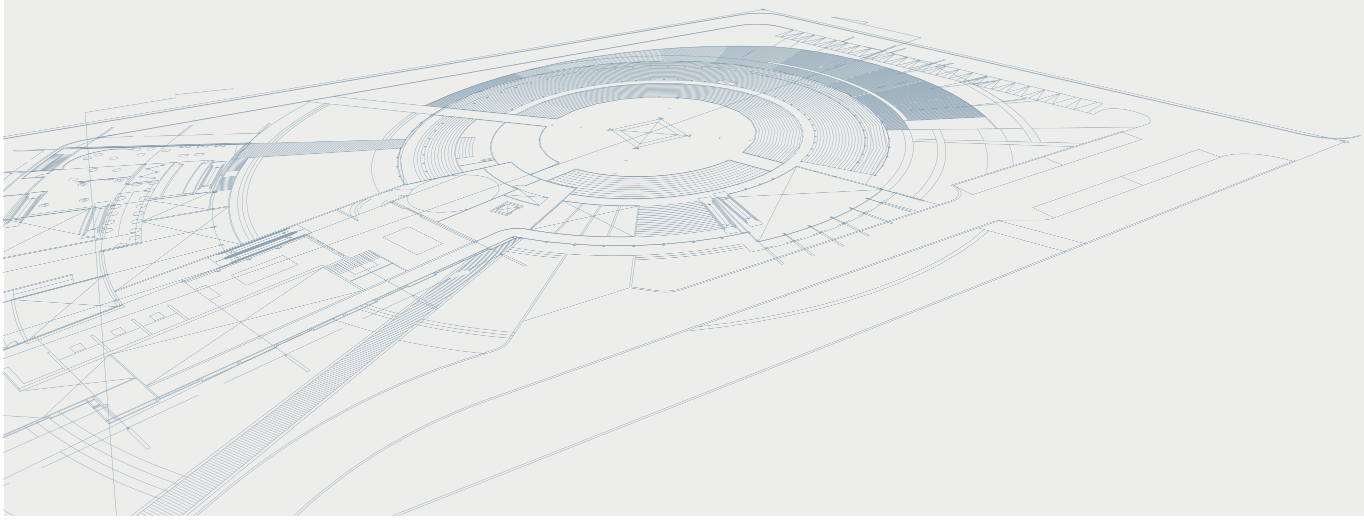
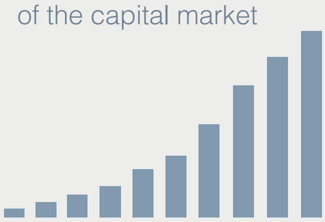
CHAPTER 1

REVIEW OF THE CAPITAL MARKET MASTERPLAN 2



HIGHLIGHTS OF CAPITAL MARKET DEVELOPMENT (2011-2020)

5.3%
compound annual growth rate (CAGR) in total size of the capital market



8.3%
CAGR in alternative fundraising[1] for emergent companies

Bursa MidS Cap Index grew by
5.5%
CAGR since 2017[2]

7.7%
CAGR in total bonds outstanding

9.1% CAGR
in total asset under management (AUM)

7.5%
CAGR in total size of Islamic capital market (ICM)

~2 million
individuals reached through InvestSmart®

1st
globally to issue green sukuk

2nd
globally in protecting minority investors

5th
in APAC for macro corporate governance (CG) quality

73%
public-listed companies (PLCs) have at least one woman director on the board

Note:
1 Alternative fundraising includes equity crowdfunding, peer-to-peer financing, venture capital, private equity and LEAP market.
2 FTSE Bursa Malaysia MidS Cap Index was launched in May 2017.

Source: SC; FTSE Russell; Doing Business 2020, World Bank, 2020; Corporate Governance Watch 2020, ASEAN Corporate Governance Association (ACGA), 2020.

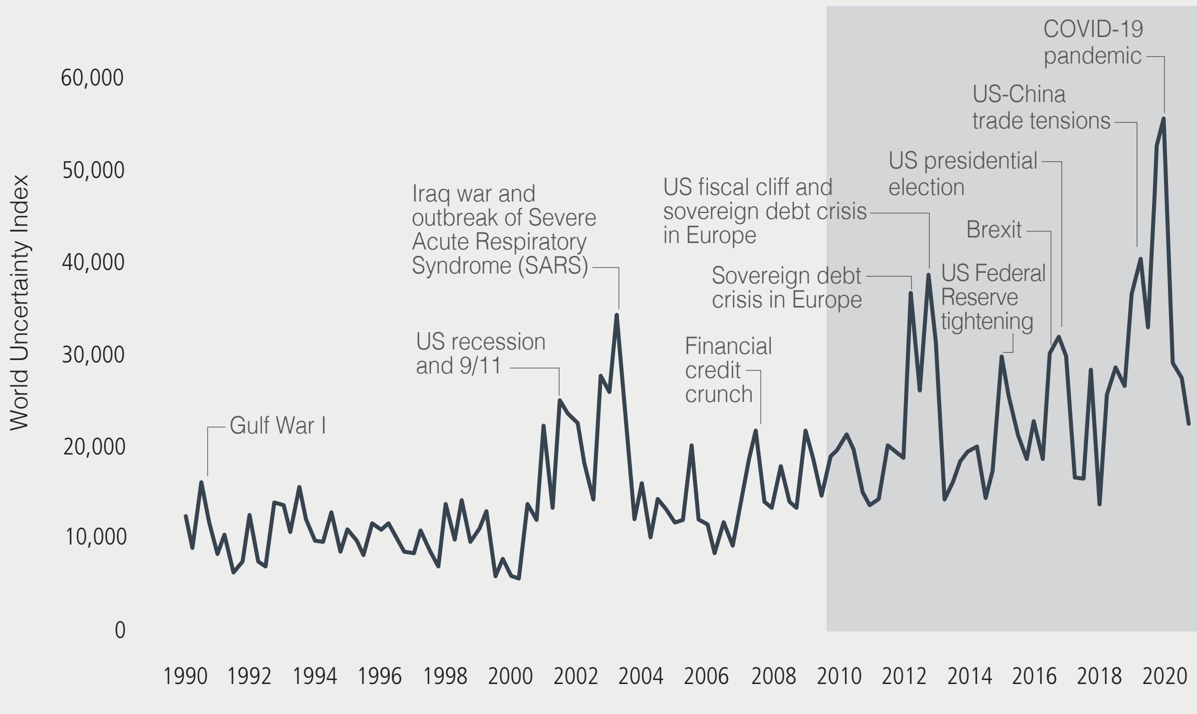
1.1 RESILIENCE IN AN ERA OF HEIGHTENED GLOBAL UNCERTAINTY

The global economic and financial landscape during the CMP2 period was marked by significant events, many of them largely unanticipated at the start of the decade. As a result, capital markets fluctuated between periodic bouts of volatility and calm, but nonetheless stayed relatively resilient. The 2010s began with slower-than-expected recovery of advanced economies (AEs) in the aftermath of the global financial crisis and ended with the unprecedented global pandemic of 2020 that resulted in the most severe economic shock since the 1930s. In between, the global economy experienced numerous other risk events, which influenced the direction of portfolio flows.

1.1.1 OVERVIEW OF GLOBAL GROWTH IN THE LAST DECADE

The decade saw increasing economic and policy uncertainty, with multiple key events that had considerable ramifications to the global economy and financial markets around the world. These included the sovereign debt crisis in Europe, the decision by the United Kingdom (UK) to exit the European Union and the growing United States (US)-China trade tensions following the US election of 2016.

Chart 1
THE CMP2 DECADE WAS MARKED BY SIGNIFICANT EVENTS THAT HEIGHTENED UNCERTAINTY AND CAUSED SIGNIFICANT RAMIFICATIONS GLOBALLY

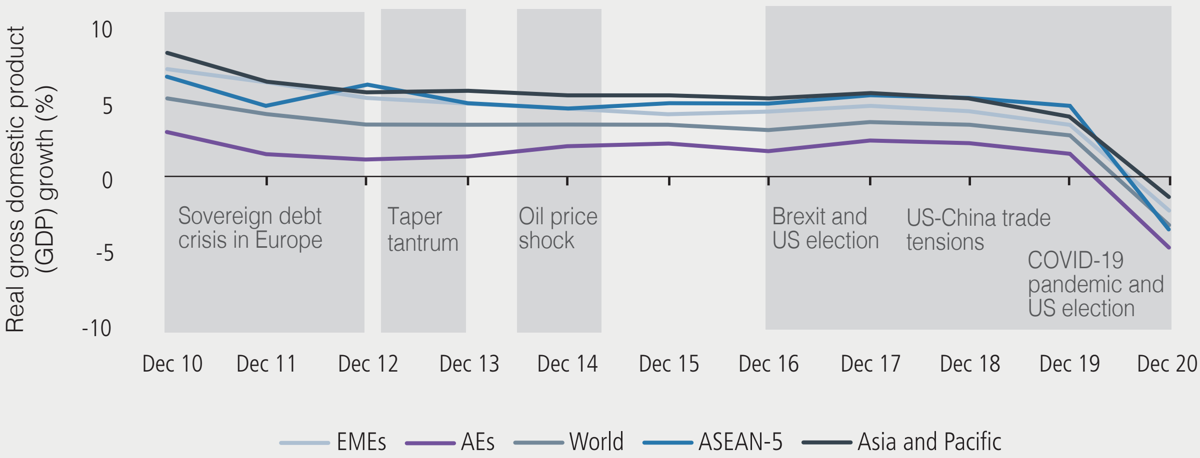


Source: World Uncertainty Index, Stanford Mimeograph. Ahir, H., N., Bloom, and D., Furceri. 2018.

The greater levels of uncertainty led to a divergence in economic performance across countries. In particular, AEs entered into a period of subdued economic growth and low interest rates. Further compounding the AEs' weak performance were the long-term structural trends of ageing populations and weaker productivity growth. This resulted in emerging market economies (EMEs), particularly in the Asian region, leading global growth, driven primarily by domestic demand and continued economic integration.

Chart 2

DESPITE A CHALLENGING DECADE, ASIA CONTINUED TO BE THE LEADING DRIVER OF GLOBAL GROWTH



Source: World Economic Outlook Database, International Monetary Fund (IMF), 2020.

1.1.2 THE DOMESTIC CAPITAL MARKET GREW IN TANDEM WITH THE ECONOMY

Despite the challenging global environment, the Malaysian economy continued on a stable growth path in tandem with the wider Asian region prior to 2020. When the global pandemic hit in the first quarter of 2020, it brought significant economic repercussions arising from the shutdown of businesses, job losses, as well as the reduction in consumer spending and consumer confidence. Overall, the domestic economy grew at an average rate of 5.1% per annum (p.a.) from 2011 to 2019, underpinned by domestic demand and broad-based expansion across most economic sectors (Chart 3) before contracting by 5.6% in 2020 amid the global pandemic. Headline inflation remained low and stable at an average rate of 1.9% p.a. during the period, with inflation expectations being well-anchored.

The stable economic growth supported the growth of debt and equity-based financing in tandem with the increase in investment, characterised by the steady growth of gross fixed capital formation (GFCF) over the years. This was achieved by broadening the capability and capacity of the capital market as well as directing capital towards productive economic activities that ensured businesses, including micro, small and medium-sized enterprises[1] (MSMEs) as well as mid-tier companies[2] (MTC), continued to obtain access to financing.

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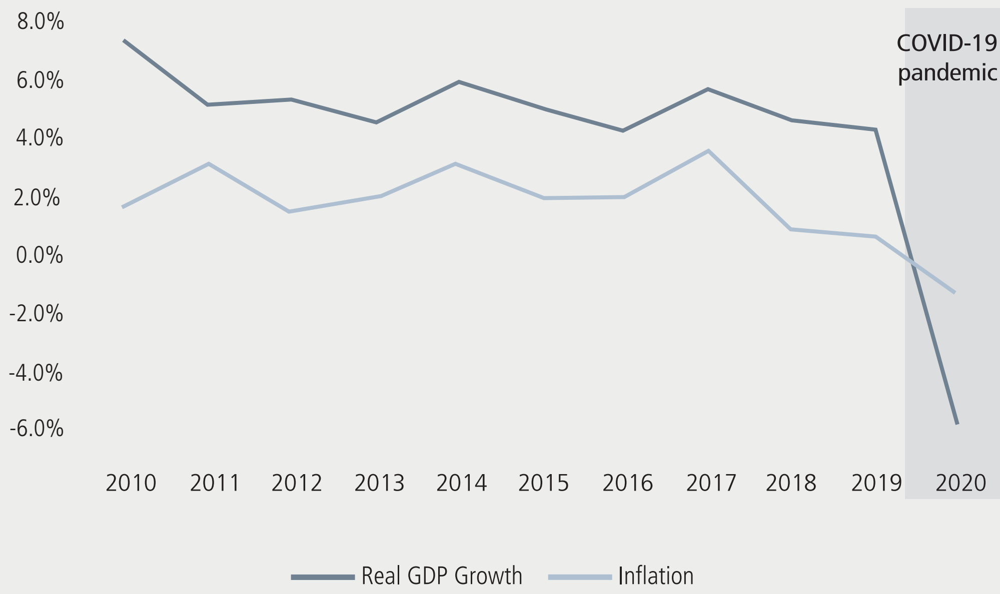
1 MSMEs in Malaysia are defined as companies with annual revenues up to RM50 million or full time employees up to 200 in the manufacturing sector, and up to RM20 million or full time employees up to 75 in other sectors. Source: SME Corporation Malaysia.

2 MTCs in Malaysia are defined as companies with annual revenues between RM50 million and RM500 million in the manufacturing sector and between RM20 million and RM500 million in other sectors. Source: MATRADE.

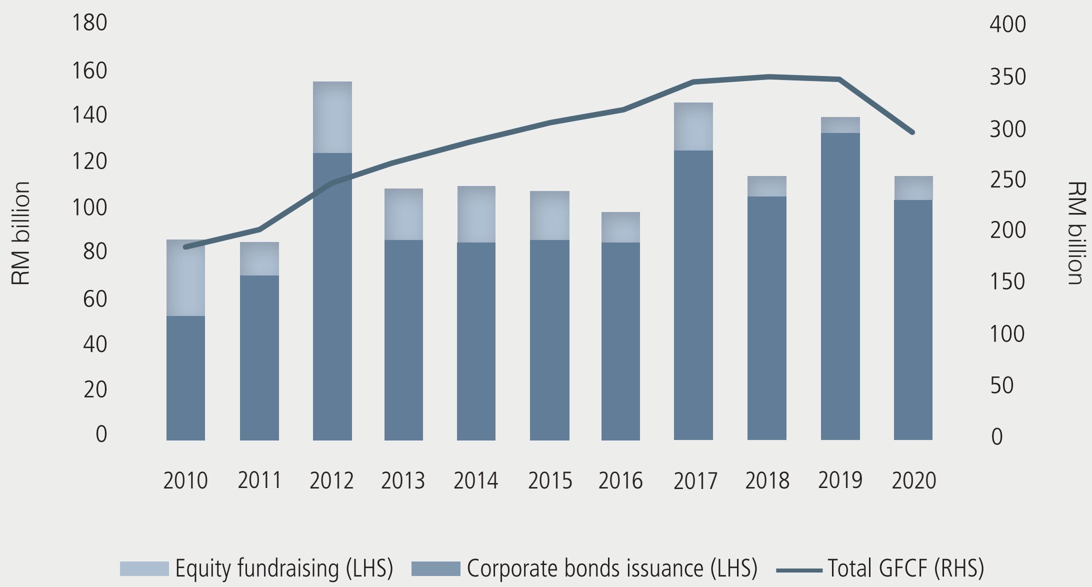
Chart 3
STEADY ECONOMIC GROWTH PATH PRIOR TO 2020, ENABLED BY CONTINUED ACCESS TO MARKET-BASED FINANCING

Steady economic growth path with low and stable inflation prior to the pandemic



Source: Department of Statistics Malaysia (DOSM).

Increasing trend in total capital formation and active fundraising in the capital market[1]

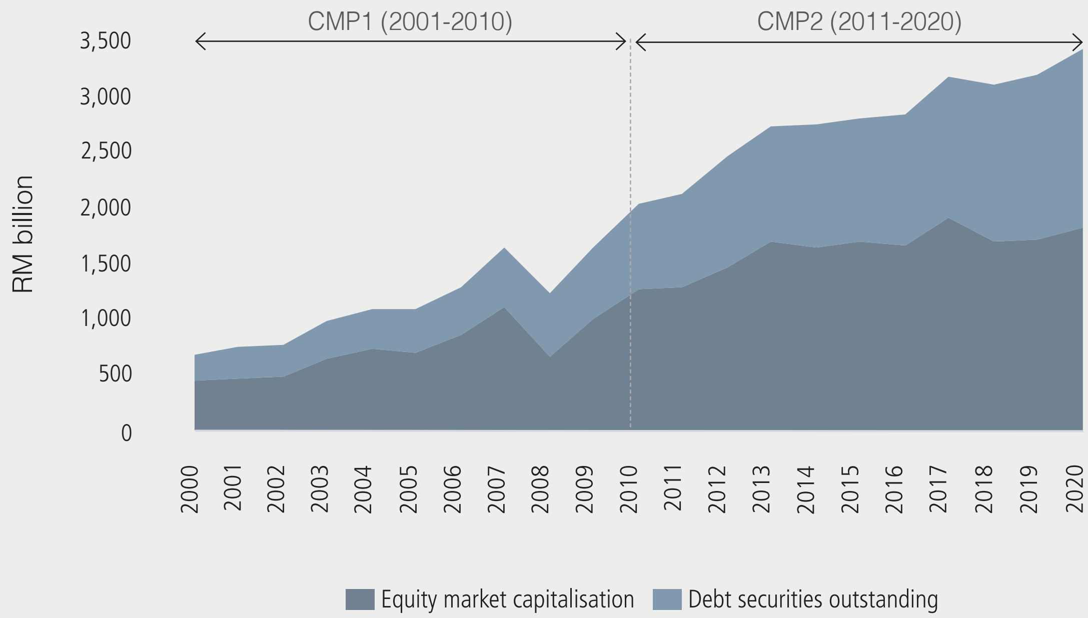


Note:
[1] Total GFCF refers to private and public investment in fixed assets in the services, manufacturing, mining and quarrying, agriculture, and construction sectors.

Source: SC; DOSM.

While the *Capital Market Masterplan 1* (2001-2010) was launched to build the foundation and ecosystems of the capital market, the CMP2 (2011-2020) focused on strategies that would expand the capital market further, with robust governance in place to ensure market stability and integrity. As a result of these focused plans and strategies, the domestic capital market remained relatively resilient and continued to chart strong growth, expanding from RM2.0 trillion at the start of 2011 to RM3.4 trillion at the end of 2020 (Chart 4).

Chart 4
THE MALAYSIAN CAPITAL MARKET GREW TO RM3.4 TRILLION AS AT END OF 2020



Source: SC.

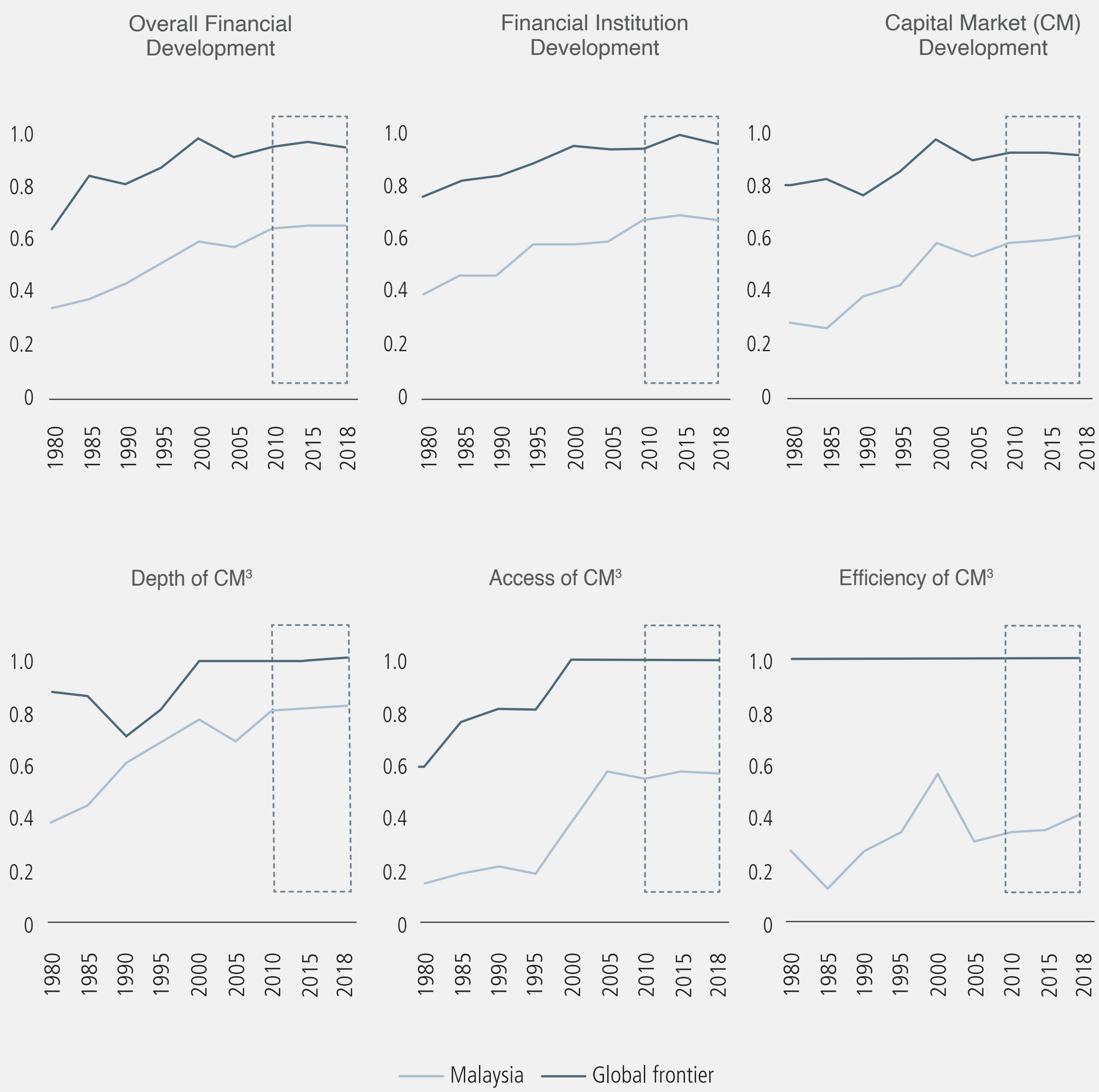
The introduction of various strategic initiatives helped to improve the depth, accessibility and efficiency of the capital market, as shown by Malaysia's overall financial sector development indicators, which continued to improve since 2010 (Chart 5).

1.2 EXPANDED ROLE OF THE CAPITAL MARKET

Over the last decade, the capital formation and savings intermediation landscape has evolved to cater to the increasingly diverse economic landscape, while embracing emerging themes on technology, innovation and sustainability. In response to the varied funding needs across the maturity lifecycle of businesses as well as changing investment preferences and appetites, Malaysia has seen continued expansion in the role of its capital market.

Chart 5

MALAYSIA'S CAPITAL MARKET[1] CONTINUED TO DEVELOP TOWARDS THE GLOBAL FRONTIER[2]



Notes:

[1] IMF uses the term 'Financial Market', which comprises bond and equity markets, to designate the CM. For consistency, Financial Market is referred to as CM in this chart.

[2] Global frontier refers to the highest ranked country for each year for any given financial development index and sub-index. All six charts plot the financial development index and sub-indices for the global frontier and Malaysia in five-year intervals.

[3] The indices summarise how developed a CM is in terms of (a) depth (measures of size and liquidity of markets relative to GDP), (b) access (percentage of market capitalisation outside of top 10 largest companies and total number of debt issuers) and (c) efficiency (stock market turnover ratio) – all of which contribute towards the overall level of a country's financial development.

Source: Financial Development Index Database, IMF, 2019.

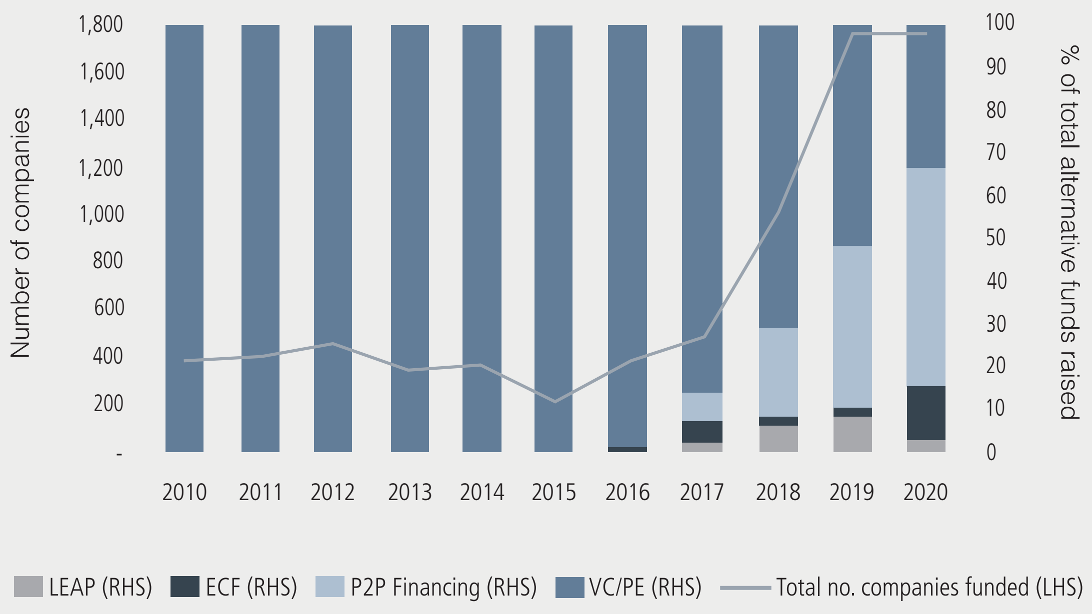
1.2.1 DIVERSIFIED ALTERNATIVE FUNDRAISING AVENUES

With greater innovation and use of technology, the Malaysian capital market has enabled accessibility in recent years, allowing more Malaysian businesses, in particular small and emerging companies, to fundraise. Malaysia was among the first few countries in the region to introduce new fundraising alternatives to cater to businesses at various stages of growth. This includes the introduction of equity crowdfunding (ECF) and peer-to-peer financing (P2P financing) for working capital needs of small businesses, and more recently, initial exchange offering (IEO) for early-stage entrepreneurs. In addition, onshore venture capital (VC) fundraising for early stage companies has evolved, with more investments into growth-stage companies. Similarly, onshore private equity (PE) fundraising for growth-stage companies has also increased[3]. Today, Malaysia comes second in PE deal volume in ASEAN[4].

Alternative fundraising saw early success, spurred on by a broad range of development efforts, such as the launch of a public-private co-investment structure – the Malaysia Co-Investment Fund (MyCIF) – and the facilitation of alternative intermediation platforms. While still small in size, these alternative fundraising avenues have become a growing source of financing for MSMEs throughout the pandemic, increasing their reach to small and emergent companies by fourfold since inception.

Chart 6

ALTERNATIVE FUNDRAISING LANDSCAPE HAS SEEN GREATER DIVERSIFICATION IN THE LAST DECADE



Source: SC.

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[3] Internal analysis, SC.
[4] Source: Preqin.

1.2.2 ENHANCED EQUITY AND BOND MARKETS

Over the last decade, most global jurisdictions, including Malaysia, saw an overall decline in initial public offerings (IPOs), as more companies chose to stay private for longer as a result of greater liquidity in private markets, thus affording them greater control and flexibility.

Notwithstanding these trends, the mid and small cap (MidS) segment of the equity market has seen a higher number of IPO listings and increased trading activity, as reflected in Chart 7. The increase in IPO listings by MidS companies was enabled by initiatives such as the establishment of the LEAP market and an enhanced listing transfer framework from the ACE market to the Main Market[5]. Improved trading activity had in part been enabled by better research coverage through the MidS Research Scheme, lower trading costs with the MidS-specific stamp duty waiver and greater liquidity arising from the various MidS-related indices as well as index futures.

The corporate bonds and sukuk market continued to be a strong fundraising avenue over the last decade, with the outstanding amount growing by 8.9% CAGR to RM732.4 billion in 2020. Share of corporate bonds and sukuk over total issuances increased to 28.5% from 13.0% in 2010. This growth was built on facilitative policies, which strengthened local credit rating capabilities as well as enhanced fundraising flexibilities with liberalised limits and credit rating requirements. To improve liquidity in the secondary market, the SC introduced regulated short selling for corporate bonds and facilitated direct retail participation within the bonds and sukuk market. (Chart 8)

Rapid developments in technology offered electronic solutions to enable growing demand. Together with the increase in the number and types of alternative fundraising platforms, traditional public fundraising channels were also enhanced for greater efficiency. Thus, the operational efficiency of the market infrastructure improved with greater flexibilities for online account openings, the digitisation of corporate actions, as well as the post-trade and settlement process. In line with global best practices, Bursa Malaysia enhanced securities trading efficiency with the introduction of the T+2 settlement cycle. These measures assisted in reducing costs and market friction for participants.

1.2.3 BROADENED INVESTMENT OPTIONS AND INTERMEDIATION CHANNELS

Today, investors in the Malaysian capital market have a diverse range of trading and investment options. At the higher end of the risk spectrum, investors are able to invest in digital assets, derivatives products such as contracts for difference (CFDs), as well as participate in the growth of Malaysian MSMEs through the stock market and ECF platforms. More risk-averse investors can invest in smaller-ticket retail bonds and sukuk, explore new strategies with unit trusts and exchange-traded funds (ETFs), and embrace value-based investing with environmental, social and governance (ESG)-focused funds.

The evolution of the investment needs of Malaysian investors generated significant growth in the industry AUM and brought changes to the Malaysian investment landscape, including greater diversity in product range and better intermediation capacity. As a result, AUM grew at a compounded pace of 9.1% p.a. from RM377.5 billion in 2010 to RM905.5 billion in 2020 (Chart 9).

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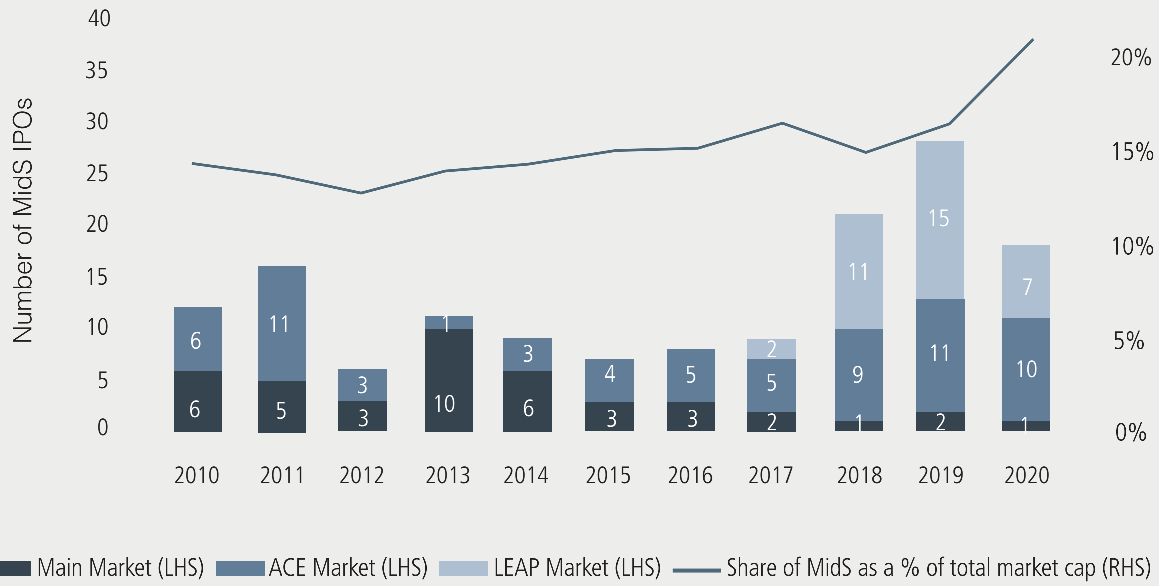
5 An enhanced transfer process for ACE Market counters to move to the Main Market was introduced in tandem with the revision in the SC's *Equity Guidelines* in 2013.

Chart 7

HIGHER NUMBER OF MIDS LISTINGS AND IMPROVED TRADING ACTIVITY

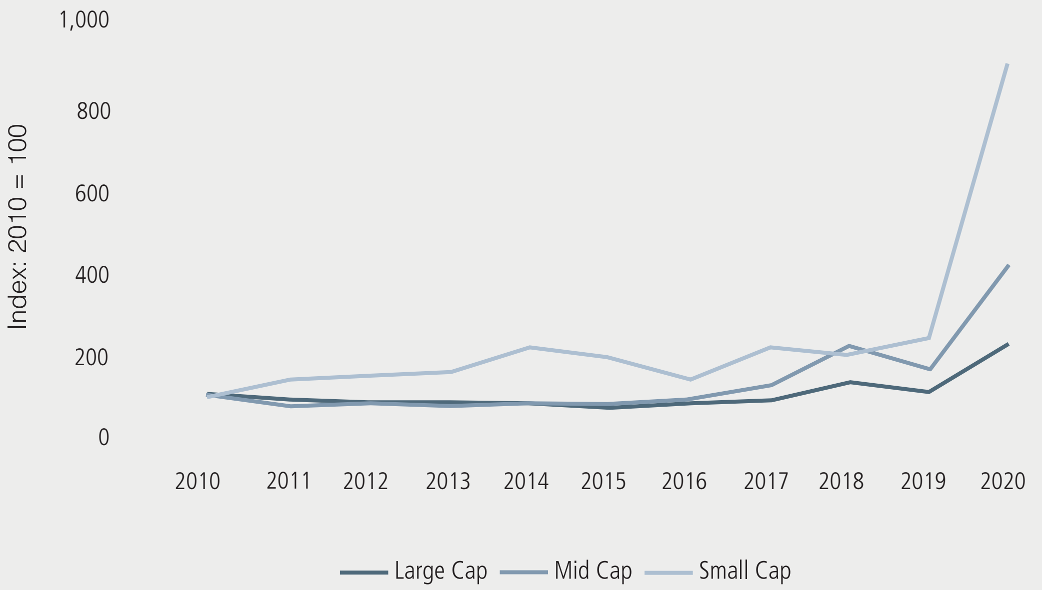
Growth in listings of MidS companies



Note:
MidS stocks comprise listed companies on the LEAP Market, ACE market and Main market (with market capitalisation between RM200 million and RM2 billion as at time of listing).

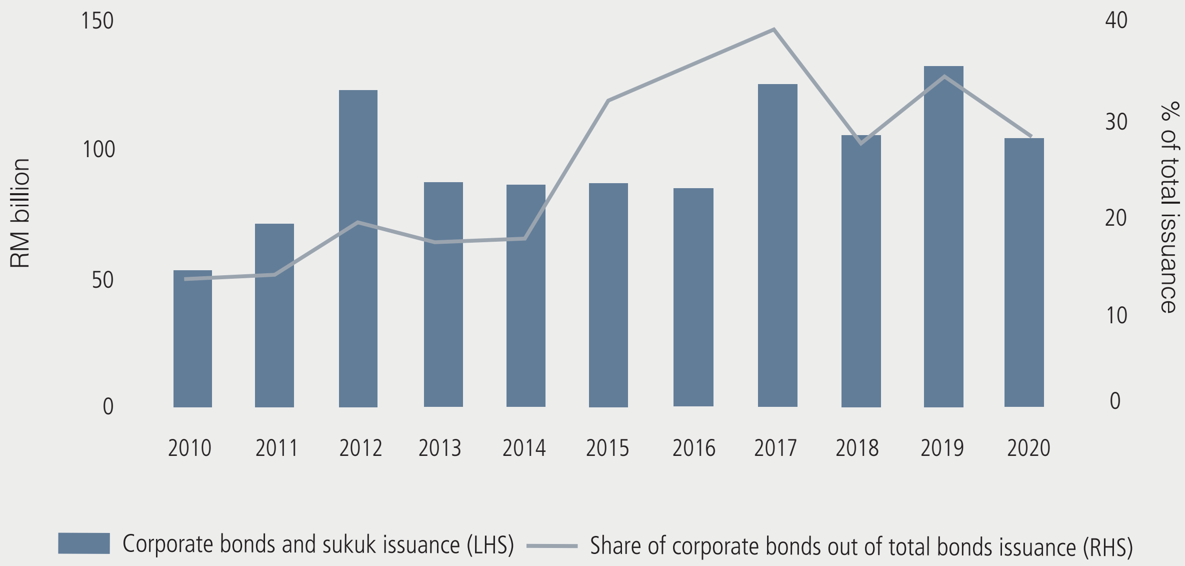
Source: SC.

MidS turnover has grown since end 2010



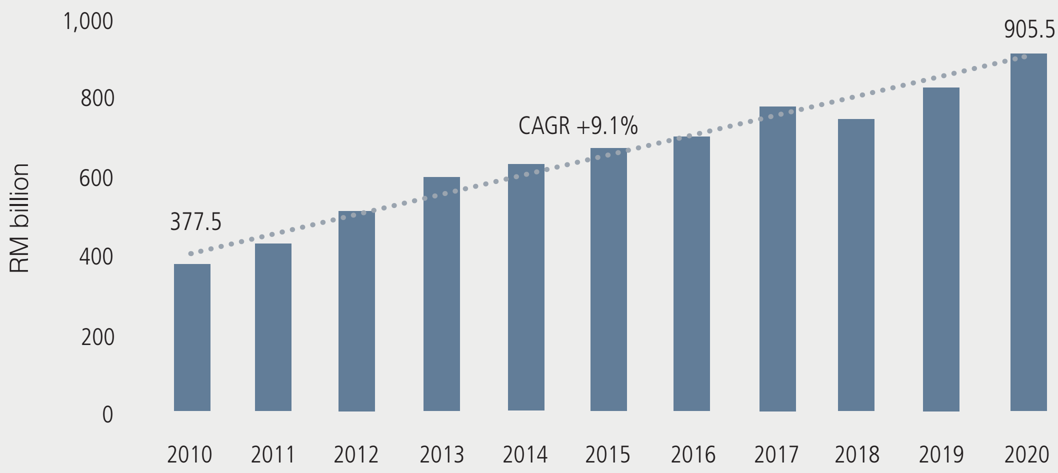
Source: SC.

Chart 8
CORPORATE BONDS AND SUKUK GREW IN SIGNIFICANCE OVER THE LAST DECADE



Source: SC.

Chart 9
TOTAL AUM MORE THAN DOUBLED OVER THE LAST DECADE



Source: SC.

In addition, the introduction of the private retirement scheme (PRS) provided individuals with a private option to complement the public mandatory retirement scheme and longer-term savings flexibility. Since the inception of PRS in 2012, its AUM has grown by a CAGR of 71.5% from RM62.7 million in 2012 to RM4.7 billion in 2020.

The last decade saw the offering of more capital market services, including boutique fund managers, standalone derivatives trading and clearing intermediaries, as well as dual-licensed securities and derivatives dealers. As the demand for digital and online services grew, new intermediation models were facilitated in line with the SC's digital agenda for the capital market, such as digital-only broker, digital investment management (DIM), recognised market operator (RMO) and digital asset exchange (DAX). In addition, e-services platforms were approved to widen the online distribution of capital market products. Industry incumbents also worked with regulators to digitise various aspects of the broking and fund management value chain[6] to remain competitive. The pace of digitisation and innovation has accelerated to better cater to social distancing needs and movement control orders[7] during the COVID-19 pandemic. All these efforts not only facilitated greater options and product innovation within the market but have further enhanced the investing experience.

1.2.4 CHAMPIONED GLOBAL ICM GROWTH AND INNOVATION

Malaysia continued to be a prominent global ICM hub and a leader in global sukuk outstanding and issuances in 2020. Shariah-compliant assets amounted to RM2.3 trillion as at end 2020, having grown from RM1.1 trillion in 2010. Malaysian sukuk outstanding more than tripled in size on the back of facilitative development policies. Islamic AUM meanwhile grew 2.7 times, underpinned by initiatives outlined in the SC's *Islamic Fund and Wealth Management Blueprint*, which was launched in 2017.

Malaysia's global position as an ICM thought leadership hub has strengthened. Throughout the decade, SC-led thought leadership events have brought together scholars, practitioners, regulators, intermediaries and investors to catalyse discussions ranging from the role of ICM in infrastructure and sustainable development to Islamic social finance and impact investing. Strategic platforms and forums like the SC-Oxford Centre for Islamic Studies (OCIS) roundtable, the Scholar-in-Residence programme and the SC-World Bank-International Organization of Securities Commissions (IOSCO) Asia Pacific Hub Conference, have helped to shape the growth of ICM globally. Capacity-building programmes conducted by the Securities Industry Development Corporation (SIDC), such as Shariah Professional Programmes for ICM and Islamic Capital Market Graduate Training Scheme, also helped to strengthen human capital development.

Innovation continues to be at the heart of the SC's ICM strategy, with Malaysia pioneering various global ICM milestones. This includes the issuance of the world's first green sukuk, ESG sukuk fund and IPO with *waqf* shares as well as a ground-breaking resolution by the SC's Shariah Advisory Council (SAC) on the permissibility of investment and trade in digital assets on registered DAX. (Chart 10)

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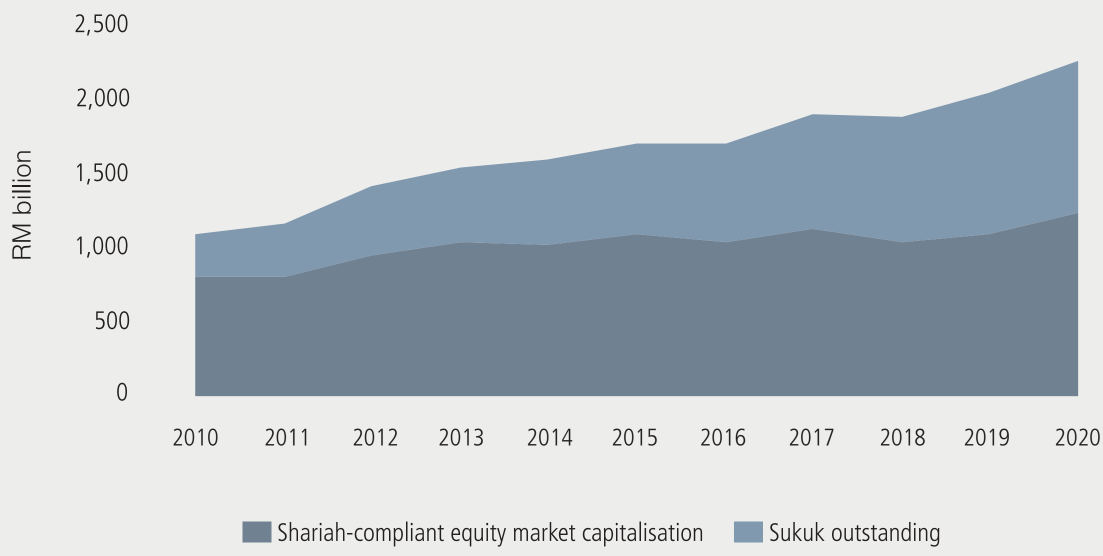
6 As part of ongoing efforts to modernise and promote efficiencies within the capital market, the SC established the Brokerage Industry Digitisation Group (BRIDGe) in August 2018 and the Fund Management Industry Digitisation Group (FMDG) in November 2019.

7 The movement control order is a series of national quarantine and cordon sanitaire measures implemented by the federal government of Malaysia in response to the COVID-19 pandemic in the country.

Chart 10
THE MALAYSIAN ICM DOUBLED IN SIZE OVER THE LAST DECADE



Source: SC.

1.2.5 DEVELOPED A SUSTAINABLE AND RESPONSIBLE INVESTMENT ECOSYSTEM, AND CAPITALISED ON ICM-SRI SYNERGIES

In line with Malaysia's commitment to the United Nations's (UN) 2030 Agenda on Sustainable Development, the SC embarked on the development of the Sustainable and Responsible Investment (SRI) ecosystem, anchored on the 5*i*-Strategy. This entails developing the SRI investor base, issuer base, instruments, internal governance culture and information architecture. The launch of the *Sustainable and Responsible Investment Roadmap for the Malaysian Capital Market* (SRI Roadmap) in 2019 provided added momentum to broad-ranging efforts to enable product standards, incentives, disclosures and reporting – all of which set the stage for the industry to push the envelope on SRI offerings and deliver value-enhancing ESG-based solutions.

The introduction of the Sustainable and Responsible Investment Sukuk Framework (SRI Sukuk Framework) and the *Guidelines on Sustainable and Responsible Investment Funds* (Guidelines on SRI Funds) capitalised on similarities between the underlying principles of Islamic finance and SRI. This has thus far produced 13 SRI sukuk issuers, with a combined total issuance amounting to RM5.5 billion as at December 2020 and catalysed a series of innovative ICM-SRI product structures. In fact, Malaysia has one of the largest SRI AUM in the Asian region (ex-Japan)[8] due to the strength and scale of its Islamic funds, which are recognised as part of the overall SRI universe.

Given the importance of regional and global standards for greater SRI growth, Malaysia, through the SC, was actively involved in various collaborations pivotal to the SRI ecosystem. At the ASEAN level, the SC jointly led the ASEAN Capital Markets Forum (ACMF) Sustainable Finance Working Group to develop the *ASEAN Green Bond Standards* (2017), *ASEAN Social Bond Standards* (2018) and the *ASEAN Sustainability Bond Standards* (2018). At the global level, the SC is a member of the IOSCO's Sustainable Finance Task Force,

[8] *Global Sustainable Investment Review*, Global Sustainable Investment Alliance, 2016.

which seeks to improve the comparability of sustainability-related disclosures as well as cross-border regulatory and supervisory co-ordination. Domestically, both the SC and Bank Negara Malaysia (BNM) kicked off the Joint Committee on Climate Change (JC3) with industry players, to accelerate climate action through the financial sector. Centres of Excellence (COEs) on sustainability for PLCs, financial intermediaries and investors respectively were also established by Capital Markets Malaysia (CMM), an SC affiliate, together with strategic partners to enhance the SRI capabilities among relevant stakeholders.

Such efforts are crucial in the face of greater global impetus to address climate change and pandemic-exacerbated social needs, and are expected to elevate Malaysia's position as a SRI centre in the region.

1.3 ENHANCED GOVERNANCE FOR MARKET INTEGRITY AND INVESTOR PROTECTION

Market integrity and investor protection are key tenets of a thriving capital market. Against a backdrop of continuous market growth and innovation, the regulatory framework governing markets, intermediaries and corporates had to evolve to stay relevant. Enhanced governance and greater accountability, coupled with credible deterrence and investor empowerment, have played a crucial role in protecting investors and ensuring the integrity of the markets.

1.3.1 STRENGTHENED OVERSIGHT OF SYSTEMIC RISKS

The previous financial crises have led to greater emphasis by banking and securities regulators worldwide on the need for early identification of systemic risks. The SC's approach to systemic risk management was multi-pronged, taking into consideration potential risks arising from sources external and internal to the capital market.

At the macro-level, the Macro-Prudential Surveillance Framework was established to identify vulnerabilities in the capital market by assessing risk transmission across intermediaries and market segments. This enabled the deployment of policy alternatives to prevent distress and mitigate systemic risks. In tandem, the *Securities Commission Act 1993* (SCA) and *Capital Markets and Services Act 2007* (CMSA) were enhanced to strengthen the SC's ability to manage and monitor such risks.

These efforts complemented a shift towards a risk-focused supervisory approach, with emphasis on intermediaries' risk profiles in relation to their business strategies and exposures. A dedicated risk supervisory group was set up to focus on systemically important financial institutions (SIFIs), to ensure that preventive and corrective actions can be taken in a timely manner to address emerging risks. For smaller intermediaries that are vulnerable to economic shocks, proactive engagement was undertaken to promote the adoption of stress testing in their risk management processes.

The Systemic Risk Oversight Committee (SROC) was also established to oversee systemic risks and co-ordinate market crisis management issues. This includes co-ordination with national and international regulators to ensure a more holistic approach to managing systemic risk and financial sector stability. This framework enabled both the SC and BNM to manage risks and stability in the financial and capital markets as the impact of the pandemic unfolded in the country.

1.3.2 EXPANDED REGULATORY FRAMEWORK AS THE MARKET EVOLVED

The evolution of markets in the last decade saw the emergence of alternative platforms or marketplaces that have redefined the intermediation process between investors and issuers. Given that these new business models have different risk profiles compared to the public markets in Malaysia, the SC introduced a risk-based regulatory approach with the RMO regime to facilitate and supervise their development. At the same time, systemically important market structures or approved exchanges were held to higher standards to maintain market integrity. Steps were taken to better govern key financial market infrastructures that clear, settle and function as a central depository. This includes the issuance of the *Guidelines on Financial Market Infrastructures* (FMIs) to bring FMIs in line with the IOSCO's principles.

Bursa Malaysia's discharge of its regulatory duties was assessed annually, together with its governance practices, market surveillance, supervision and cyber security risk management. This has laid the foundation for the establishment of a regulatory subsidiary to further enhance its governance structure and address potential conflicts of interest. When completed, this will place Malaysia's exchange regulatory framework in line with other jurisdictions such as Singapore and Japan.

With technological advancements, markets have seen increased sophistication in trading dynamics and greater demand for direct market access, automated trading and proprietary trading. Regulatory guidelines, rules and reporting obligations were enhanced to facilitate and govern the growth of trade execution services amid greater trading vibrancy.

Since the start of the decade, global efforts focused on enhancing the strength of market institutions and enacting greater transparency for over-the-counter (OTC) transactions. As the domestic capital market matured, legislative amendments were enacted to safeguard the enforceability of netting provisions for contracts. The introduction of a framework for OTC CFD, which required investors to trade only with licensed CFD intermediaries, facilitated better transparency and management of OTC risks.

1.3.3 EXPANDED ACCOUNTABILITIES WITH GREATER DIVERSITY IN INTERMEDIATION AND PRODUCT RANGE

The growth and diversity of intermediation services and products thrived under a facilitative regulatory regime that recognised the twin importance of innovation and accountability. This entailed progressive legislative amendments and robust governance arrangements to ensure market participants exercise appropriate duty of care for their customers and actions.

To strike an optimal balance between innovation and regulation, the SC adopted the principle of proportionality for liberalisation measures and the rationalisation of regulatory frameworks. Progressive liberalisation of rules and guidelines allowed for the entry of fully foreign-owned intermediaries in different market segments, while the decoupling of existing arrangements – including derivatives clearing and trading – and increased outsourcing of non-core functions facilitated new business models.

The rationalisation of regulatory frameworks was undertaken in line with growing market maturity. This included the establishment of the Lodge and Launch (LOLA) platform, which allowed for a quicker time to market for wholesale products for sophisticated investors, with post-lodgement reviews being conducted afterwards. The ease of doing business was improved with a more cost-effective regulatory regime, for example, replacing the annual licensing renewal requirement with greater monitoring and regular reporting. The SC also established a central electronic disclosure system for continuous reporting obligations to facilitate efficient information access.

Greater accountability was placed on boards and management of intermediaries to monitor the business conduct of employees and agents. This required boards to take an active role in driving compliance and risk management culture as well as manage potential conflicts of interest. The promotion of a strong compliance culture among directors of PLCs was enhanced through the Capital Market Director Programme delivered by the SIDC, and the *Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries*.

In addition, investors were better empowered to make informed investment decisions through strengthened disclosures, greater focus on suitability assessments and post-issuance obligations by intermediaries. With the widespread usage of digital marketing channels in recent years, product issuers were allowed greater flexibility in using a wider range of advertising platforms, including social media, messaging applications and video streaming, to responsibly promote their products and services through the new *Guidelines on Advertising for Capital Market Products and Related Services* issued in 2020.

1.3.4 STRENGTHENED CORPORATE GOVERNANCE PRACTICES

In the CMP2, the SC set out to develop a capital market that is distinguished by the high quality of its governance. Good CG practices engender trust and confidence among investors, and provide a solid foundation to achieve sustainable growth. Recognising the importance of a culture of self and market discipline, the *Corporate Governance Blueprint* (CG Blueprint) issued in 2011 outlined the need for better governance across the market ecosystem, including directors, shareholders and gatekeepers, as well as through public and private enforcement.

Over the last decade, Malaysia continued to receive international plaudits for its CG standards. In the recent C*orporate Governance Watch 2020* assessment by ACGA, Malaysia ranked fifth. There were marked improvements recorded in the areas of CG rules, standards and practices of auditors and audit regulators, investor stewardship as well as the CG culture of listed companies. Malaysia also ranked second in protecting minority investors, according to the World Bank's *Doing Business 2020* – a hallmark to the strength of its shareholder rights, governance safeguards and corporate transparency requirements.

The *Malaysian Code on Corporate Governance* (MCCG) has evolved to utilise the Comprehend, Apply and Report (CARE) approach to promote greater internalisation of CG. Coupled with the SC's annual reporting of adoption rates via the *Corporate Governance Monitor* (CG Monitor), Malaysia has seen improvements across various indicators of board leadership and effectiveness, audit and risk management, integrity in corporate reporting and meaningful relationships with stakeholders. Gender diversity in PLCs have also seen marked improvements as a result of efforts by the SC and the industry to champion it. As at end of 2020, 73% of PLCs have at least one female on their board, compared to 44% in 2018.

In fostering high quality independent auditing in the capital market, the Audit Oversight Board (AOB), which was set up in 2010, continued to strengthen its focus on risk-based inspections and to take enforcement actions against auditors for non-compliance. Additionally, new registration criteria were introduced in 2018 to ensure that the auditors' gatekeeping role remains relevant, and more importantly, to encourage audit firms to increase their capacity and improve audit quality.

The decade also saw growth in the professionalism and effectiveness of corporate directors through the work of the Institute of Corporate Directors Malaysia (ICDM). There was also greater investor stewardship, underpinned by the *Malaysian Code for Institutional Investors* (MCII) and the Institutional Investors Council (IIC). Stakeholder alignment for CG was improved through the CG Council, the greater use of technology to enhance disclosures and active shareholder participation. A new guideline on the conduct of directors of listed issuers and their subsidiaries was also issued in line with the SC's *Corporate Governance Strategic Priorities (2017-2020)*, which seeks to, among others, promote the proper discharge of directors' fiduciary duties in corporate Malaysia.

1.3.5 GREATER INVESTOR PROTECTION THROUGH CREDIBLE DETERRENCE AND INVESTOR EMPOWERMENT

Investor protection is the SC's *raison d'etre* and underpins most of the development and regulatory efforts for the Malaysian capital market. This includes ensuring investors are sufficiently empowered to make informed financial and investment decisions, aware of fraud schemes and scams as well as able to seek redress. Credible deterrence through effective enforcement actions constitutes another key component of investor protection and empowerment.

Over the years, the SC's administrative, civil and criminal prosecution powers as well as enforcement reach were expanded to enable greater action against directors, officers and intermediaries, to minimise losses to investors. These include various pre-emptive measures such as obtaining court injunctions in order to freeze assets pre-investigation or trial, seizing properties believed to be related to unlawful activities and proactive engagements with PLCs and auditors. The focus of enforcement cases has also evolved from market manipulation and insider trading cases to the areas of securities fraud, misconduct and CG. Greater collaboration with Bursa Malaysia and other self-regulatory organisations (SROs) in the capital market has led to timely identification of possible breaches of securities laws and increased efficiency to undertake actions through parallel enforcement framework. Continued co-operation with international regulators and agencies also assisted in providing restitution for 1,856 investors totaling RM8.1 million between 2011 and 2020.

Under the aegis of the SC's InvestSmart® brand, various investor education initiatives were carried out to empower the Malaysian public. These include the annual InvestSmart® Fest, #FinPlan4U free financial planning clinics, seminars, online webinars and joint events with other agencies. Since its establishment in 2014, InvestSmart® has reached out to almost two million individuals through these initiatives. InvestSmart® also reached out to millions of other Malaysians nationwide through television, radio, InvestSmart®'s website, mobile app and social media channels, providing information on capital market products and services as well as promoting anti-scam awareness.

These investor empowerment initiatives are further complemented by others in the capital market such as the Bursa Marketplace and Bursa Academy by Bursa Malaysia as well as SmartFinance by the Financial Planning Association of Malaysia (FPAM). All these initiatives are in line with the objectives of the Financial Education Network (FEN), co-chaired by the SC and BNM, to elevate financial literacy and promote responsible financial behaviour among Malaysians.

The establishment of the Securities Industry Dispute Resolution Center (SIDREC) further enhanced investor accessibility to alternative dispute resolution mechanisms. SIDREC, together with the Capital Market Compensation Fund (CMCF), offers effective avenues for investor redress. From 2011 until 2020, SIDREC had resolved more than 65% of the total 541 eligible disputes.