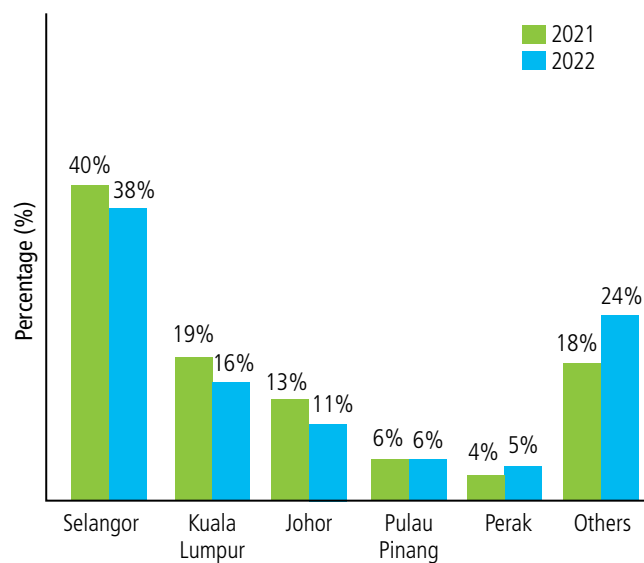


CHART 7
Issuers' business location

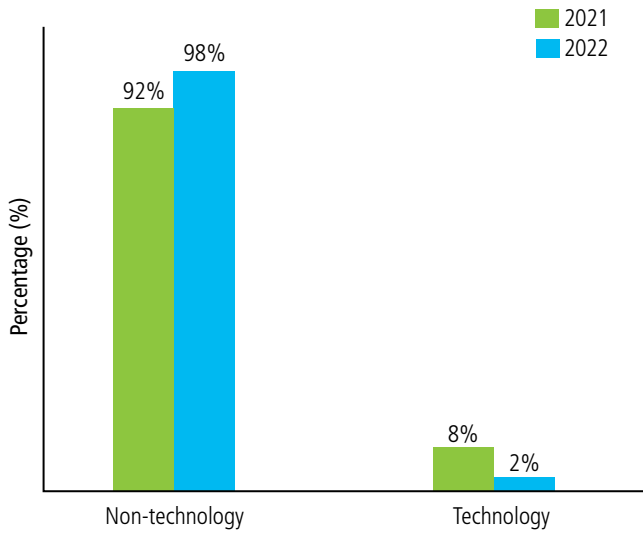


ISSUERS

As at end 2022, the total number of issuers stood at 6,913. In 2022 alone, total number of issuers increased by 88%, from 1,986 in 2021 to 3,732 in 2022. In terms of business location, majority of issuers in 2022 were

based in Selangor and Kuala Lumpur, at 38% and 16% respectively (Chart 7), while technology-focused issuers formed 2% of total issuers (Chart 8). In Chart 9, more than half of issuers (55%) in 2022 have been in operation for less than 5 years.

CHART 8
Technology-focused issuers



INVESTORS

Since its inception, the total number of participating investors³ has reached more than 32,000. For a y-o-y comparison, investor participation has surpassed 16,000 in 2022 compared to more than 15,000 in 2021 (Chart 10). 24% of the participating investors in 2022 were first-time investors.

CHART 9
Issuers' years in business

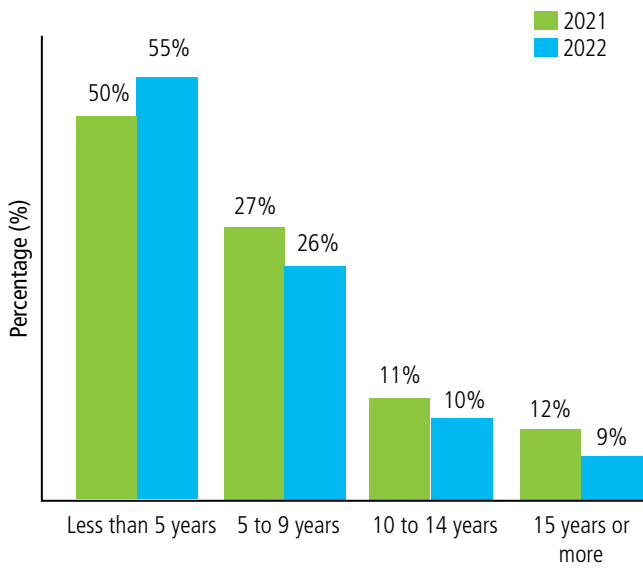
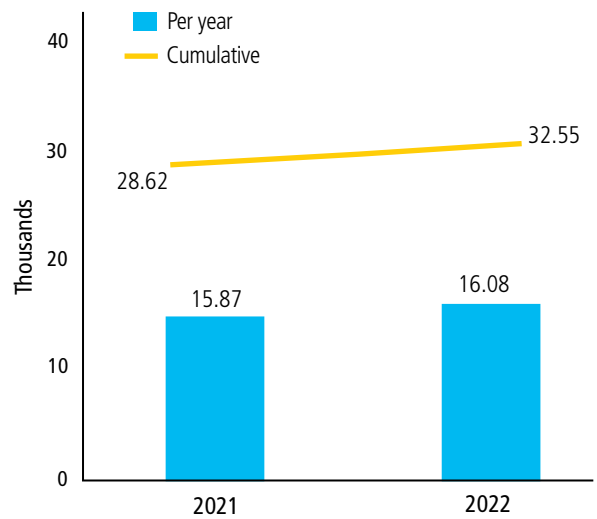


CHART 10
Investor participation




³ Investor participation stands for investors that have invested in a campaign.

TABLE 1
Investor demographics

		2021	2022
Nationality	Malaysian	98%	98%
	Foreign	2%	2%
Gender	Female	28%	30%
	Male	72%	70%
Age	Below 35	54%	49%
	35 to 45	28%	31%
	>45 to 55	12%	13%
	Above 55	6%	7%
Type	Retail	90%	89%
	Angel	5%	5%
	Sophisticated – HNWI	4%	5%
	Sophisticated – HNWE and Accredited	1%	1%

View and download the complete data.

 <https://lookerstudio.google.com/reporting/c30bfa6c-e636-47f3-944f-8b52fb83e174/page/xdDAC?s=pAtI3FrMkhs>

AUTHORISATION AND LICENSING

TABLE 1

Number of CMSL holders

As at 31 December 2022, there were 244 CMSL holders carrying out various regulated activities as defined under Schedule 2 of the CMSA. The entities involved are as follows:

By core activity	2022	2021
Dealing in securities ¹	38	37
Dealing in derivatives	5	7
Fund management	106	103
Advising on corporate finance	41	40
Investment advice	17	17
Investment advice (individual)	1	1
Financial planning	34	34
Financial planning (individual)	2	2
TOTAL	244	241

Note:

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

By regulated activity	2022	2021
Dealing in securities		
Investment banks	10	10
Universal brokers	1	1
1+1 stockbroking companies	12	12
Special scheme foreign stockbroking companies	7	7
Others	2	1
	32	31
Dealing in derivatives		
Investment banks	5	5
1+1 stockbroking companies	3	3
Special scheme foreign stockbroking companies	2	2
Others	6	7
	16	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

Number of CMSL holders (Continued)

By regulated activity	2022	2021
Fund management		
<i>Portfolio management</i>		
Investment banks	2	2
Unit trust management companies	24	24
Special scheme foreign fund managers	5	5
Islamic fund managers	24	24
Boutique fund managers	10	8
Digital investment managers ²	8	8
Others	20	20
<i>Asset management</i>		
Real estate investment trusts	19	18
	109³	106³
Advising on corporate finance		
Investment banks	10	10
1+1 stockbroking companies	7	7
Special scheme foreign stockbroking companies	4	5
Others/standalone/boutique corporate finance companies	42	41
	63	63
Investment advice		
Investment banks	9	9
1+1 stockbroking companies	8	8
Special scheme foreign stockbroking companies	7	7
Unit trust management companies	4	3
Others/standalone/boutique investment advice companies	26	25
	54	52

Note:

² Includes 3 CMSL holders that fall under other categories, namely Kenanga Investment Bank Bhd (under investment banks), UOB Asset Management (Malaysia) Bhd (under unit trust management companies), and Wahed Technologies Sdn Bhd (under Islamic fund managers).

³ Unique count excluding duplicates. CMSL holders under multiple categories are counted once.

TABLE 1Number of CMSL holders *(Continued)*

By regulated activity	2022	2021
Financial planning		
1+1 stockbroking companies	1	1
Unit trust management companies	5	5
Corporate unit trust advisers	19	19
Others/standalone/boutique financial planning companies	19	19
	44	44
Dealing in securities restricted to unit trusts		
Unit trust management companies	29	29
Islamic fund managers	10	10
Special scheme foreign fund managers	1	1
Corporate unit trust advisers	19	19
Others	1	1
	60	60
Dealing in securities restricted to listed securities		
Others	1	1
	1	1
Dealing in PRS		
Investment banks	1	1
1+1 stockbroking companies	1	1
Unit trust management companies	10	9
Corporate private retirement scheme advisers	18	18
Others	3	3
	33	32
GRAND TOTAL	428	422

TABLE 2

Number of CMSRL holders

By core activity	2022	2021
Dealing in securities	6,604	6,667
Dealing in derivatives	453	448
Fund management	830	822
Advising on corporate finance	734	719
Investment advice	294	292
Financial planning	1,455	1,325
GRAND TOTAL	10,370	10,273

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Issued	-	-	-	-	5	4	1	1	-	1	-	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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Issued	441	626	71	42	109	100	156	105	50	50	215	291
Withdrawn*	4	32	1	3	7	9	-	6	2	3	2	25
Returned*	75	322	7	31	37	158	18	77	5	38	32	243

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 (Individual)	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Ceased	-	-	-	-	2	-	-	2	-	-	-	2	-	-
Revoked	-	-	1	-	-	-	-	-	-	-	-	-	-	-
Suspended	-	-	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 6

Cessation of representatives' licences

Regulated activities	Dealing in securities		Dealing in derivatives		Fund management		Advising on corporate finance		Investment advice		Financial planning	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Ceased*	604	365	86	52	103	84	144	138	45	45	85	76
Revoked	-	-	-	-	-	-	-	-	-	-	-	-
Suspended	-	-	-	-	1	-	-	-	-	-	-	-

Note:

* By regulated activities.

ENFORCEMENT

In 2022, the SC reviewed various securities law breaches for purpose of enforcement action arising from its active surveillance, supervision, and complaints received. 42% of cases reviewed were in line with the SC's enforcement priorities namely disclosure breaches, securities fraud and unlicensed activities (Table 1).

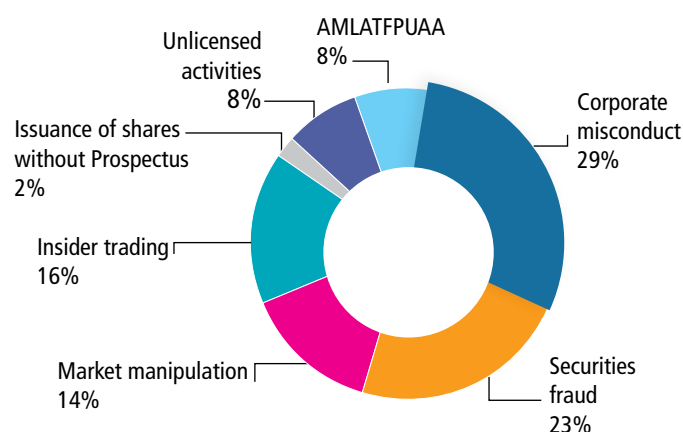
TABLE 1

Nature of offence	Total number of breaches reviewed
Disclosure breaches	11
Insider trading	9
Securities fraud	6
Unlicensed activities	5
Corporate misconduct (breach of s.317A CMSA only)	5
Breach of SICDA	4
Breach of SC's LOLA Guidelines	4
Breach of SC's <i>Licensing Handbook/ Condition</i>	3
Market manipulation	2
Offence of money laundering	2
Breaches concerning unregistered DAX	1
Breach of Bursa Listing Requirements	1
GRAND TOTAL	53

As of 31 December 2022, there were a total of 49 active investigations. The SC, carrying its mandate to protect investors, continued to dedicate substantial resources to investigations involving securities fraud and corporate misconduct, which constituted half of the SC's active cases in 2022.

CHART 1

Active investigations by nature of offences

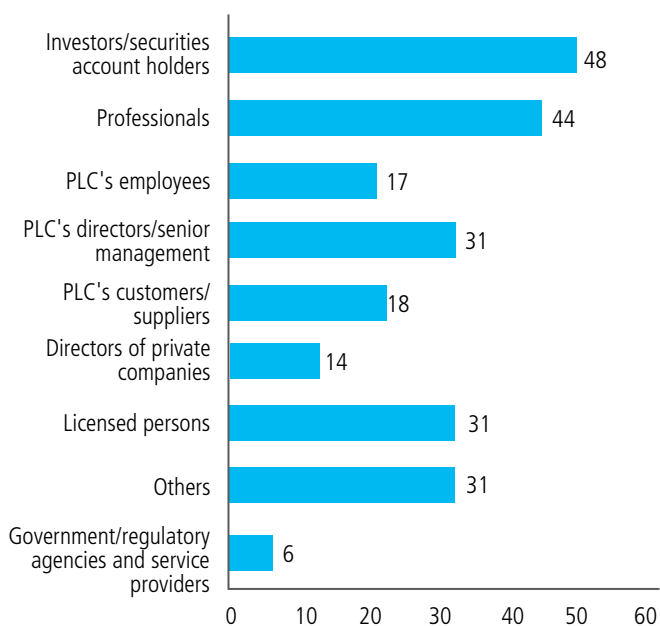


The SC's Investigating Officers, under the SCMA, are prescribed an array of investigative powers to facilitate the gathering of admissible evidence. This includes the powers to obtain documentary and oral evidence, which are an essential part of the investigative process.

In 2022, the SC’s Investigating Officers recorded statements from 240 individuals. More than 2 quarters of the statements were taken from investors/securities holders, professionals (which include investment bankers, auditors, and lawyers) as well as PLC’s employees, directors, and senior management. This is commensurate with the number of active investigations in relation to securities fraud and corporate misconduct offences.

CHART 2

Witness statement recorded in 2022 by type of witness



Consequent to the digitisation of the capital market and its many digitised processes in Malaysia, the SC’s Investigating Officers, through its digital forensic team, have also progressed to be better equipped with the necessary tools to ensure thorough analysis of digital evidence. In 2022, the SC’s digital forensic team conducted forensic exercises, including intelligence gathering, on-site device examination and on-lab device extraction. The team reviewed and extracted digital evidence from 121 digital devices (laptops, computers, mobile phones and storage devices) and 26 online sources throughout 2022.

Apart from locally gathering documentary and oral evidence, the SC utilises cross-border co-operation through the IOSCO MMoU on Consultation and Co-operation and Exchange of Information, especially when considering that cross-border transactions are common within the SC’s investigation. In 2022, the SC made 18 requests for investigative assistance to 10 foreign supervisory authorities under the IOSCO MMoU (Table 2), seeking their assistance to record statements from overseas witnesses and to obtain documentary evidence such as banking documents, securities transactions, telephone records, and information on beneficial ownership of companies.

As part of the signatories of the IOSCO MMoU, the SC also assisted 3 foreign supervisory authorities concerning 6 requests for investigative assistance.

TABLE 2

Request for investigative assistance

Jurisdictions	No. of requests
Australia	1
Bahrain	1
British Virgin Islands	2
Hong Kong	1
India	1
Indonesia	2
Oman	1
Qatar	1
Singapore	7
US	1
TOTAL	18

ADMINISTRATIVE ACTIONS

In 2022, a total of 118 administrative sanctions were imposed by the SC for various misconducts and breaches of securities laws including breach of AMLATFPUAA, knowingly causing the furnishing of information that is false or misleading to Bursa Malaysia, 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 license, suspension of license, imposition of penalties and directives and requirement to make restitution (Table 3).

In 2022, a total of RM11.999 million in penalties were imposed against the following parties for their misconducts and breaches of securities laws:

- 2 licensed intermediaries for delay in submitting the annual report for the financial year end 30 September 2021 to the SC for 3 wholesale funds and delay in submitting to the SC the monthly investment returns of 7 wholesale funds;
- 1 UTC for accepting cash and had monies credited into their personal bank accounts from investors for purposes of investment in unit trusts, provided statements to individuals which they knew contained false or misleading information and

TABLE 3

Administrative actions taken in 2022 by types of sanction and parties in breach

Parties in breach	Types of sanction					
	Reprimand	Penalty	Restitution	Directive	Revocation of license	Suspension of license
Licensed persons	10	11	-	3	1	1
PLC or company applying for listing	2	-	-	-	-	-
Directors/senior management of PLC or company applying for listing	15	10	-	-	-	-
Unlisted public companies	1	1	-	-	-	-
Principal adviser	1	-	-	-	-	-
Persons acting in concert	9	1	-	1	-	-
Other entities/individuals*	34	16	1	-	-	-
TOTAL	72	39	1	4	1	1

Note:

* Other entities/individuals sanctioned include 1 individual who allowed a third person who was not the beneficial owner of his/her Central Depository System (CDS) account to dispose shares through the individual's account, 1 individual who had effected the disposal of shares in his/her CDS account while not being the beneficial owner of said shares, 11 individuals who had received proceeds of an unlawful activity, 1 UTC who accepted cash and had monies into his/her personal bank accounts from investors, provided false or misleading information to individuals and carried on a business in the regulated activity of dealing in PRS when he/she was not a registered person, 1 individual who carried on a business in a regulated activity of providing investment advice to others concerning securities without holding a license and 1 UTC for entering into a written understanding or arrangement with an investor for investment decisions to be made on the investor's behalf and failing to explain the nature and characteristics of the unit trust fund marketed and gave a direct guarantee that a specific result will be achieved.

carried on a business in the regulated activity of dealing in private retirement schemes when he/she was not a registered person;

- 1 UTC for entering into a written understanding or arrangement with an investor for investment decisions to be made on the investor's behalf and failing to explain the nature and characteristics of the unit trust fund marketed and gave a direct guarantee that a specific result will be achieved;
- 1 individual who allowed a third person who is not the beneficial owner of his/her CDS account to dispose shares through the individual's account;
- 1 individual who had effected the disposal of shares in his/her CDS account while not being the beneficial owner of said shares;
- 11 individuals who had received proceeds of an unlawful activity;
- 1 unlisted public company which disclosed information that was misleading to the SC;
- 9 directors of a PLC who had knowingly caused the furnishing of information in an announcement made by the company to Bursa Malaysia that was misleading to Bursa Malaysia;
- 1 director of a PLC who had knowingly caused the furnishing of 6 financial statements that were false to Bursa Malaysia relating to the affairs of the company;
- 1 licensed individual who had made remarks that contributed to a misleading impression, failed to ensure that advertisements made did not contain misleading messaging and failed to ensure that information in advertisements are accurate;
- 1 licensed entity that had no proper policies and controls established to monitor referral and marketing activities, failed to comply with fit and proper condition through its Chief Executive Officer (at the material time), failed to ensure its licensed representative was adequately supervised, misused the SC's name and misled the audience for the benefit of the entity and failed to ensure proper custodial arrangement is in place to safeguard its private mandate clients' assets in respect of

investments in foreign jurisdictions as required under the securities laws;

- 1 licensed entity which failed to conduct ongoing due diligence and scrutiny on its customer;
- 1 individual who carried on a business in a regulated activity of providing investment advice to others concerning securities without holding a license; and
- 1 group of persons acting in concert for failing to undertake a mandatory take-over offer.

INFRINGEMENT NOTICES

Apart from administrative actions under its statutory powers, the SC also utilises other forms of non-statutory enforcement tools in the exercise of its monitoring, gate-keeping and supervisory functions.

Infringement notices are issued where breaches of securities laws or guidelines detected do not warrant the initiation of a formal enforcement action or the imposition of an administrative action.

Infringement notices issued by the SC include the following:

- **Supervisory letters involving Infringement** – issued pursuant to the exercise of a supervisory function or the conduct of an examination under section 126 of the SCMA.
- **Warning letters** – issued pursuant to the discharge of the SC's gatekeeping function such as the issuance of licences, approval of corporate proposals and review of prospectuses. Warning letters may be issued to licensed, registered persons or other professionals or experts.
- **Non-compliance letters** – issued pursuant to the discharge of the SC's gatekeeping function for minor breaches.
- **Notices of Cease and Desist** – issued to stop or prevent violation of securities laws. Notices of Cease and Desist may be issued to a person who is committing or about to commit an infringing act. Failure to comply with the cease and desist order may attract formal enforcement action by the SC.

In 2022, 76 infringement notices were issued by the SC (Table 4).

TABLE 4
Type of infringement notices

Type of infringement notices	Total
Supervisory letters involving infringement	33
Warning letters	13
Non-compliance letters	24
Notices of Cease and Desist	6
TOTAL	76

PROSECUTION

Ongoing Court Cases for 2022

For the year 2022, there were 36 ongoing cases at various levels of courts from the Sessions Court up to the Federal Court involving 56 individuals/entities (Table 5).

TABLE 5
Ongoing cases in court for 2022

Court	No. of cases	No. of individuals
Sessions Court (Criminal)	10	18
High Court (Criminal)	7	9
Court of Appeal (Criminal)	4	6
High Court (Civil)	10	18
Court of Appeal (Civil)	3	3
Federal Court (Civil)	2	2
TOTAL	36	56

The nature of cases ranged from corporate misconduct (22%), insider trading (31%), securities fraud (14%), market manipulation (5%), unlicensed activities (11%) and money laundering (17%) (Table 6 and Chart 2).

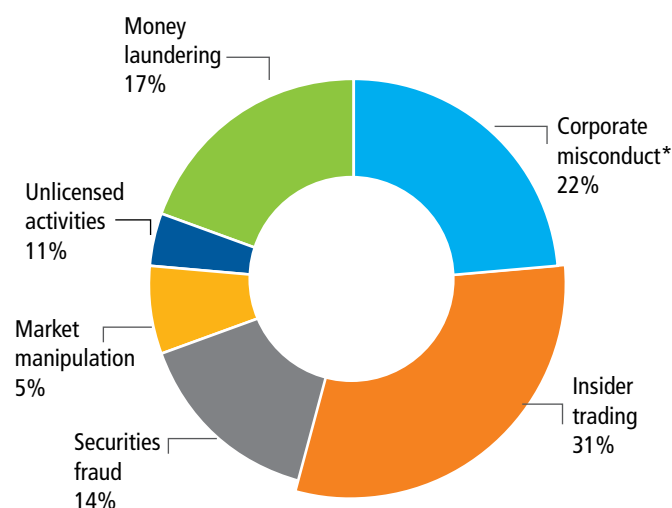
TABLE 6
Breakdown of nature of cases by number of cases and individuals

Type of offence	No. of cases	No. of individuals
Corporate misconduct*	8	14
Insider trading	11	13
Securities fraud	5	11
Market manipulation	2	3
Unlicensed activities	4	5
Money laundering	6	10

Note:

* Includes disclosure and falsification breaches under securities laws.

CHART 2
Breakdown of nature of cases by percentage



Note:

* Includes disclosure and falsification breaches under securities laws.

Enforcement Actions 2022

Criminal Actions

The SC initiated 47 criminal charges against 6 individuals for various securities offences including securities and derivatives fraud, money laundering, unlicensed activities as well as non-compliance of notices issued by the SC's Investigating Officer in connection with an investigation.

Also in 2022, the SC managed to secure convictions against 9 individuals involved in various breaches of securities laws such as market manipulation, unlicensed activities, false financial disclosures and failure to appear before an Investigating Officer of the SC in connection with a money laundering investigation. The sentence imposed by the courts upon these convictions were imprisonment terms ranging from one day to one year, and total fines amounting to RM12,958,000.

The SC with the written consent of the Public Prosecutor (PP) also issued compound notices against 4 individuals and 1 PLC for false financial disclosures and against 1 individual for falsification of records which resulted in total compound payments amounting to RM16,000,000.

As for criminal appeals, in 2022, the SC obtained 2 favourable outcomes at the Court of Appeal and High Court respectively for offences involving criminal breach of trust and misleading financial disclosures.



Civil Enforcement Actions in 2022

Civil Actions

In 2022, the SC initiated civil enforcement actions against 5 individuals. A total of RM4,584,319 was disgorged from 6 individuals who entered into regulatory settlements and a further RM3,667,858 was disgorged from 1 individual through a consent judgment entered into with the SC. As for contested cases, in 2022, the SC was successful in obtaining judgments against 5 individuals who were found liable for various securities breaches and ordered to pay disgorgement sums amounting to RM10,744,304. In addition, a total of RM5,800,000 in civil penalties was also obtained by the SC for the year 2022. The SC also obtained favourable outcomes in 2 civil appeals and 2 leave applications.

As of 31 December 2022, a total of RM1,532,294 was restituted to 284 investors. A further RM815,549 was earmarked for further restitution involving 392 investors. Through the SC's civil enforcement actions, 1 individual was restrained from trading in the stock exchange while 6 more individuals were barred from becoming directors of PLCs.



**1 case civil
action filed**



**5 individuals
involved**



**Judgments obtained
(full trial/Judgment in
Default) 4 cases involving
5 individuals**



**Consent judgments
recorded: 1 case
involving 1 individual**



**Civil appeals
2 cases involving
2 individuals**



**Civil applications
2 cases involving
2 individuals/entities**



**RM27,941,564
amount disgorged**



**RM5,800,000
amount of civil
penalties**

REGULATORY SETTLEMENTS



**3 regulatory
settlements entered**



**6 individuals
involved**



**Amount disgorged
RM4,584,319**

RESTITUTION



RM1,532,294
amount restituted



284 individuals
investors restituted



RM815,549
amount earmarked
for further restitution



392 investors
earmarked for
further restitution

RESTRAINING AND BARRING ORDER

No. of individuals restrained from trading
on Bursa Malaysia



1 director of PLC

No. of individuals barred as directors



5 directors
of PLCs

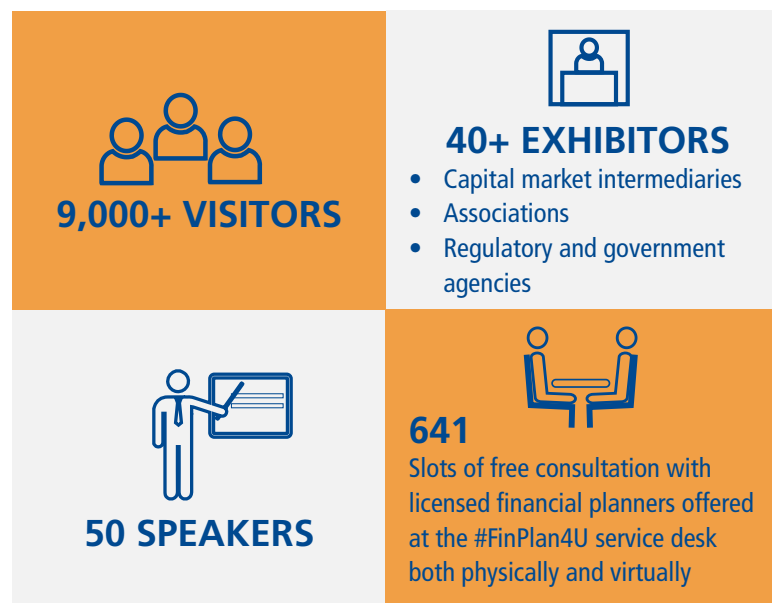


1 private
individual

INVESTOR EDUCATION AND AWARENESS INITIATIVES

InvestSmart® Fest 2022 • 14–16 October 2022

In October 2022, Investsmart® organised its ninth instalment of the InvestSmart® Fest at KL Convention Centre. InvestSmart® Fest 2022 with the theme, 'Silap Labur Duit Lebur' was held in conjunction with the Financial Literacy Month 2022 and World Investor Week 2022.




Launch of new jingle 'Silap Labur Duit Lebur' by Dato' Sri Siti Nurhaliza Tarudin



EVENT HIGHLIGHTS



Read more on media release 'SC Hosts Investor Education Fair on 14-16 October 2022'.

 <https://www.sc.com.my/resources/media/media-release/sc-hosts-investor-education-fair-on-14-16-october-2022>

Bersama InvestSmart® @ Sarawak 2022 • 17–18 September 2022

In September 2022, Investsmart® organised its Bersama InvestSmart® @ Sarawak 2022 at Vivacity Megamall, Kuching with the theme, ‘Silap Labur Duit Lebur’. The event also offered the complimentary counselling session with licensed financial planners, #FinPlan4u.

 >11,000 VISITORS	 28 EXHIBITORS <ul style="list-style-type: none"> • Capital market intermediaries • Associations • Regulatory and government agencies
 60 SPEAKERS	 129 Slots of free consultation with licensed financial planners at the #FinPlan4U service desk



Guest of honour - Datuk Patinggi Tan Sri (Dr) Abang Haji Abdul Rahman Zohari Tun Datuk Abang Haji Openg, Premier of Sarawak



EVENT HIGHLIGHTS



Read more on media release ‘Sustainability, Alternative Financing and Investor Education Key Focus of SC Events in Sarawak’.

 <https://www.sc.com.my/resources/media/media-release/sustainability-alternative-financing-and-investor-education-key-focus-of-sc-events-in-sarawak>

Anti-Scam Initiatives

Anti-Scam Posters

InvestSmart® @ Dewan Bandaraya Kuala Lumpur's Buletin BKMDBKL

The Badan Kebajikan Kakitangan Melayu Dewan Bandaraya Kuala Lumpur (BKMDBKL) had invited the SC to take up an advertisement space in its publication Buletin BKMDBKL in conjunction with the 48th Federal Territory Celebration in February 2022. InvestSmart® took up a full-coloured page, to create awareness on ways to prevent being prey of investment scams and to promote knowledge on the SC and InvestSmart®. The publication, which is a hardcopy bulletin, has a circulation of 5,000 among the DBKL employees.

InvestSmart® @ Ringgit Publication

In collaboration with SIDREC, InvestSmart®'s one-page coloured anti-scam awareness infographic was featured on the *Ringgit Newsletter*, a publication by BNM and Federation of Malaysian Consumers Associations (FOMCA). This newsletter is made available to the public via BNM's website.



InvestSmart® @ Police Administrative and Civilian Staff Union Publication

The SC received an invitation from the Police Administrative and Civilian Staff Union (PACSU), seeking sponsorships from the SC via an advertisement in their publication, *SUARA PACSU* (a twice-yearly publication) with a special focus on 'Kempen Pencegahan Jenayah'.

The SC took up a one-page advertisement featuring InvestSmart®'s infographic to remind the audience to be cautious of investments offered via social media platforms and steps to protect oneself from being scammed when investing. The publication, which is a hardcopy bulletin, has a circulation of 20,000 copies to its 200,00 readers. The publication was issued on May 2022 in conjunction with Hari Polis.



Anti-Scam Videos

New 'Silap Labur Duit Lebur' Jingle

InvestSmart® launched the newly revamped 'Silap Labur Duit Lebur' jingle, featuring Malaysia's No. 1 singer, Dato' Sri Siti Nurhaliza. This video was launched on 14 October 2022 during InvestSmart® Fest 2022 and has since garnered over 1.5 million views across InvestSmart®'s YouTube channel and social media platforms.



T.I.P.U Video in Mandarin and Tamil

A Mandarin and Tamil version of the popular T.I.P.U videos were created to reach the Chinese and Indian communities. The T.I.P.U video is now available in three languages – Bahasa Melayu, Mandarin and Tamil, and posted on InvestSmart® social media platforms and YouTube channel.



Anti-scam Awareness Postings on InvestSmart® Social Media Platforms

InvestSmart® continues to leverage its social media platforms i.e. Facebook, Instagram, and Twitter to promote public anti-scam awareness. These include alerting the public on new inclusions and updates to the SC’s Investor Alert List and raising awareness on unlicensed entities misusing the SC and InvestSmart®’s name and logo.



Anti-scam Awareness TV and Radio Interviews

InvestSmart® @ Astro AWANI Interview

The SC was featured in a 3-day special news segment on Astro Awani prime time slot at 8.00 pm from 2 to 4 June 2022. The special news segment focused on investment scams and the SC’s effort to heighten awareness of scams and informed investing.



InvestSmart® @ Ringgit & Sense, BFM 89.9

The SC was also featured on BFM Radio 89.9’s Ringgit & Sense segment on 9 June 2022. The interview focused on raising awareness on the various types of investment scams and how to avoid them.



InvestSmart® Education

Agen Bijak Labur Desa Programme

Agen Bijak Labur Desa (ABJAD) is an investor education initiative by InvestSmart® targeting the rural population in Malaysia. The objective of ABJAD is, among others, to:

- i. Create financially literate rural communities by enhancing their awareness on scams and illegal schemes to empower them to safeguard their own wealth;
- ii. Broaden the awareness of rural communities in relation to investment products as a means to build their wealth; and
- iii. Improve the digital literacy of the rural population to encourage the use of technology particularly in relation to digital financial services and to ensure that they are well-equipped to face certain challenges (such as the COVID-19 pandemic).

Under this programme, InvestSmart® adopted the following approaches to reach out to the rural population:

- Students and teachers from 14 rural secondary schools were identified as ‘Agents of Change’ to undergo financial literacy and digital literacy modules using a computer-assisted e-learning platform. Upon completion, these students will guide identified families to complete the same e-learning modules and subsequently impart their knowledge to other family members. As of December 2022, a total of 7,101 participants have registered for the module. A total of 12,500 participants comprising students, family members and teachers are expected to go through this programme.
- Further, in conjunction with *Bersama InvestSmart® @ Sarawak*, ABJAD was also held at Sekolah Menengah Kebangsaan Muara Tuang in Samarahan and Sekolah Menengah Kebangsaan Lundu on 15 September 2022 and 19 September 2022 respectively.
- InvestSmart® also carried out direct and physical engagements with rural communities with its rural engagement on 27 June 2022 in Pulau Redang.



Face-to-Face Digital Clinic for Urban B40

The Face-to-Face Digital Clinic for Urban B40 is an initiative by InvestSmart® leveraging the Malaysia Digital Economy Corporation (MDEC) #SayaDigital programme. This programme targets the Urban B40 population nationwide.

Through #SayaDigital programme, MDEC aims to increase digital literacy among Malaysians by creating an awareness of digital technology and training them to be able to use digital gadgets in their daily life.

In this regard, the SC introduced a new module to create awareness on investment scams and how to avoid such scams. This module is being implemented through a 'Train the Trainers' approach, where appointed trainers #Gengsayadigital are trained to share the module with the target audience.

Since the commencement of this programme in August 2022, 2,000 participants have been trained and a total of 114 sessions were conducted.

Further, in conjunction with Bersama InvestSmart® @ Sarawak, this programme was also organised at Pusat Ekonomi Digital Keluarga Malaysia, Program Perumahan Rakyat (PPR) Sri Wangi, Sarawak on 15 September 2022.



The SC was also invited to give a talk at MDEC's #SayaDigital Facebook Live titled 'Teknik T.I.P.U. Elak Ditipu Scammer' on 23 September 2022. The online talk attracted 139 viewers and its recording has since garnered more than 1,000 views.



Digital Literacy for Seniors Programme

In the wake of the pandemic, the preventive measures under the movement control order (MCO) impacted business operations and the livelihood of Malaysians at large. There was a concern that the ‘silver hair’ population may face certain challenges in embracing the technology, particularly in using digital financial services. To address this, the SC introduced the digital inclusion for seniors programme, to which 9 webinars were conducted throughout 2022, attended by over 460 participants. These webinars were recorded and uploaded on the InvestSmart® YouTube channel for wider reach.

InvestSmart® Online Series

Since 2021, free webinars were organised for the public to gain knowledge on the basics of capital market products and services. These webinars will not only provide knowledge on the products and services but also will guide them on how and where to invest, including online. A total of over 760 participants attended the 8 webinars conducted in 2022. These webinars were recorded and uploaded on InvestSmart® YouTube channel for wider reach.

OECD/INFE Global Money Week 2022

Global Money Week (GMW) 2022, organised by the Organisation for Economic Co-operation and Development/International Network on Financial Education (OECD/INFE), was held from 21 to 27 March 2022, with the theme 'Build your future, be smart about money'.

The SC organised the InvestSmart® Online Series webinar on 24 March 2022, in conjunction with GMW2022. For this webinar, the SC invited ASNB to be the speaker and present on 'Labur Masa Muda, Senang Masa Tua' to educate the public on the importance of savings and starting to invest at an earlier stage of their life, attended by 103 participants. Though the target audience for this webinar was open to all, the promotion was heavily targeted at students.



INVESTSMART® ONLINE SERIES
Bersama

En. Izmir Mohammad
Penolong Naib Presiden, Jabatan Unit Holders Communications & Financial Education
ASNB
Asas Saham Nasional Berhad

Tajuk
Labur Masa Muda, Senang Masa Tua

PAUTAN WEBINAR
QR Code

LIVE WEBINAR PERCUMA
KHAMIS, 24 MAC 2022 | 12PM - 1PM
Berpeluang memenangi bawcar dalam talian dengan menyertai pop kuiz kami

IN SUPPORT OF: FEN
IN CONJUNCTION WITH: GLOBAL MONEY WEEK

The SC was also invited to be a panelist at UNITAR International University's (UNITAR) online forum 'Say No to Scammer! – Protecting Yourself and Your Money' on 23 March 2022. The SC presented on 'Avoid Investment Scams: Learn How', which was attended by 147 students and staff of UNITAR. The online forum aimed to elevate financial literacy among students, staff and community and create awareness and help people to recognise a scam or prevent scams from happening.

Before the COVID-19 pandemic, Multimedia University (MMU) used to bring their students to the SC for visits. Therefore, in conjunction with GMW2022, MMU has invited the SC to give a virtual talk to their students, organised by their Faculty of Business for their diploma students. On 21 March, the SC gave a presentation on 'Silap Labur Duit Lebur' to 89 diploma students.



INDUSTRIAL TALK SESSION
Organised by : Diploma Unit
Faculty of Business

"Silap Labur, Duit Lebur"

KAMARUL ROZMAN
Assistant General Manager
Consumer & Investor Office
Securities Commission Malaysia

Co-Organiser :
InvestSmart

In Conjunction with :
GLOBAL MONEY WEEK

Please register via this link:
<https://forms.gle/DG4Cky38PVo8ts58> or scan the QR Code.
Closing Date: 17 March 2022

via Google Meet

21 March 2022
Monday
10.00 a.m - 11.00 a.m

Scan to Register
QR Code

MMU FACULTY OF BUSINESS
TM Group



UNITAR
Financial Literacy Online Forum

SAY NO TO SCAMMER
PROTECTING YOURSELF & YOUR MONEY

Miss Jeanette George
Senior Manager,
Consumer & Investor
office
Securities Commission
Malaysia

Mr. Vijayadurai Singatore
Pengurus,
BNMTELELINK, Bank
Negara Malaysia

Dr Nasyra Ab Jamil
APEL Program Leader
and Lecturer,
Faculty of Business and
Technology, UNITAR
International University

Moderator : Zaquelin Antony
Finance Department
Faculty of Business and Technology,
UNITAR International University

23 MARCH 2022
02.00PM-04.15PM

SCAN TO JOIN US
unitar.my

#AccelerateYourFuture

Additionally, in conjunction with GMW2022, specific social media postings were made on InvestSmart®'s Facebook, Instagram, and Twitter from 21 to 25 March 2022. The messages were disseminated in line with 2022's theme, 'Build your future, be smart about money'.



Finally the SC, in collaboration with SIDREC and the Ministry of Communication and Multimedia Malaysia, issued 2 public service announcements (PSA) in the form of news crawlers and radio announcements on all local tv and radio stations from 21 to 27 March 2022 to increase awareness among the Malaysian public in relation to the capital market dispute resolution platform provided by SIDREC.

InvestSmart®'s collaboration with Dr. Adam Zubir

The SC engaged the service of Dr. Adam Zubir to do a series of 10 financial literacy video podcasts. The video podcasts will cover various topics from financial planning, scams and unlicensed activities.

Dr. Adam is a licensed financial planner attached to VKA Wealth Planners Sdn Bhd. Dr. Adam has been active in disseminating financial knowledge to the public through various platforms, especially through his YouTube channel and Instagram which now has in total of over 250,000 subscribers/followers. In 2022, Dr. Adam Zubir has published 4 video podcasts which have already garnered over 429,000 views across YouTube and social media platforms.



InvestSmart® @ META Malaysia’s #TakNakScam 2.0 awareness campaign

The campaign by META Malaysia was first launched in July 2021, to educate the public on how to spot, check and report highly deceptive tactics employed by scammers. On 4 August 2022, META Malaysia launched its #TakNakScam 2.0 awareness campaign. In 2022, META Malaysia focused on the top 5 online scams involving e-commerce, illegal loans, jobs, investment and money muling. The #TakNakScam campaign partners include PDRM CCID, KPND, SC, Bursa Malaysia, Malaysian Communications and Multimedia Commission, CyberSecurity Malaysia, Association of Banks in Malaysia and FOMCA.




InvestSmart® @ Amazing Seniors Festival 2022

In conjunction with the International Day of Older Persons, Hire Seniors held a 3-day event from 30 September to 2 October 2022 featuring various exhibitors, talks and performances. The SC was invited to give a talk on ‘Avoid Investment Scams: Learn How’ on 30 September 2022.



IOSCO World Investor Week 2022

Throughout World Investor Week (WIW) 2022 held from 3 to 9 October 2022, the SC also participated by disseminating WIW 2022’s key messages through InvestSmart® social media platform. The key messages focused on investor resilience, sustainable finance, frauds and scam prevention and crypto assets.

<p><i>A smart investor</i> Never feels rushed and ignores over-the-top sales pitches and pressure to invest right on the spot</p> 	<p><i>A smart investor</i> does not forget about the importance of due diligence when considering any investment opportunity, including crypto assets</p> 	<p><i>A smart investor</i> understands that risk exists in all investments</p> 	<p><i>A smart investor</i> verifies that an investment professional is licensed</p> 
			

InvestSmart® @ FIMMAC 2022 and Industry Education Series

Between 17 and 18 October 2022, the SC participated as an exhibitor at the FIMMAC 2022 and Industry Education Series, an annual retail investment event organised by FIMM.

The attendees of the event comprised UTS and PRS consultants, members of the investment management industry and the general public. The event aims to share, learn, and discuss impactful topics across the UTS and PRS industries. The event is themed 'Re:Set' and premised on 'the Great Reset' called by the World Economic Forum in 2020 in response to the economic difficulties brought about by the COVID-19 pandemic.



The two-day event featured 15 virtual booths and seminars on topics related to UTS and PRS as well as quizzes and lucky draws.

InvestSmart® @ Minggu Saham Amanah Malaysia 2022

The Minggu Saham Amanah Malaysia (MSAM) event has been organised by PNB since 2000. The event seeks to raise awareness and educate the public on investing in unit trusts, showcase PNB's investment products and investment companies; and highlight the regulatory and business environment within which the unit trust industry operates.

MSAM 2022 was held at Port Dickson, Negeri Sembilan from 24 to 30 November 2022 and featured over 50 various exhibitors comprising PLCs, banks and regulators. The SC opened a booth at the event and welcomed visitors to participate in the capital market survey as well as share investment knowledge with the public. In addition, the SC was also invited to speak at their pocket talk sessions. The week-long event attracted over 146,000 visitors.



Financial Education Network

Financial Literacy Webinar for School Principals and Headmasters

Following the request from the Ministry of Education (MOE) during Financial Education Network’s (FEN) High Level Steering Committee meeting held on 28 June 2021, a series of financial literacy webinars was planned for the school principals and headmasters. For this purpose, MOE has identified Institut Aminuddin Baki (IAB) to work with FEN on co-ordinating the participation of more than 10,000 school principals and headmasters (SPH) in Malaysia.

This initiative commenced in late 2021 with a total of 6 sessions planned. The last three sessions was held in Q1 2022 and featured Perbadanan Insurans Deposit Malaysia (PIDM), PNB and Bursa Malaysia respectively.

The SC, as the organiser and moderator for these webinars, also took the opportunity to share anti-scam awareness messages with the attendees.



Pilot FEN Social Experiment

FEN members have developed a broad proposal for a pilot social experiment focusing on elevating awareness on financial fraud and scams among university students. The objective of the social experiment is to determine the effectiveness of the interventions and to identify students’ reasons on falling prey to scams. As such, both the SC and BNM have conducted 4 webinars to 4 different universities, Sunway University, Universiti Teknologi MARA (UiTM), Universiti Putra Malaysia (UPM) and INTI International University and Colleges. A total of 956 students attended the webinars, to which the SC, BNM and Dr. Adam Zubir who was the identified influencer, presented in the respective webinars.

Outreach To Preschool Children and Rural Community in Partnership With Jabatan Kemajuan Masyarakat

On 15 February, FEN members and affiliates was involved in a 3-day workshop with Jabatan Kemajuan Masyarakat (KEMAS) officer as part of the process to develop suitable syllabus for KEMAS TABIKA’s preschoolers and the community. Pegawai Komuniti KEMAS will take on the role as Agents of Change to the rural community in 210 resource centres nationwide.

FEN x Digital Social Malaysia

FEN was invited to give a talk on the topic of 'Financial Literacy in the 21st Century' as part of Digital Social Malaysia's Education Series, on 2 August 2022. The webinar comprised speakers from the SC, Agensi Kaunseling dan Pengurusan Kredit (AKPK), Life Insurance Association of Malaysia and Private Pension Administrator Malaysia (PPA Malaysia). The online webinar was targeted to MySTEP and Digital Social Malaysia Talents which brought in 100 viewers.



Financial Literacy Month 2022

Financial Literacy Month 2022 (FLM2022) was held throughout the month of October 2022, with the theme 'Kesejahteraan Kewangan: Jom Digital dengan Yakin'. FLM2022 was launched on 1 October 2022 where it kick-started the nationwide roadshow that covers 61 locations and engaged with over 23,000 visitors.

Various activities were carried out, in the form of forums, symposiums, events, workshops and webinars. Most of these activities were held both physical and online. In 2022, FEN reached out to more than 3.2 million Malaysia during FLM2022, which ended with yet another 2-day mini exhibition at IPC Shopping Centre, where the SC was invited to give a pocket talk on anti-scam awareness. The 2-day event reached out to more than 41,000 participants.

FEN x Projek Belia Mahir

On 23 August 2022, the SC was invited to give an anti-scam awareness talk at the 'Seminar Pemantapan Literasi Kewangan' in conjunction with the *Majlis Konvokesyen Projek Belia Mahir*.



The InvestSmart® team was also present at the *Majlis Konvokesyen Projek Belia Mahir* on 24 August 2022, attending FEN's booth together with officers from BNM.



COMPLAINTS AND ENQUIRIES

In 2022, the SC received:



TABLE 1
Classification of complaints

Type	2022	2021	2020
Complaints	1,830	1,857	1,482
Enquiries	2,606	3,464	2,193

CHART 1
Classification of complaints

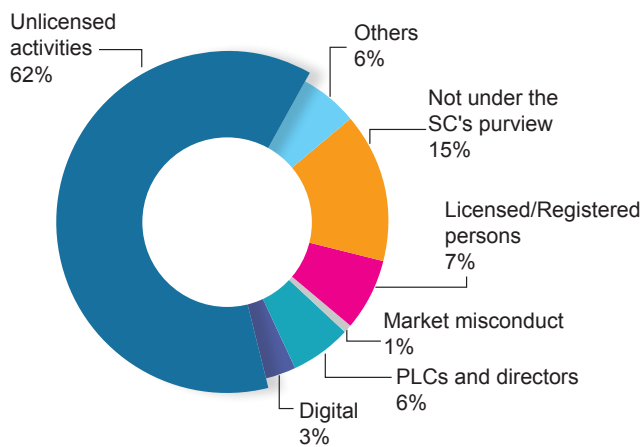
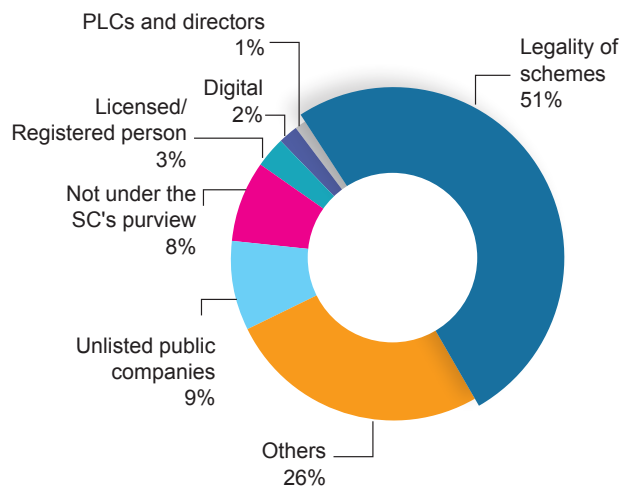


CHART 2
Classification of enquiries



ACRONYMS AND ABBREVIATIONS

AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ABJAD	<i>Agan Bijak Labor Desa</i> programme
AC	Audit Committee
ACMF	ASEAN Capital Markets Forum
AE	advanced economies
AIP	approval-in-principle
AMLATFPUAA	<i>Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001</i>
AOB	Audit Oversight Board
APRC	Asia Pacific Regional Committee
ASEAN	Association of South East Asian Nations
ASEAN SLBP	<i>ASEAN Sustainability-Linked Bond Principles</i>
ASEAN SRFS	<i>ASEAN Sustainable and Responsible Fund Standards</i>
ASEAN Taxonomy	ASEAN Taxonomy for Sustainable Finance
ATB	ASEAN Taxonomy Board
ATR	<i>Annual Transparency Report</i>
AUM	assets under management
BMDC	Bursa Malaysia Derivatives Clearing Bhd
BMIS	Bursa Malaysia Islamic Services Sdn Bhd
BNM	Bank Negara Malaysia
BOD	Board of Directors
Bursa Malaysia	Bursa Malaysia Securities Bhd
CAPEX	capital expenditure
CCA	<i>Consumer Credit Act</i>
CCOB	Consumer Credit Oversight Board
CDS	Central Depository System
CERS	Co-ordinated Enforcement Repository System
CFA	chartered financial analyst
CFD	contracts for difference
CG	corporate governance
CGC	Corporate Governance Committee
CIIF	Chartered Institute of Islamic Finance Professionals
CIS	collective investment schemes
CMCS	Capital Market Cyber Simulation
CMCIT Exercise	Capital Market Cyber Incident Tabletop Exercise
CMDF	Capital Market Development Fund
CMM	Capital Markets Malaysia
CMP3	<i>Capital Market Masterplan 3</i>
CMSA	<i>Capital Markets and Services Act 2007</i>
CMSL	Capital Markets Services Licence
CMSRL	Capital Markets Services Representative's Licence
COP26	26 th United Nations Climate Change Conference of the Parties
COP27	27 th United Nations Climate Change Conference of the Parties
CSM	CyberSecurity Malaysia
DAX	digital asset exchange
DIGID	Digital Innovation Fund
DIM	digital investment management
DOSM	Department of Statistics Malaysia
EASy	Electronic Application System
ECF	equity crowdfunding
EMDE	emerging market and developing economies
EMIA	Emerging Markets Investors' Alliance
EPF	Employees Provident Fund

ERM	enterprise risk management
ERMC	Executive Risk Management Committee
ESG	environmental, social and governance
ESMA	European Securities and Markets Authority
ESOS	employee share option scheme
ETF	exchange-traded fund
F4GM	FTSE4Good Bursa Malaysia Index Futures
FAMA	Federal Agricultural Marketing Authority
FEN	Financial Education Network
FEPO	Crude Palm Oil Futures
FI	financial institution
FIMM	Federation of Investment Managers Malaysia
Fintech	financial technology
FMC	fund management companies
FMG	Malaysian government securities futures contract
FPKO	crude palm kernel oil futures
FSI	Financial Stress Index
GDP	gross domestic product
GFCF	gross fixed capital formation
GFLP	Global Green Finance Leadership Program
GIFF	Global Islamic Finance Forum
GLIC	government-linked investment companies
HDC	Halal Development Corporation
HNWE	high-net-worth entity
HNWI	high-net-worth individual
IBFIM	Islamic Banking & Finance Institute Malaysia
ICDM	Institute of Corporate Directors Malaysia
ICM	Islamic capital market
ICMPS Guidelines	<i>Guidelines on Islamic Capital Market Products and Services</i>
IEO	initial exchange offering
IFMC	Islamic Fund Management Company
IFRS	<i>International Financial Reporting Standards</i>
IFS	Institute of Finance and Sustainability
IIC	Institutional Investors Council
IMF	International Monetary Fund
INFE	International Network on Financial Education
IOSCO	International Organization of Securities Commissions
IPO	initial public offering
IsDB	Islamic Development Bank Group
ISSB	International Sustainability Standards Board
IWG	Industry Working Group
JAR	Anti-Corruption Committee
JC3	Joint Committee on Climate Change
KUSKOP	Ministry of Entrepreneur Development and Cooperatives
Labuan FSA	Labuan Financial Services Authority
Labuan IBFC	Labuan International Business and Financial Centre
LIP	Leading for Impact Programme
LOLA Framework	Lodge and Launch Framework
LOLA Guidelines	<i>Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework</i>
MACC	Malaysian Anti-Corruption Commission
MAFI	Ministry of Agriculture and Food Industry
MCCG	<i>Malaysian Code on Corporate Governance</i>

MCII	<i>Malaysian Code for Institutional Investors</i>
MCMC	Malaysian Communications and Multimedia Commission
MDEC	Malaysia Digital Economy Corporation
MEEPA	Malaysia-European Free Trade Association Economic Partnership Agreement
MFPC	Malaysia Financial Planning Council
MFRS	<i>Malaysian Financial Reporting Standards</i>
MGS	Malaysian government securities
MICG	Malaysian Institute of Corporate Governance
MIFC	Malaysia International Islamic Financial Centre
MMoU	multilateral memorandum of understanding
MOF	Ministry of Finance
MoU	memorandum of understanding
MRC	Market Risk Committee
MSFI	Malaysia Financial Stress Index
MSME	micro, small and medium enterprise
MSPO	Malaysian Sustainable Palm Oil
MTC	mid-tier company
MUFG	Mitsubishi UFJ Financial Group
MyCIF	Malaysia Co-Investment Fund
NACP	<i>National Anti-Corruption Plan</i>
NASCA	National Cyber Security Agency
NAV	net asset value
NIA	National Investment Aspirations
OACP	<i>Organisational Anti-Corruption Plan</i>
OCIS	Oxford Centre for Islamic Studies
OECD	Organisation for Economic Co-operation and Development
P2P financing	peer-to-peer financing
PA	principal adviser
PDRM	Royal Malaysia Police
PE	private equity
PEMC	private equity management corporation
PENJANA	<i>National Economic Recovery Plan</i>
PERKUKUH	<i>Perkukuh Pelaburan Rakyat Initiative</i>
PGG	Principles of Good Governance for GLICs
PIE	public-interest entity
PII	Personally Identifiable Information
PLC	public-listed company
PRS	private retirement scheme
q-o-q	quarter-on-quarter
RegTech	regulatory technology
REIT	real estate investment trust
RMO	recognised market operator
RMO Guidelines	<i>Guidelines on Recognized Markets</i>
RPT	related-party transaction
RSS	regulated short selling
RTO	reverse take-over
SAC	Shariah Advisory Council
SBC	stockbroking company
SC	Securities Commission Malaysia
SCMA	<i>Securities Commission Malaysia Act 1993</i>
SCN	Show Cause Notices
SCxSC	SCxSC Annual FinTech Conference

SDG	Sustainable Development Goals
SFWG	Sustainable Finance Working Group
SICDA	<i>Securities Industry (Central Depositories) Act 1991</i>
SIDC	Securities Industry Development Corporation
SIDREC	Securities Industry Dispute Resolution Center
SLB	sustainability-linked bonds
SLS	sustainability-linked sukuk
SME	small and medium enterprise
SOCISO	Social Security Organisation
SPAC	special purpose acquisition company
SRF	Sustainability Reporting Framework
SRI	sustainable and responsible investment
SRO	self-regulatory organisation
SROC	SC Systemic Risk Oversight Committee
STF	Sustainability Task Force
SupTech	supervisory technology
TC-CCP	Third-Country Central Counterparties
TCFD	Taskforce on Climate-Related Financial Disclosures
TCRC	Technology and Cybersecurity Risk Committee
TRM Framework	Proposed Regulatory Framework on Technology Risk Management
TRM	Technology Risk Management
UK	United Kingdom
UNCDF	United Nations Capital Development Fund
US	United States
UTF	unit trust funds
UTS	unit trust schemes
VC	venture capital
VCC	venture capital corporation
WC-CMD	ASEAN Working Committee on Capital Market Development
WF	wholesale funds
WQ-FF	Waqf-Featured Fund Framework
y-o-y	year-on-year

SECURITIES COMMISSION MALAYSIA



3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Malaysia

Tel +603 6204 8000

Fax +603 6201 5078

Email cau@seccom.com.my

Website www.sc.com.my | www.investsmartsc.my

 @SecComMY  Securities Commission Malaysia