

## HIGHLIGHTS

- Pursuant to section 126 of the *Securities Commission Malaysia Act 1993* (SCMA), the SC commenced its regulatory assessment (RA) on an operator of an ECF platform (RMO-ECF) on 28 April 2022, followed by its RA on a P2P financing platform (RMO-P2P financing) on 29 April 2022.
- The FBMKLCI Index ended Q2 2022 lower by 9.02% to 1,444.22 points, the largest decline since the global sell-off in 2020 (Q1 2020: -14.97%).
- The SC had approved 2 applications for new Capital Markets Services Licence (CMSL) and 293 applications for new *Capital Markets Services Representative's Licence* (CMSRL) from 1 April 2022 to 30 June 2022.
- As at 30 June 2022, there were 12 ongoing criminal trials at the Sessions Court for various breaches of the securities laws.

## INSTITUTION SUPERVISION

### **Application by Bursa Malaysia Derivatives Clearing Berhad for third-country central counterparty status in the European Union**

Pursuant to *Article 25 of the European Market Infrastructure Regulation* (EMIR), Bursa Malaysia Derivatives Clearing Bhd (BMDC) has applied to be recognised as a third-country central counterparty (TC-CCP) by the European Securities and Markets Authority (ESMA). The TC-CCP recognition would authorise BMDC to continue providing clearing services to clients in the European Union (EU).

As part of the application, the European Commission (EC) was required to determine whether the legal and supervisory frameworks for CCPs in Malaysia are equivalent to the corresponding requirements in EMIR. The SC had engaged with the EU authorities and prepared detailed submissions which include legal, supervisory and enforcement arrangements for CCPs as well as Malaysia's anti-money laundering and counter financing of terrorism (AML/CFT) regime.

The EC subsequently notified the SC that an equivalence decision for Malaysia was adopted on 8 June 2022.

## MARKET SURVEILLANCE

### Domestic equity market performance

The FBMKLCI Index ended Q2 2022 lower by 9.02% to 1,444.22 points, the largest decline since the global sell-off in 2020 (Q1 2020: -14.97%). Earlier in Q2 2022, investor sentiment was supported by the Government's move to reopen international borders as well as Malaysia's economic recovery prospects with favourable data and outlook. However, the optimism was short lived as the benchmark index subsequently tracked the downtrend of most global markets amid tighter monetary condition, inflationary pressure, ongoing Russia-Ukraine tensions and economic growth concerns in China due to its zero-COVID policy.

Among the 30 FBMKLCI constituents, losses were mainly led by heavyweight glovemaking Top Glove (-45.83%) after the company reported a significant decline in net profit for Q3 FY 2022 due to the normalisation of demand and average selling prices for gloves. Additionally, analysts also turned more bearish on the glove manufacturing sector, citing rising input costs, oversupply conditions and competition from China. Nonetheless, buying support on selected blue chips capped losses of the benchmark index. Telekom Malaysia (+7.36%) led gains among the blue chips amid stronger revenue prospects and better earnings outlook by analysts.

On the broader market, all sectors ended lower except for defensive-natured REITs (+1.60%).

Healthcare (-20.92%) was the worst performing sector due to the selling activity on glovemakers. In addition, the technology (-19.19%) sector traded lower in line with global technology stocks amid expectations of a higher interest rate environment.

Across the market segments, other indices (Mid 70: -9.82%, Small Cap: -12.62%, Fledgling: -6.59%, ACE: -15.44%) declined, reflecting a broad-based weaker performance in the local bourse. In terms of trading activity, the daily average volume traded declined by 7.25% q-o-q to 3.10 billion shares while the average value traded per day fell by 16.58% q-o-q to RM2.23 billion.

### Domestic equity market outlook

Economists and international agencies are projecting Malaysia's macro-economic recovery to remain on track underpinned by easing pandemic related restrictions and resumption of economic activity at full capacity. Continued improvement in the macroeconomic environment is expected to provide support for corporate earnings growth, particularly those tied to the economic recovery cycle such as banking, commodity and industrial products among others. In addition, the upcoming award of the MRT3 project tenders may attract increased investors' interest in the construction sector.

## LICENSING

The SC approved 2 applications for new CMSL and 293 applications for new CMSRL in Q2 2022.

The number of CMSL and CMSRL holders are provided in Table 3.

Table 3

**Total number of CMSL holders as at 30 June 2022**

By core activity	Total number of licensees (CMSL)
Dealing in securities <sup>1</sup>	37
Dealing in derivatives	7
Fund management	107
Advising on corporate finance	40
Investment advice	17
Investment advice (individual)	1
Financial planning	34
Financial planning (individual)	2
<b>TOTAL</b>	<b>245</b>

By core activity	Total number of licensees (CMSRL)
Dealing in securities	6,701
Dealing in derivatives	448
Fund management	829
Advising on corporate finance	729
Investment advice	292
Financial planning	1,407
<b>TOTAL</b>	<b>10,406</b>

## Registration

The SC approved 2 new registration for private equity management corporation (PEMC) during this period which were Quin River Capital Sdn Bhd and SDPLOG-IDF 1 (Capital Partners) Pte Ltd.

<sup>1</sup> Includes 5 CMSLs for dealing in securities restricted to unit trust and 1 dealing in securities restricted to listed securities.