

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

Public trust and investor confidence are integral to the continuous functioning of the capital market, and it is the core mandate of the Securities Commission Malaysia (SC) to ensure that they remain safeguarded at all times. This requires a regulatory architecture that is as rigorous as it is proportionate; one capable of delivering multiple policy objectives including the fostering of systemic resilience in the capital market and prudent behaviour among its participants, while also promoting inclusiveness and long-term growth in the capital market as well as the real economy.

Achieving this balance is not an easy task, particularly as sowing the seeds of resilience often requires regulators to 'lean against the wind' during periods of exuberance to mitigate potential vulnerabilities at an early stage in the business and financial cycle.

Weathering headwinds

Such regulatory vigilance proved particularly crucial in 2015, a challenging year for emerging markets as investor sentiment coalesced around uncertainties emanating from the divergence of monetary policy in advanced economies, the impact of prolonged low commodity prices on major resource exporters as well as concerns over a structural slowdown in key emerging market economies that had driven global growth in the



post-crisis years. These uncertainties manifested in significant pressure in all emerging markets.

Such pressure, however, manifested in varying degrees as investors increasingly moved away from holding a homogeneous view on emerging markets towards greater differentiation, which involved an assessment of individual markets on the basis of fundamentals including long-term economic prospects, the quality of capital market regulation and corporate governance as well as the credibility of institutions.

Notwithstanding such headwinds, the Malaysian capital market continued to expand in 2015 to reach RM2.82 trillion in size compared to RM2.76 trillion in 2014.

The growth was driven by the equity market, which grew by RM44 billion from RM1,651 billion in 2014 to RM1,695 billion by end-2015, and the bond market which also grew by RM15 billion to reach RM1,125 billion in 2015, compared to RM1,110 billion in the previous year.

Such expansion attests to the sustained ability for issuers to obtain long-term financing from the Malaysian capital market, as fundraising activity remained robust throughout the year with RM86 billion raised through the issuance of private debt securities – higher than the corresponding amount in 2014 – and RM4 billion raised via initial public offerings, bringing the total funds raised through the primary market to RM90 billion in 2015, compared to RM92 billion in 2014.

A sustained expansion in buy-side liquidity over the year also contributed towards the relative resilience of the capital market, with assets under management by fund management companies rising by 6% to RM668 billion in 2015 compared to RM630 billion in 2014. Unit trust funds continued to be the largest source of clients' assets under management, with net asset value of RM347 billion by end-2015 compared to RM343 billion in 2014. The unit trust industry, which is an important proxy for retail investor confidence in the capital market, also recorded a surplus of sales over redemptions with the number of units in circulation growing from 425 billion in 2014 to 458 billion in 2015.

Moreover, while the capital market recorded net portfolio outflows in 2015 in line with global emerging market trends, the value of foreign ownership in the corporate bond market increased slightly from RM13.9 billion in 2014 to RM14.0 billion by end-2015. Liquidation of foreign portfolio positions in the equity market also took place at a measured pace, with the FBMKLCI recording a decline of -3.9%

compared to the MSCI Emerging Markets index which fell by -17.0% over the same period.

Preserving systemic resilience

The market's ability to remain resilient while maintaining public trust and investor confidence in a challenging climate attests to the continuous efforts that have been put into strengthening its regulatory and institutional foundations. Such efforts include the progressive tightening of rules governing the microprudential soundness and conduct of intermediaries and systemically important market infrastructure, such as the exchange and clearing house, to reinforce their ability to withstand significant market stress.

At the same time, safeguards to promote orderly market conditions such as circuit-breakers and restrictions on short-selling have been in place for more than a decade, while the ambit of regulatory scrutiny was broadened to include intermediary conduct and governance, both of which are important drivers of investor outcomes as well as the entities' financial sustainability.

The SC continued to strengthen its supervisory, surveillance and enforcement capacity, with intensified oversight particularly over entities deemed as systemically important to the capital market as well as close scrutiny on key dimensions of intermediary conduct such as sales practices and anti-money laundering measures.

Recognising that regulation must be as seamless and responsive as the markets under our watch, the SC has also established channels for close coordination and co-operation with our domestic and international regulatory counterparts – efforts that have been greatly facilitated by our leadership role in global regulatory organisations such as the International Organization of

Securities Commissions (IOSCO), where I am a Vice-Chair of the Board as well as Chair of the Growth and Emerging Markets (GEM) Committee, the largest committee in IOSCO which represents 97 regulators that are responsible for overseeing US\$19 trillion in aggregate market capitalisation.

Such regulatory strengthening is complemented by the SC's long-term developmental efforts to broaden and deepen the capital market, with the establishment of the corporate bond market, for example, providing an avenue for domestic issuers to obtain long-dated local currency financing and reduce their reliance on external borrowings. At the same time, recognising the risks of narrow exits on market liquidity, we have also continuously sought to develop a large domestic institutional investor base which enables more efficient capital mobilisation and engenders greater market resilience through their long-term investment horizons.

The existence of these lines of defence enabled the SC to provide policy certainty and exert a steadying influence over the Malaysian capital market during what has been a particularly challenging year. Nevertheless, while market conditions have thus far remained orderly with no failure recorded among intermediaries and market infrastructure operators, the SC continued to closely monitor potential transmission channels for vulnerabilities that may arise from shifts in global liquidity, given the significant level of portfolio investments that have flowed into emerging markets since 2008.

As a result, our Systemic Risk Oversight Committee convened on a more frequent basis in 2015 to deliberate on domestic and global developments that may pose a systemic risk to the capital market as well as the Malaysian financial system and economy at large. Such ongoing assessments have resulted in further enhancements to the SC's market oversight and supervisory arrangements, including those with other regulators and other relevant market institutions.

Credible deterrence through enforcement

To anchor trust and confidence in the capital market, the SC continued to deploy a wide range of enforcement actions against those deemed to have committed offences resulting in investor detriment and harm to overall market integrity, which is underpinned by a commitment towards delivering credible deterrence against misconduct.

Given the crucial role played by information reliability in a disclosure-based regulatory regime, we cast a wide net within our statutory powers to pursue criminal and administrative actions against various disclosure-related offences such as non-compliance with approved accounting standards and the furnishing of false and misleading statements, including charging a licensed audit partner for abetting a public-listed company in making a misleading statement to Bursa Malaysia Securities Bhd.

We are also encouraged by a recent Court of Appeal decision which imposed a prison sentence in addition to fines imposed by the lower courts against four individuals for providing false disclosures, which marks judicial recognition of the importance of SC's enforcement work in safeguarding the fairness and orderliness of the capital market.

Insider trading continues to be a focus area, with 16 individuals charged for such offences. A total of 41 administrative actions were also taken against various parties that have failed to act in accordance with the standards of conduct and integrity required by the SC including licensed persons, public-listed companies as well as their directors, with the Audit Oversight Board for the first time revoking the registration of an audit firm and its partners as they were found to be no longer fit and proper to audit public-interest entities. Internal processes with respect to administrative actions have also been streamlined, significantly reducing the average time

taken to conclude such an action from 144 days to only 44 days in 2015.

Optimising the regulatory framework

The sustained resilience of the capital market arising from these efforts afforded SC sufficient policy space to persevere in our long-term developmental agenda, which is premised on building a well-functioning capital market that can effectively fulfil its role as a growth enabler in the real economy, while also consolidating its regional and global competitiveness.

One of our key initiatives in this regard is an extensive multi-year regulatory reform programme across various segments of the capital market. Since 2013, several specialist workstreams have been established within SC to identify sources for further efficiencies within the existing regime and implement measures to ensure that the regulatory architecture will become more conducive for innovation – both in the capital market and economic sphere – while continuing to accord an appropriate level of investor protection in line with principles of transparency and proportionality.

A key deliverable was the liberalisation of the wholesale market in 2015, which removed the need for issuers to obtain SC's prior approval before launching eligible products and securities. By consolidating five different guidelines into a single regulation, the 'Lodge and Launch' framework also significantly simplified the regulatory framework for the wholesale market and shortened time-to-market while delivering greater regulatory proportionality in a segment that caters only to sophisticated investors.

Recognising professional fund management as an important growth area for the capital market, we have also introduced several liberalisation measures that will allow fund management companies to engage in a

broader range of activities while also paving the way for the development of a boutique fund management industry. This initiative is complemented by the SC's three-year plan to further expand the financial planning industry, involving the strengthening of professional standards and recalibration of the regulatory framework to fit the size and scale of the industry.

Fostering long-term competitiveness

In 2015, the SC continued to diversify channels for financing and investments while broadening access to the capital market by pursuing measures to deepen existing market segments and nurturing new growth areas

One such area of focus is the Islamic capital market, where Malaysia has firmly established its reputation as a global leader in Islamic finance and the world's largest issuer of sukuk. With Islamic finance rapidly gaining traction in Muslim-majority nations and international financial centres alike, it is crucial for the SC to continue to identify new growth areas to consolidate Malaysia's leadership in an increasingly competitive market, with fund and wealth management identified as a high-potential segment. Extensive work is therefore underway in formulating a roadmap which articulates the SC's strategy to establish Malaysia as a global Islamic fund and wealth management hub, the release of which is slated for 2016.

At the same time, Malaysia's well-established Islamic capital market infrastructure lends itself to natural synergies for the SC's efforts to capitalise on growing interest in sustainable and responsible investments (SRI) – an interest driven by pressing global concerns over socioeconomic issues including inequality, climate change and the financing of humanitarian aid. In spurring the development of this nascent sector, our strategy has focussed on the 5i's – building a critical mass

of issuers and investors while promoting the development of financing instruments, both of which are underpinned by a facilitative internal culture and transparent information architecture. Market response to these measures have thus far been encouraging, with the launch of an Environmental, Social and Governance (ESG) Index Fund by ValueCap as well as the issuance of Sukuk Ihsan by Khazanah Nasional Bhd following from the implementation of the SC's SRI Sukuk Framework in 2014. Issuers have also begun to integrate the sustainability agenda in their corporate strategies, with several large listed companies committing to adopt integrated reporting standards.

Another key market developmental thrust is SC's ongoing efforts to facilitate access to market-based financing for early and growth-stage companies, which have gained further impetus through amendments effected to our regulatory framework for the Malaysian venture capital (VC) and private equity (PE) industries as well as the expansion of the mandate of the Malaysian Venture Capital and Private Equity Development Council (MVCDC), which the SC chairs, to formally include the development of the PE sector.

Such focus on expanding alternative pathways to market-based financing dovetails with the emergence of a potentially game-changing industry known as financial technology or 'FinTech', which focusses on harnessing technology to transform and improve the delivery of financial services to both investors and businesses. At the SC, we recognise that such innovations may prove transformative for the capital market, given its potential capacity to disrupt incumbents and reinvent existing intermediation channels through greater ease of entry and use, cost-effective yet powerful analytics, as well as shorter response cycles. Nevertheless, we are also cognisant of the risks that may potentially arise as this sector gains critical mass domestically and globally.

Given these considerations, the SC has adopted a policy stance which is facilitative of FinTech development

while keeping a watchful eye over potential sources of risk. One of our first initiatives in this regard is the establishment of a regulatory safe harbour for equity crowdfunding (ECF), a class of fundraising activity which enables entrepreneurs to obtain market-based financing for start-ups and early-stage companies. In February 2015, SC became the first regulator in the region to introduce a framework for ECF, with six applicants subsequently approved to become registered ECF platform operators in Malaysia.

This was further supported by efforts to raise public awareness on the benefits of market-based financing particularly for small businesses, with the SC Synergy & Crowdfunding Forum (SCxSC) 2015 attracting over 700 participants including startup entrepreneurs, VC and angel investors, academics as well as members of the public.

Digitalisation also formed the central theme of SC's fourth World Capital Markets Symposium (WCMS) which featured expert speakers who spoke on a wide range of issues pertaining to 'Markets and Technology: Driving Future Growth through Innovation'. During this Symposium, the Prime Minister of Malaysia also announced the establishment of the Alliance of FinTech Community (aFINity@SC), a network of FinTech stakeholders including innovators, institutional investors and government-sponsored facilitators. As Chair of MVCDC, the SC will serve as the co-ordinator of this network and organise collaborative engagements to catalyse the development of FinTech in Malaysia while also providing policy and regulatory clarity in collaboration with other relevant authorities.

Promoting stronger governance and investor activism

Ultimately, a key test of regulatory effectiveness is the strength of protection accorded to investors, which is determined by both regulatory and non-regulatory

factors in the capital market ecosystem. Hence, the SC's regulatory measures to ensure investor protection and market resilience continue to be complemented by efforts to promote the observance of good corporate governance practices as well as greater activism among investors, which reinforce each other as drivers of good corporate conduct.

As a long-standing champion of initiatives to strengthen the quality of corporate governance in Malaysia, the SC recently concluded the implementation period of the *Corporate Governance Blueprint 2011* with 83% of its recommendations already fully implemented. Moving forward, near-term deliverables include revisions to the *Malaysian Code on Corporate Governance 2012* as well as the release of the *CG Priorities 2020* which will inform our initiatives for the next five years.

I am also very pleased to see the private sector displaying greater initiative in driving the corporate governance agenda, with the establishment of the Institutional Investors Council in 2015 subsequent to the issuance of the *Malaysian Code for Institutional Investors* in 2014, which counts among its signatories several of Malaysia's largest institutional investors who collectively exert substantial influence over the governance and conduct of listed companies. Such investor activism is a welcome development and will continue to be encouraged moving forward.

From a retail investor perspective, investor outreach and education programmes under our InvestSmart[™] campaign have enabled us to engage with urban and rural communities across Malaysia through various platforms including social media, roadshows and face-to-face conversations under our 'SC In The Community' initiative. Such efforts aim to improve investment literacy among the general public and encourage more proactive and informed participation by retail investors in the capital market. Given the importance of effective redress mechanisms for investor confidence, we have also enhanced the efficacy of the

Securities Industry Dispute Resolution Center (SIDREC) by broadening its purview and raising its claim limit.

Moving forward

Looking ahead, as the markets under our watch continue to grow in breadth and complexity, it is important for the SC as an institution to constantly assess our own capabilities and ensure that we are equipped with the right regulatory tools and skill sets to effectively discharge our statutory responsibilities.

In this regard, we are starting from a position of relative strength, thanks to the efforts of past and present staff members of the SC who have collectively constructed a robust and comprehensive regulatory framework deemed by the International Monetary Fund (IMF) and World Bank as being fully aligned with 92% of the IOSCO Objectives and Principles for Securities Regulation, the international standards for capital market regulators.

However, markets are ever-changing and it is crucial for regulators to be future-ready and responsive in adapting to changing market realities. This necessitates an investment in the regulatory institution's own resources as well as a realignment of internal processes and structures. Such an effort is currently underway in the SC, with organisational reforms to be progressively implemented over the coming year – an effort which becomes particularly crucial given the challenging near-term global outlook that drives home the importance of heightened vigilance and effective regulatory safeguards.

To ensure that the Malaysian capital market can continue to provide efficient access to financing and investments, following from the streamlining of the wholesale market framework the SC will continue its regulatory reform efforts in areas including collective investment schemes, where work has reached an

advanced stage, as well as primary and secondary market efficiency, with the latter two likely to generate significant policy implications *vis-à-vis* market access and overall cost structure.

At the same time, we recognise that that the long-term competitiveness and resilience of the capital market are predicated upon the existence of diverse, liquid and complementary market segments. Therefore, we will focus on accelerating the development of Malaysia's derivatives market as a 'third pillar' to complement the well-established equity and bond markets, which are already among the largest in the region. This emphasis is particularly timely given the significant economic role of the derivatives market in facilitating price discovery and risk management, and it is essential that such developmental efforts are accompanied by the implementation of a robust regulatory framework that can mitigate potential risks arising from this segment.

While the Malaysian corporate bond market has charted various milestones over its two-decade lifespan, there remains significant scope for further expansion and deepening. Therefore, moving forward, the SC will also be embarking on an extensive developmental programme for the corporate bond market which will focus on dimensions including scale, liquidity as well as diversity of participation and instruments, among others.

In the coming year, we will also continue to focus on catalysing growth in the as-yet nascent FinTech sector, particularly in terms of encouraging innovations with significant potential for broadening market access and process efficiencies such as peer-to-peer (P2P) lending, with aFINity@SC serving as the focal point for developmental initiatives in this sphere.

Collectively, these initiatives will further strengthen Malaysia's competitive positioning as we seek to expand the international footprint of the capital market and its participants. As Chair of the ASEAN Capital Markets Forum (ACMF), which represents securities regulators from all 10 member states, the SC remains committed towards the ASEAN regionalisation agenda and has led the formulation of the ACMF Action Plan 2016-2020 which articulates regulatory and developmental priorities that will be pursued over the next five years to achieve greater connectivity and harmonisation across the region's capital markets. This Action Plan builds upon the foundations laid by the recently-concluded Implementation Plan, and focuses on establishing an enabling ecosystem for all ACMF members to participate in regionalisation efforts while also addressing issues such as professional mobility, regulatory harmonisation and enhancing the effectiveness of existing initiatives.

These achievements and aspirations are a reflection of the hard work and dedication by the SC staff, whose commitment to public service and professional excellence remain exemplary. I would like to take this opportunity to thank all staff members for their efforts and express my deepest appreciation for the members of the Board, the Shariah Advisory Council as well as my Executive Team for their invaluable counsel and support. The SC's regulatory agenda has also benefited from the insights gleaned from our regular consultations with the industry, particularly our high-level international advisory groups, and for this I am particularly grateful.

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RANJIT AJIT SINGH

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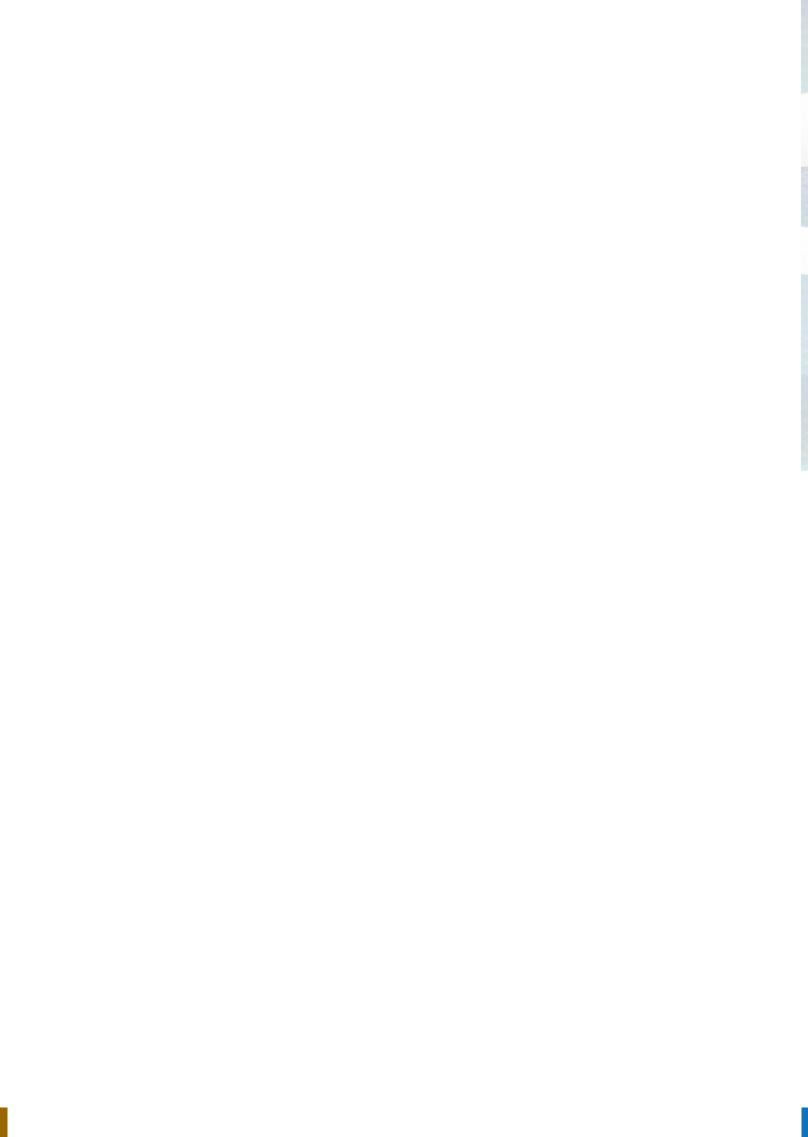
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Acronyms and Abbreviations







PARTI

TRANSFORMING OUR MARKET

INTRODUCTION

Over the years, the SC has developed the Malaysian capital market from being a market comprising mainly equities and government debt securities to a leading capital market in the region. Today, the Malaysian capital market is well balanced and diversified with strengths across various significant market segments.

Our continuous efforts to deepen and broaden the bond market have resulted in Malaysia having one of the largest bond markets in Asia, reflecting its status as a preferred market for bond and sukuk issuance. The investment management industry is one of the fastest growing segments in the capital market and has contributed significantly in providing investment opportunities and encouraging greater liquidity in the market. This has proven especially important this year in allowing orderly market adjustments in spite of large foreign funds outflows. Malaysia has the largest unit trust industry in Southeast Asia which facilitates savings mobilisation and intermediation. successes are mirrored in the Islamic capital market (ICM), where Malaysia has built a leadership position in both the international sukuk market and Islamic fund management industry.

To ensure that the Malaysian capital market remains competitive, the SC continues to work with the industry to transform the market, especially in the light of market influencers such as financial innovation, digital disruption, sustainability and inclusiveness.

In 2015, regulatory reforms were introduced to facilitate fundraising by allowing immediate introduction of wholesale products to sophisticated investors, in line with our regulatory principle of proportionality. In addition, measures to improve the efficiency of market intermediation were initiated to enhance value-add intermediation services in the Malaysian capital market.

As we embrace the advent of financial innovation, we continue to identify opportunities to grow the Malaysian capital market through innovative market-based financing solutions. This provides an important alternative fundraising mechanism to spur the spirit of entrepreneurship. In addition, to further promote inclusiveness in the capital market, we have widened the range of sustainable and responsible instruments which saw the launch of the inaugural issuance of SRI sukuk during the year.

To build upon Malaysia's position as an international ICM centre, active measures are being pursued to develop the Islamic fund and wealth management industry. A consistent thread throughout all our development efforts is the capacity building of professionals involved in the capital market. This remains a core focus of the SC as it augments the efforts of the industry in ensuring that the skill sets and capabilities of such professionals remain of high standards and relevant, particularly in light of a dynamic market landscape.

FACILITATING FUNDRAISING

A competitive and facilitative capital market allows for efficient and cost-effective access to capital. During the year, we reviewed our fundraising framework and undertook initiatives to improve regulatory clarity, reduce time-to-market and lower regulatory costs.

Introduction of Lodge and Launch Framework

On 15 June 2015, we introduced the Lodge and Launch (LOLA) Framework for wholesale offerings of unlisted capital market products, which is a major regulatory reform in the product authorisation regime.

Under this new framework, unlisted capital market products offered to sophisticated investors (comprising accredited investors, high-net-worth entities and high-net-worth individuals) no longer need to be authorised under section 212 of the *Capital Markets & Services Act 2007* (CMSA). Instead, these products, comprising private debt securities (PDS), asset-backed securities, sukuk, structured products and wholesale funds, can be launched and made available to such investors once specified information and documents have been lodged with the SC via an online submission system. This significantly reduces time-to-market, as such securities can be offered to sophisticated investors as soon as the required documents and information have been lodged with us. (Table 1)

"Lodge and Launch (LOLA) Framework ...our commitment towards an appropriate balance in regulation recognising that sophisticated investors generally have greater ability to protect their own interests and absorb investment risks, as opposed to retail investors."

This new framework forms part of our commitment towards an appropriate balance in regulation recognising that sophisticated investors generally have greater ability to protect their own interests and absorb investment risks, as opposed to retail investors.

While the new framework enables a more efficient process for product offerings, we have introduced other regulatory requirements to provide the right and appropriate level of protection for investors. For instance, the onus is placed on the party lodging the documents to ensure the accuracy and completeness of the information and documents lodged with us. In addition, product issuers and manufacturers as well as intermediaries that are involved in the distribution of products are held to high standards of sales practices, guided by the principles of 'Treating Investors Fairly'. This requires issuers and distributors to ensure that the product is suitable for the targeted investors at product design stage, taking into consideration their risk profile, and provide clear and adequate information to allow them to make an informed investment decision.

Table 1
Comparison between previous and new regime

	Approval Regime	LOLA Framework
Approval Process	Authorisation required	No authorisation
Time Charter	14 – 21 days	Immediate

To ensure that the dispensation of product approval under the LOLA Framework does not in any way erode investor protection, we will continue to monitor the lodgements to ensure that they are 'true to label' (i.e. terms, conditions and structure are consistent with those declared at lodgement) and that responsible parties perform their roles and responsibilities as declared in the lodgement.

The review and consolidation of five existing guidelines have been undertaken to reflect the new approach, making it easier for issuers, distributors and investors to understand the regulatory requirements for the wholesale market. (Diagram 1)

Augmenting venture capital and private equity framework to support entrepreneurial financing

We continue to actively promote the development of VC and PE industries in recognition of their role as alternative sources of financing for emerging high-growth companies and new innovative businesses. Local small-and-medium enterprises (SMEs), entrepreneurs, innovators and start-ups face many challenges in their quest to scale their businesses and access mainstream financial services. VC and PE financing provide a vital funding mode that bridges the capital gap to these segments especially where access to mainstream sources of financing is limited.

Diagram 1
The new LOLA Guidelines



Note:

Guidelines for the Offering, Marketing and Distribution of Foreign Funds are not affected by the new LOLA Framework

* For offering to retail, the Guidelines on Issuance of Private Debt Securities and Sukuk to Retail Investors supersede the Guidelines
on Private Debt Securities and Guidelines on Sukuk

The revised Guidelines on Registration of Venture Capital and Private Equity Corporations and Management (VC/PE Guidelines) Corporations were superseding the earlier registration guidelines as well as the Guidelines and Best Practices on Islamic Venture Capital. The revision took into account recent developments in market practices and changes which are shaping the entrepreneurial ecosystem. Key amendments include expanding the registration scope to accommodate PE activities, allowing flexibility for VCs to invest in listed securities, provisions for the appointment of a custodian as well as enhanced reporting for better data capture to support future policy formulation. These amendments aim to create a business-friendly framework to promote capital formation in VC and PE as well as foster investor confidence by encouraging good business practices.

The SC's strong commitment to its development mandate is also demonstrated in its Chairmanship of the Malaysian Venture Capital and Private Equity Development Council (MVCDC). The MVCDC acts as a conduit between policymakers and industry practitioners and as Chair, the SC spearheads discussions and provides policy guidance towards the development of the VC industry. Recognising the need to have a complete and connected chain of actors in providing risk capital to foster entrepreneurship and catalyse innovation, the MVCDC had revised its Terms of Reference to widen its scope and mandate to include the PE industry. This expansion allows a more holistic approach in MVCDC's developmental agenda, as well as strengthening it as a platform for thought leadership in nurturing the growth of VC and PE as an important class of capital market intermediaries.

To grow industry expertise further, the MVCDC supported capacity building programmes, namely the Southeast Asian Venture Capital and Private Equity Conference 2015 as well as the second instalment of the SC Synergy Crowdfunding Forum held in June.

With these efforts, the SC continues to promote capital formation by having a conducive framework to increase private sector participation and attract new entrants, allow a fertile environment for existing players to scale up and further increase the sophistication of the VC and PE industries. This in turn leads to a vibrant funding ecosystem that benefits the entrepreneur community and national economy as a whole.

Working towards a framework for the listing of mineral, oil and gas businesses

There has been increased interest in the listing of companies involved in mineral, oil and gas (MOG) exploration or extraction businesses, both directly through initial public offerings (IPOs) and indirectly through acquisitions by listed companies. Given the technicalities and specific risks associated with MOG businesses, having a holistic framework encompassing admission requirements and post-listing obligations to regulate companies engaged in such businesses would provide clarity to the market as to the types of MOG businesses considered suitable for listing. This would also provide greater investor protection, particularly through the additional eligibility and disclosure requirements applicable to MOG businesses. The additional disclosures required both at admission and on a continuing basis would improve the quality, timeliness and reliability of information available to investors to enable them to make informed assessments of the merits and risks of investing in MOG businesses.

To this end, we had in October 2015, after undertaking a thorough review, jurisdictional benchmarking and engagements with stakeholders, issued a public consultation paper seeking feedback on proposed requirements for the admission of MOG companies on the Main Market of Bursa Malaysia. Concurrently, Bursa Malaysia had issued a public consultation paper on the proposed additional post-listing obligations for MOG listed issuers. The proposed framework, which we will introduce in 2016, received positive feedback from the public consultations.

IMPROVING INTERMEDIATION EFFICIENCY

Increasing the efficiency of market intermediation is vital particularly in a rapidly changing landscape influenced by technological innovation. Broadening the range of value-add services offered by intermediaties, fostering an innovative and competitive intermediation landscape and facilitating efficient market infrastructure are key towards enabling an innovative and competitive intermediation environment. Several measures to improve the efficiency of market intermediation were put in place.

Strengthening competitiveness and enhancing efficiency of the fund management industry

In enhancing the competitive positioning of the fund management industry, the SC had liberalised its rules on fund management to allow for the establishment of boutique fund management companies (BFMCs) through a more facilitative structure. The licensing requirements are now tiered according to the size and scale of business and clientele, giving rise to a new type of licence that caters specifically for smaller outfits. Parties with niche fund management expertise can now operate as a BFMC with a minimum paid-up capital of RM500,000, instead of RM2 million for the full-fledged fund management licence. BFMCs can manage assets up to RM750 million with a maximum of 50 sophisticated investors.

It is envisaged that the initiative will draw a greater pool of talented, experienced and professional fund managers to the Malaysian capital market, thereby enhancing the vibrancy of the overall fund management landscape in Malaysia.

Expanding the scope of permissible activities and introducing a new category of Registered Representatives

To create business opportunities and broaden service offerings, we have expanded the range of permissible activities for fund management companies to include investment advice services without the need for a separate licence.

We have introduced a new category of Registered Representatives, known as Marketing Representatives, to enhance business efficiency by allowing marketing, sales and client servicing activities in the fund management industry to be undertaken by marketing personnel registered with the SC. Previously, such activities could only be performed by licensed representatives.

Steady growth in PRS reflective of rising interest in retirement savings

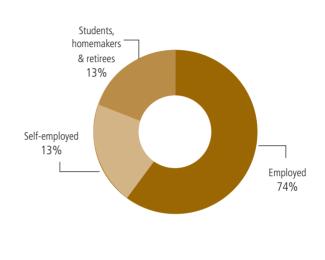
In 2015, four additional private retirement scheme (PRS) funds were approved, resulting in a total of 50 PRS funds offered to the public. A significant milestone was achieved in 2015 with total NAV exceeding RM1 billion (RM1,172 million) out of which Islamic PRS funds accounted for 32% of the total NAV. The total number of members stood at 180,651, which is a 40% increase from December 2014. Growth in PRS remains steady and we continue to focus on encouraging greater participation to ensure retirement planning remains a priority for Malaysians. (Chart 1)

Chart 1
Private retirement scheme (PRS) facts and statistics

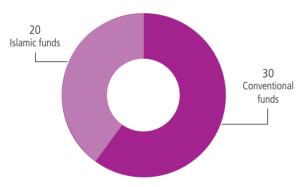
Net asset value (NAV) & number of accounts

000 RM million 1,400 200 ◆ NAV 180 Number of accounts 180 1,200 160 1,000 140 128 120 800 100 600 80 60 400 716. 40 200 20 0 0 2013 2012 2014 Dec-2015

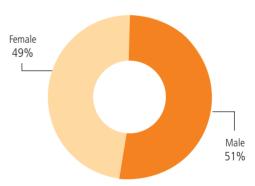
Percentage of members based on employment



Number of PRS funds



Percentage of members based on gender



Source: SC

To facilitate greater enrolment and contributions by all members of the public, the SC gave approval in principle to the Private Pension Administrator (PPA) to launch an online platform in 2016. This platform will offer a common infrastructure, managed by PPA as the central administrator, for the benefit of members

as well as PRS Providers by increasing connectivity and enabling the processing of applications and contributions electronically.

In addition to improving efficiency through the use of technology, the online platform would widen investors' access by permitting enrolment to be done at their convenience and for investments to be performed online. This will therefore create a more conducive environment for individuals and employers to participate in PRS.

In line with other pension funds, a facility to enable members to nominate beneficiaries to receive PRS investments upon the death of a member was effected through the enactment of a general enabling provision under the CMSA. This introduction of the nomination facility to members would expedite time taken for disbursement of the PRS fund to beneficiaries. Operationalisation of this facility is currently being undertaken with the PPA and the Providers.

Strengthening the role of financial planners

As the investing landscape becomes more complex with product and service innovation, the financial planning industry has the potential to play an important role in the Malaysian capital market by assisting investors to understand their short and long-term financial goals and develop plans to meet them. Towards this end, a three-year plan to further spur the growth of the financial planning industry was unveiled at our Industry Dialogue session in August 2015.

The plan calls for the implementation of 10 recommendations which would result in a set of desirable outcomes and play a significant role in positively shaping the financial planning industry. These outcomes comprise four major over-arching themes, namely improving visibility of the financial planners; strengthening professional standards and market discipline; empowering consumers through better access to knowledge; and achieving alignment of regulatory requirements with the size and scale of the industry. Among the key recommendations is the formulation of a white paper by the industry on growing the financial planning profession. This involves a series of initiatives including financial education workshops and a study on the financial capability of

Malaysians. The issuance of a consumer guide is another important effort to boost consumers' knowledge on the features and benefits of financial planning services.

UPHOLDING MALAYSIA'S GLOBAL LEADERSHIP IN ICM

Malaysia's ICM has more than tripled in size between 2005 and 2015, reflecting a compounded annual growth rate of 11.7%. The market reached RM1.69 trillion by end-2015, representing 60% of the entire Malaysian capital market. Malaysia continues to be the global leader in the sukuk market, commanding 54.3% of the global sukuk outstanding as at end-2015; while the assets under management (AUM) of its Islamic fund management industry remains as the world's second largest as at end-2015. Malaysia also tops the global list with the most number of Islamic funds by domicile.

In this regard, Malaysia has sustained its solid foundation to continue pursuing its aspirations to further widen its international base and seize new growth opportunities in ICM. This includes tapping new growth segments, notably in Islamic fund and wealth management and *waqf* as well as enhancing existing capacity and capability.

Positioning Malaysia as a leading international centre for Islamic fund and wealth management

Malaysia has a well-developed Islamic fund management industry, holding 31% of the US\$58 billion Islamic assets under management globally as at end-2015. The industry has been a significant contributor to the growth of the Islamic capital market, registering a compounded annual growth rate of 22.5% for the period 2010-2015. Leveraging the strength of the industry, sustainable growth for ICM can be achieved by capitalising on new opportunities in the Islamic fund and wealth management segment.

In order to firmly establish Malaysia as an international ICM centre, we are formulating a blueprint for Islamic fund and wealth management. The blueprint will chart the medium and long term strategic direction for the industry as well as map out strategies and recommendations to strengthen the country's competitive edge. The strategies are expected to reinforce the sustainability of the industry and will include, among others, strengthening global capabilities of our market intermediaries, expanding international connectivity and seizing new market opportunities. As part of the blueprint formulation, in depth assessments of domestic and global developments of the industry as well as intensive engagements with key relevant domestic and international stakeholders were carried out. The Islamic fund and wealth management blueprint will be launched in 2016.

Waqf development through ICM

Bridging social finance and ICM remains an important agenda for us in promoting public good and pursuing the larger objective of Shariah (maqasid al-Shariah). One of the focus areas towards achieving this goal is the development of the waqf industry.

The SC's publication in 2014 entitled Waaf Assets: Development, Governance and Role of Islamic Capital Market has since provided impetus to stakeholders within the waaf industry to discover new opportunities in developing waaf assets in its various forms. In this regard, we have engaged with domestic and international stakeholders to create greater awareness of waaf and its potential development through the ICM for purposes of either fund raising or management of waaf assets by leveraging on the capabilities of licensed fund or asset managers.

In addition, the SRI Sukuk Framework issued in 2014 also provides further support for the development of

waqf assets as it has been identified as one of the eligible SRI projects for SRI Sukuk issuance.

DRIVING SUSTAINABLE AND RESPONSIBLE INVESTMENTS

As businesses are a large part of the economy and affect all strata of society, growth and prosperity can only be sustained over the long term through achieving a balance between the interests of business and society. In this regard, the continued advancement of society requires business stewards of major corporations to provide the leadership to elevate social and environmental concerns to their corporate agenda.

Globally, there is a shift in business strategies where sustainable practices are being integrated into each component of the value chain. As a result, the world is witnessing a greater demand for stronger governance and ethics not only in companies but also in financial institutions. Concerns over the environmental and social impact of businesses are also on the rise and becoming increasingly mainstream where there is a pressing need to provide solutions to address environmental and social concerns.

As a result, the size of SRI global market has grown at a compounded annual growth rate of 27% from US\$13.3 trillion in 2012 to US\$21.4 trillion in 2014, reflecting the heightened interests and intensified demand from investors for SRI. The New Economic Model aspirations that Malaysia will become a high income advanced nation with inclusiveness and sustainability by 2020 has been further reiterated in the 11th Malaysia Plan. These aspirations are also emphasised in the Capital Market Masterplan 2 (CMP2), which recognised the importance of sustainability. Towards this end, the role of the capital market can be expanded to support this agenda through creating market-based solutions mobilising investments in technology and projects that promote sustainable and

inclusive development as well as bringing scale, financial discipline and commercial accountability to social and community-based enterprises and projects that promote sustainable development.

5-i strategies to develop the Malaysian SRI ecosystem

Malaysia's capital market moved into the sustainability space with the introduction of Islamic finance over 30 years ago. Malaysia's leading position in ICM gives it an edge in attracting SRI funds and to be a regional centre for SRI, as the principles underlying ICM products are aligned to those of sustainable investing.

Towards this end, the SC has developed a holistic framework encompassing strategies across the value chain to create a facilitative ecosystem for SRI, which already had early successes (Diagram 2).

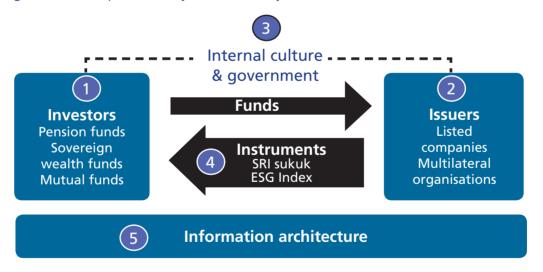
Increasing SRI investor base

On the buy side, there is a need to attract investors such as pension, sovereign wealth and mutual funds to increase the SRI investor base. At the Invest Malaysia 2015 in May, the Prime Minister encouraged Malaysia's institutional funds to allocate 5% to SRI to demonstrate institutional investors' commitment in this space. Towards this end, in July, ValueCap ESG Opportunity Fund of RM1 billion was launched, to invest in companies listed on the ESG Index of Bursa Malaysia.

Building a strong SRI issuer base

On the supply side, efforts need to focus on building a strong issuer base consisting of listed companies and multilateral organisations. Over these past few years, more Malaysian companies have incorporated sustainable developments in their corporate strategies.

Diagram 2
5-i strategies to develop the Malaysian SRI ecosystem



Source: SC

This commitment is demonstrated by several corporates being signatories to various organisations such as the United Nation's Global Compact (UNGC) and the United Nation's Principles for Responsible Investments (UNPRI). The trend of sustainable and responsible invesments in Malaysia has also gained traction, as seen in the increased number of companies constituting the ESG Index of 34 as at end 2015.

Instilling internal culture and governance

Development of metrics and disclosures to measure sustainability in facilitating investment decisions are pertinent to inculcate good governance practices in the SRI space. We are supportive of industry efforts to encourage and recognise companies for integrating sustainable practices into its business, namely, the ACCA Malaysia Sustainability Reporting Awards (MaSRA) which has been running since 2002. Goh Ching Yin, one of our Executive Directors is the current Chairman of the Judging Panel and has assumed the role since 2012. This year, a total of 51 organisations participated, up from 45 in 2014, of which 14 were new entrants. We also recognise the importance of board diversity to enable companies to make responsible and good business decisions derived from different insights and perspectives. Based on Bursa Malaysia's assessment of corporate disclosures in 2015, the percentage of women on boards stood at 10.7 as at December 2015. There is headroom for improvement and in that regard, the 30 Per Cent Club Malaysian Chapter (30% Club) was launched on 8 May by the Prime Minister with the goal of advocating and driving holistic changes to pave the way for women to reach the top of their corporate career ladders.

Widening the range of SRI instruments

The introduction of the SRI Sukuk Framework in 2014 marked a milestone in our efforts to facilitate the creation of an ecosystem conducive for SRI investors and issuers. Combined with Malaysia's leading position in the global sukuk market, this framework enhances the country's value proposition as a centre for Islamic finance and sustainable investments. Following the launch of the framework, Khazanah Nasional Bhd issued the first tranche of its RM1 billion SRI Ihsan Sukuk in June 2015, with proceeds utilised for Yayasan Amir trust schools programme. To encourage issuance of SRI sukuk, a tax incentive is given to issuers of SRI sukuk from 2016 to 2020, as announced in the 2016 Budget.

Designing information architecture in the SRI ecosystem

Development of platforms which provide impact investment data to social investors thereby improving access to investment opportunities is important to provide transparency and access to the SRI market. In this regard, the equity crowdfunding framework facilitates the establishment of equity crowdfunding platforms which promote the inclusiveness of the capital market as small businesses and entrepreneurs will have greater access to capital. In addition, the platforms will also focus on Shariah-compliant investments with a social impact dimension. Hence, these platforms will improve investors' access to SRI opportunities.

Recognising the current needs and future demands for SRI, we will continue to intensify our efforts in developing the SRI market in Malaysia to ensure that the growth of the capital market is sustainable and inclusive.

INNOVATIVE MARKET-BASED FINANCING SOLUTIONS

Technology is spurring the rise of mobile and on-demand business services via the web and changing the complexion of how markets operate. Advancements in technology have also driven new innovative market-based financing solutions that allow for greater democratisation of finance for the underserved small businesses and entrepreneurs with innovative business ideas.

Equity crowdfunding to support entrepreneurial innovation

The widespread recognition and interest from the industry and public on the equity crowdfunding framework earlier proposed in 2014 have led to the release of the Guidelines on Regulation of Markets under Section 34 of the Capital Markets and Services Act 2007 (ECF Guidelines) in February 2015. The CMSA amendments introduced a new recognised market framework to facilitate the establishment of alternative trading platforms including ECF platforms. Under this framework, private companies that are hosted on a registered ECF platform are provided a safe harbour from provisions in the Companies Act 1965, which prohibits private companies from offering shares to members of the public. The introduction of ECF Guidelines is in line with our objective to promote inclusion and widen avenues for small businesses and entrepreneurs to gain greater access to capital, making Malaysia the first country in Asia-Pacific to legislate ECF.

These guidelines introduced new requirements for the registration of web-based ECF platforms. Consequently, between April and May, we began accepting applications from parties interested in establishing and operating conventional and Shariah-compliant ECF platforms. A total of 27 applications were received during the submission period.

The ECF guidelines further ensure that the operators have the ability to operate an orderly, fair and transparent market. Among others, it requires the operator to have a strong governance structure while imposing requirements to ensure issuers' compliance with platform rules and processes. This is to ensure investors' funds are safeguarded until the funding goal is met. A regulatory dialogue with the newly registered ECF operators was held to explain the supervisory expectations as they embark on the operationalisation of their platforms.

As part of our ongoing initiative to instil public awareness on alternative market-based financing mechanisms, the SCxSC 2015 was held from 11 to 12 June in collaboration with Cradle Fund, Multimedia Development Corporation (MDeC), Malaysian Business Angel Network (MBAN), MVCDC and #edGY, a publication that focuses on youth entrepreneurship and start-ups. The SCxSC 2015 attracted over 700 participants comprising start-up entrepreneurs, VC and angel investors, academics as well as members of the public.

Six successful ECF applicants were announced at the forum. They were granted the status of a Recognised Market Operator (RMO) allowing them to operate equity crowdfunding platforms in Malaysia. These six platform operators¹ provide differentiated service offerings, in addition to their own unique strengths which include a regional investor base, tie-ups with angel investor networks, credible local presence

¹ The six ECF platform operators are Alix Global, Ata Plus, Crowdo, Eureeca, pitchIN and Propellar CrowdPlus.

within the start-up ecosystem, a clear VC linkage, ancillary digital media competencies or a focus on Shariah-compliant investments with a social impact dimension. These ECF operators have commenced their operations to offer alternative investment opportunities to the general public by the fourth quarter 2015. On 13 November, the CrowdPlus.asia platform was launched by Propellar CrowdPlus, one of the registered ECF platform operators.

Catalysing financial technology

We launched the aFINity@SC at the WCMS 2015 in September to catalyse greater interest and visibility towards nurturing development of financial technology (FinTech).

aFINity@SC is a network of both public and private sector stakeholders which includes innovative FinTech entrepreneurs, investors and corporate institutions with an interest in developing the FinTech sector for Malaysia.

We will function as a Network Organiser (NEON) and engage other authorities to:

- 1. Elevate awareness on the opportunities available in this sector;
- 2. Catalyse business formation and development by establishing hubs to nurture a fledgling FinTech ecosystem sector; and
- 3. Provide policy and regulatory clarity which promotes responsible innovation through FinTech.

Following on from the announcement at WCMS, we released the aFINity@SC Call for Participation (CFP) to gather responses and expressions of interest from a wide spectrum of stakeholders interested in participating in this nascent community and nurturing the FinTech agenda together for Malaysia.

"aFINity@SC is a network of both public and private sector stakeholders which includes innovative FinTech entrepreneurs, investors and corporate institutions with an interest in developing the FinTech sector for Malaysia."

We consolidated the expressions of interest received and conducted focus group discussions around specific clusters within FinTech such as P2P lending which garnered widespread attention among the aFINity@SC stakeholders.

Introduction of peer-to-peer lending as an innovative funding platform

P2P lending is a web-based innovation that broadens the ability of entrepreneurs and small business owners to unlock capital from a pool of individual lenders in small amounts and provides a quick turnaround time to obtain financing for their businesses.

A P2P lending framework is currently being developed to provide these small businesses and entrepreneurs with access to alternative capital via online P2P lending platforms. The positive role played by P2P lending is important in widening access to finance for small businesses, and wider benefits to economic growth. For Malaysia, this could address the issue of access to capital for SMEs and small businesses, in tandem with mainstream financing options currently offered by traditional financial institutions and co-operatives.

A special feature on FinTech entitled 'Road to Digitisation' can be found on page 97 of this annual report.

ENGAGEMENTS WITH INDUSTRY

Through advisory groups as well as our annual industry dialogue, the SC actively engages with industry participants to stay abreast of market developments and emerging issues. These engagements are integral towards aligning our regulatory and developmental initiatives with various key stakeholders and enabling their perspectives to be taken into consideration in capital market developmental strategies and policy formulation.

Annual Industry Dialogue

The SC Annual Industry Dialogue with capital market associations has been an effective platform to engage directly with stakeholders for sharing trends and developments in the capital market as well as identifying industry issues, to ensure alignment of policies and strategies with the stakeholders.

In 2015, we organised a week-long round of dialogues with various capital market associations. As in past years, we shared global capital market trends, particularly in areas of investment sentiment, drivers of change and how regulators are enhancing the role of capital markets in economic growth. Various initiatives that are being undertaken in the area of competitiveness, proportionality of regulation and empowerment of investors were also discussed, particularly initiatives that drive growth, efficiency and innovation.

Under our principles of regulation, conduct regulation across all market participants was a key message shared with the industry and the focus of supervision on raising standards across firms' culture, practices and operations. Industry's input and insights were also sought in

respect of capital market intermediation and services, avenues to widen fundraising and product diversity. Other major areas of discussions were our efforts in enabling greater use of technology in the market and the approach and implementation of a market-wide cyber security policy.

The perspectives provided during the dialogue and proposals submitted by the associations are important in shaping policies to drive competitiveness of the capital market on a collaborative basis.

Capital Raising Advisory Group

In 2015, the SC solicited feedback from selected members of the Capital Raising Advisory Group on the proposed regulatory policy and approach for the listing of mineral, oil and gas exploration and extraction businesses. In particular, views were sought on the efficacy of the proposals in enhancing investor protection and the practical considerations for issuers. The feedback obtained was applied towards further refining the policy and operational considerations.

Secondary Market Advisory Group

The Secondary Market Advisory Group met in July to assess the overall state of liquidity in the Malaysian equities and derivatives markets, as well as the key drivers of liquidity in these markets. In addition, the Group undertook a focussed review on retail participation in the equities market and acknowledged that while the liquidity level in the Malaysian equities market is comparable with that in other markets within the region, it remains relatively low. Therefore in order to enhance liquidity, the Group provided suggestions to increase retail access, expand the range of products, introduce trading flexibilities for market players as well as improve investor awareness through educational and marketing efforts.



DRIVING GREATER CONNECTIVITY OF ASEAN CAPITAL MARKETS

As Chair of the ASEAN Capital Markets Forum (ACMF), the SC is leading several initiatives to increase the connectivity of the region's capital markets and facilitate the efficient aggregation and mobilisation of capital for regional growth. The ACMF is also focussing its efforts on the development of the respective domestic markets and engaging closely with industry participants to ensure that the various efforts are aligned. A more interconnected regional capital market would elevate the self-financing capacity of ASEAN as well as its resilience against external financial shocks.

As a grouping of capital market regulators in the region, the ACMF plays an important role in creating an enabling environment for facilitating regional integration as well as the development of the requisite market infrastructure and regionally focussed products. Through these efforts, ASEAN issuers and intermediaries are able to operate in a more seamless cross-border regulatory environment, including lower friction costs and reduced time to market.

Given the varying levels of development of member countries, the ACMF adopts a pragmatic approach whereby countries opt-in to participate in the ACMF initiatives based on their levels of readiness and ability to meet the requirements of the respective frameworks.

Cross-border offerings of equity and plain debt securities

The ACMF has established a Streamlined Review Framework for the ASEAN Common Prospectus to shorten the time-to-market for cross-border offerings of equity and plain debt securities. With the signing of the memorandum of understanding (MoU) in March by Malaysia, Singapore and Thailand, the

signatory countries adopt a co-ordinated approval process to synchronise the review of a single set of prospectus for offering or listing applications, thereby enhancing ASEAN's attractiveness as a fundraising centre. In September, the Regulatory Handbook was launched to provide guidance to issuers preparing for a multi-jurisdictional offering, thus facilitating the implementation of this framework. As such, issuers should now capitalise on the ability to raise funds simultaneously from participating member jurisdictions, leveraging this Streamlined Review Framework.

Promoting greater cross-border transactions for collective investment schemes

Efforts have been dedicated to promote greater cross-border offers of funds through the ASEAN Framework for Collective Investment Schemes (CIS) which have been operationalised since August 2014 in Malaysia, Singapore and Thailand. With this framework, fund managers in participating ASEAN member countries have a direct and efficient route to offer CIS constituted and authorised in one participating jurisdiction to retail investors in other participating jurisdictions under a streamlined authorisation process. This framework has received good response from fund managers in all three participating countries and to date, 12 funds have been authorised by the respective home countries as Qualifying ASEAN CIS (QCIS) to be offered cross-border. The 12 authorised QCIS comprise five from Malaysia, six from Singapore and one from Thailand.

Out of the five QCIS from Malaysia, four have applied to and obtained recognition from the Monetary Authority of Singapore (MAS) for offering to retail investors in Singapore. As for the six Singapore funds authorised by MAS, one has applied and obtained recognition from the SC for offering to retail investors in Malaysia. The successful cross-border offering of these

funds pave the way for a wider range of investment options that can be offered to retail investors in ASEAN.

These developments in the ASEAN CIS Framework enable ASEAN citizens to invest into the region's capital market, thereby contributing towards economic growth. At the same time, a broader investor base will support ASEAN fund managers in building and growing their assets under management, as well as providing them the opportunity to upskill.

Strengthening corporate governance across ASEAN

The SC has served as Chair of the ASEAN Corporate Governance Initiative since its inception in 2011. This initiative aims to raise the corporate governance standards and practices of ASEAN public-listed companies (PLCs) and to give greater international visibility to well-governed ASEAN companies. The initiative has participation from six member countries, namely Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

The ASEAN Corporate Governance Scorecard is a key product of the initiative and has been a valuable diagnostic tool to evaluate ASEAN companies' corporate governance practices benchmarked against international standards. The fourth round of assessment was completed in 2015, and the inaugural ASEAN Corporate Governance Conference and Awards ceremony was organised in Manila, Philippines on 14 November. The event, hosted by the Securities and Exchange Commission of Philippines with the support of the Asian Development Bank and International Finance Corporation, recognised top ASEAN companies with the highest corporate governance scores based on the Scorecard. Six Malaysian listed companies, Bursa Malaysia, CIMB Group Holding Bhd, IJM Corporation Bhd, Malayan Banking Bhd, RHB Capital Bhd and Telekom Malaysia Bhd were ranked among the top 50

listed companies in ASEAN, with Bursa Malaysia in the top five. The event also officially commemorated the handing over of SC's leadership of the ASEAN Corporate Governance Initiative to the Securities and Exchange Commission of Philippines. Taking into account global developments including the release of the G20/OECD Corporate Governance Principles, the Scorecard will undergo a holistic review in 2016 to ensure that it remains relevant and progressive, and that the assessment methodology continues to be robust.

Spearheading ASEAN Capital Market Interconnectivity post-2015

While the ACMF has achieved significant progress since the inception of the ACMF Implementation Plan in 2009, greater regional interconnectivity is a continuum that will require the commitment of all ASEAN countries and their market players. The desire of ASEAN capital market authorities to achieve greater capital market connectivity will continue to be pursued through the ACMF as it embarks on the next phase of the integration agenda.

Towards this end, the ACMF Action Plan 2016-2020 (Action Plan) has been developed in collaboration with regional market participants. The Action Plan sets the strategic objectives and key priorities in facilitating greater financing and investment within ASEAN over the next five years. It is designed to dovetail with the aspirations of ASEAN and is aligned with the ASEAN Economic Community Blueprint 2025 in developing an inclusive and stable financial sector that supports regional economic connectivity.

Among the key initiatives identified in the Action Plan is the ACMF Market Development Programme (A-MDP) that has been introduced as a priority to address individual member country's market development needs to achieve more inclusive participation in ACMF initiatives. The A-MDP is a means to facilitate member

countries' efforts to achieve the depth and maturity required while building market and industry readiness through various capacity building programmes.

In addition, the ACMF will intensify its regional and international engagements with various stakeholders to increase awareness of ACMF's initiatives and enhance the strategic positioning of ASEAN capital markets through a comprehensive and targeted communications strategy. The ACMF will strengthen its outreach to key industry participants through the ACMF Industry Consultative Panels (AICP) to provide a formal platform for continuous dialogue in developing commercially viable initiatives that are relevant to the industry. Members of the AICP will consist of industry representatives from all ASEAN member countries. The AICP currently comprise three panels namely the ASEAN Trading Link, Fundraising and Investment Products.

The ACMF will also seek to establish formal engagements with regional and international dialogue partners to facilitate cross-sharing of experiences and explore mutually beneficial opportunities. As a start, in November, a delegation of senior securities regulators from all ASEAN countries participated in a dialogue with government officials, capital market authorities and the private sector in the United Kingdom (UK) at the invitation of the UK Foreign and Commonwealth Office (FCO). The dialogue resulted in the identification of several areas of mutual interest which are now being explored.

Further, the ACMF will continue to review and enhance ongoing initiatives including expanding the level of participation and the range of products offered through the ASEAN funds passporting regime, as well as exploring the development of mutual recognition frameworks for other equity and debt instruments.

Increasing trade in ASEAN

Given the significant role of the financial services sector in growing global and regional economies, we participated in various fora established towards creating a regionally facilitative financial services regulatory mechanism. Financial integration as envisaged under the ASEAN Economic Community (AEC) remains a key initiative to strengthen and increase trade in services within the region. The SC participated in successive rounds of negotiations for financial services liberalisation under the ASEAN Framework Agreement on Services (AFAS) which were conducted through the Working Committee on Financial Services Liberalization (WCFSL).

The signing of the Sixth Package of Financial Sector Commitments (Sixth Package) on 20 March in Kuala Lumpur at the 19th ASEAN Finance Ministers' Meeting (AFMM), marked one of the most significant steps in financial services liberalisation to date as ASEAN countries made market access offers across all modes of supply covering the banking, insurance and capital market sub sectors. In relation to capital market commitments, under the Sixth Package, Malaysia now allows wholly-owned ASEAN locally incorporated stockbroking companies (SBCs) to operate in Malaysia. This reaffirms Malaysia's commitment towards fostering greater development and integration of the regional capital markets.

INTERNATIONAL POSITIONING AND LEADERSHIP

Global policy and regulation

The SC continues to demonstrate its strong commitment and participation in international standard-setting and global regulatory policy making by being actively involved in IOSCO, the leading international standard-setter for securities regulation, representing approximately 120 countries worldwide.

The SC's involvement in global policymaking helps ensure that regulatory developments in the Malaysian capital market continue to be closely aligned with international best practices and standards. As global investors often make a distinction among markets where there is sound regulatory architecture, robust market infrastructure and strong standards of governance, it is imperative that we continue to engage at a global level.

The SC Chairman is currently the Vice Chair of the governing Board of IOSCO and a member of IOSCO's Management Team. He also chairs IOSCO's Growth and Emerging Markets (GEM) Committee, the largest committee within IOSCO with 97 members, representing almost 80% of IOSCO's membership, including 10 of the G20 members.

Under the SC's leadership, the GEM Committee fosters three strategic priorities in the areas of regulatory capacity building, risks and vulnerabilities assessments, and policy and development work affecting emerging markets. The emphasis placed on these priorities becomes all the more important for emerging markets like Malaysia, particularly given the increasingly interconnected global financial landscape that markets operate in.

Following weaker sentiments surrounding the global economy and the potential for external volatility to be transmitted via cross-border linkages, significant emphasis was placed by the GEM Committee in 2015, to discuss global market developments and the risks and implications to emerging markets. This included engagements with leading global market players through regular dialogue, roundtables and other forms of engagements. These discussions have helped to inform the SC's efforts in strengthening resilience to external headwinds.

Similarly, capacity building is an important feature of the efforts of the GEM Committee. As part of the Committee's efforts to strengthen regulatory capacity to manage risks, the Committee collaborated with the Toronto Leadership Centre to conduct a simulated crisis preparedness and contingency planning exercise in April. The exercise incorporated situations aimed at testing the regulators' capacity to approach disruptive market events, as well as the different components of the crisis management process. This exercise reinforced the importance of having a clear, well-defined and institutionalised crisis management plan in place, effective and well-thought out communication with investors, market participants and other authorities, and cross-border co-operation and information sharing.

Subsequently in October, the SC conducted a similar crisis management exercise with industry participants in the Malaysian capital market with a view to raising awareness on the importance of crisis preparedness to ensure the maintenance of financial system integrity, business continuity, investor protection, and fair and open markets.

In respect of international policy work, the SC is leading the GEM Committee's Task Force on Digitalisation in Capital Markets. The aim of the task force is to provide an overview of the state of digitalisation in capital markets and to identify the potential implications and the regulatory approach to be taken to facilitate development of this important sector. The SC's efforts in leading this international work complements the SC's domestic efforts in nurturing the FinTech agenda in Malaysia.

The SC Chairman also represents IOSCO at various international fora and attends the meetings of the Financial Stability Board (FSB), which is the body established to co-ordinate at the international level, the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies.

At the FSB's Emerging Markets Forum, the SC Chairman led discussions on the need for deeper and more resilient capital markets, particularly the importance of improving the functioning and liquidity in corporate bond markets in yielding stronger growth in emerging capital markets. Further, our Chairman represented IOSCO at the International Integrated Reporting Council (IIRC), and participated in discussions on integrated reporting and the development of more responsible and holistic corporate reporting regime.

These leadership positions and our participation in various international initiatives are testament to the contributions and expertise that the SC brings to global regulatory discussions, and helps inform our own efforts in various areas of regulation and policy development.

International co-operation for cross-border enforcement and supervision

International co-operation is critical given the increase in cross-border financial transactions and the complexity of the activities. Co-operation and information-sharing also play a key role in the success and effectiveness of the SC's enforcement efforts. As a signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU) since 2007, we are able to obtain and provide valuable and timely investigative assistance in areas such as the tracing of monies and assets relating to securities transactions as well as information relating to foreign individuals and entities involved.

In 2015, we made 22 MMoU requests to various international regulatory counterparts. At the same time, we received 10 MMoU requests seeking information and our assistance, including recording of statements, obtaining documents and relevant banking records.

The SC also regularly engages with its enforcement counterparts in the region. We participated in the Asia Pacific Regional Committee's Enforcement Directors' meeting in Tokyo in March 2015, where various aspects related to enforcement were discussed. This included issues relating to unfair trading arising from high frequency trading and algorithmic trading, challenges in enforcement against overseas residents; and sanctions and remedies imposed.

Providing corporate governance thought leadership

We strongly support efforts to advance standards of corporate governance in the region and globally. A major initiative which we participated in was the review of the OECD Corporate Governance Principles which began in 2013 and was completed in 2015. We were one of the few regulators from non-OECD countries invited to participate in the exercise which was carried out under the auspices of the OECD Corporate Governance Committee with participation from the OECD member countries, G20 countries, experts from key international institutions including the Basel Committee, FSB, and World Bank. The new corporate governance principles were endorsed at the G20 Finance Ministers and Central Bank Governors meeting on 5 September, and are now known as the G20/OECD Corporate Governance Principles.

The new principles maintain many of the recommendations from earlier versions as continuing essential components of an effective corporate governance framework. It further introduced new issues and brought greater clarity in other areas, notably a new chapter on 'Institutional investors, stock market and other intermediaries'. This chapter addresses the need for sound economic incentives throughout the investment chain to engage in corporate governance, with particular focus on institutional investors exercising their ownership rights and contributing to good corporate governance.

We also participated in the 2nd OECD Southeast Asia Corporate Governance Initiative meeting in Ho Chi Minh City, Vietnam from 12 to 13 May. The initiative was aimed at supporting regional development of vibrant and healthy capital markets through the advancement of corporate governance standards, focussing specifically on the reform needs of Cambodia, Laos, Myanmar and Vietnam. Key issues discussed include challenges in relation to corporate governance of state-owned enterprises, enforcement of corporate governance standards in Vietnam and identifying the appropriate policy response. The meeting also reviewed the progress of capital market integration, and plans moving forward to achieve the ASEAN Economic Community goal.

We participated in the OECD Asian Roundtable on Corporate Governance (Roundtable) in Bangkok, Thailand from 29 to 30 October, hosted by the Securities and Exchange Commission of Thailand. The Roundtable was timely as it took place just after the launch of the revised Principles of Corporate Governance, which provided participants with the opportunity to share perspectives on their relevance and implementation in Asia. The other main themes of discussion were corporate governance and value creation especially in family-owned companies, the expectations on institutional investors in relation to promoting good corporate governance, and an implementation review of roundtable recommendations on regulation of related party transactions and board nomination and election practices. We were represented on the panel to discuss the current board election and nomination practices in Asia.

Regional regulatory dialogue on take-over matters

Formed in 2012, the Asia-Pacific Take-overs Regulators Forum of which the SC and the Securities and Futures Commission of Hong Kong are co-secretariat, is a platform for member countries to exchange ideas and views on take-overs and related regulatory matters, and share information on take-overs regulations of member countries and latest developments in the takeovers domain. Member countries include Australia, China, Hong Kong, India, Malaysia, New Zealand, Pakistan, Singapore, Thailand, Japan, Vietnam and Indonesia, with the latter two joining the forum in 2015. Through the exchange of ideas between members, the objectives of the forum, which are promoting the transparent and fair conduct of takeovers activities in their respective markets and allowing members to benefit from the experience of other member countries in the development of take-overs regulations, can be achieved. This platform also provides an opportunity for member countries to foster closer working relationships. Going forward, this should lead to more consistent approaches among members to support cross-border flows.

Since its inception, the Asia-Pacific Take-overs Regulators Forum has hosted roundtable discussions for which member countries take turns to host. Kuala Lumpur hosted the inaugural roundtable in 2012, Bangkok took its turn in 2013 and in 2015, Melbourne hosted over 30 participants from various take-overs regulators in the Asia-Pacific region. Some of the issues discussed include increased shareholder activism. improving disclosure standards, regulation independent experts' reports, enforcement issues faced by regulators and concert party issues. The efforts, however, are not limited to roundtable discussions that generally takes place once a year. The Forum also has an online presence at www.takeoversforum.com, which has both a members-only platform, where members can share ideas and views on take-overs regulatory matters and a public platform, which serves as a one-stop centre for the public to obtain take-overs regulations of all member countries of the forum.

Moving forward, continuous efforts are being made to further enhance the co-operation and relationships

with take-overs regulators in the Asia-Pacific region. Following the encouraging response to the roundtable discussions held annually, the discussions will continue to be held in different member countries in the coming years, with the aim of garnering greater participation and sharing of information between members. It is our hope that the forum would consistently grow to welcome more member countries into the fold and work closer together to enhance the regulation of take-overs in the Asia-Pacific region.

Facilitating greater information sharing and technical assistance

Another important area of emphasis for the SC is the strengthening of international regulatory co-operation and cross-sharing of regulatory knowledge and expertise. The Malaysian capital market regulatory framework is highly compliant and aligned with international standards and best practices for securities regulation. We continue to share expertise with our regulatory counterparts on various aspects of capital market regulation through dialogues, study visits and attachments.

Throughout the year, we hosted 12 visits by international regulators from, among others, China, Jordan, Malawi, the West African States, Saudi Arabia and Vietnam to discuss various developments relating to the capital market. These discussions and exchange of experiences has enriched our knowledge of the developments taking place globally.

In the area of capacity building, we regularly promote secondments by our regulatory counterparts to facilitate skills and knowledge transfer, and to strengthen bilateral relationships. In 2015, we hosted seven regulatory attachès from the Financial Services Agency of Japan, Financial Supervisory Service of Korea, Capital Market Authority of Saudi Arabia, Financial Services Authority of Seychelles and the Capital Markets Board of Turkey.

International trade agreements

We actively support the Ministry of International Trade and Industry (MITI) to promote and strategise Malaysia's global competitiveness in international trade. In relation to free trade agreements, we are directly involved in financial services negotiations with key trading partners. This includes the Trans-Pacific Economic Partnership Agreement (TPPA), a multilateral trade agreement negotiated alongside 11 other member countries.

The TPPA aims to create a high standard, ambitious, comprehensive and balanced agreement that will promote economic growth, support the creation and retention of jobs as well as enhance innovation, productivity and competitiveness. Negotiations for TPPA were concluded in October 2015.

As a landmark 21st century agreement, the TPPA includes 30 chapters covering trade and trade-related issues – modernising traditional approaches as well as incorporating new and emerging trade matters. The SC has been directly involved in the negotiations of the *Financial Services Chapter of the TPPA*. This Chapter aims to facilitate expansion of trade and investment in financial services on a mutually advantageous basis while at the same time recognising each member country's right to regulate. The *Financial Services Chapter* also promotes greater regulatory transparency in financial services as well as provides certainty of market access opportunities in TPPA member countries.

WCMS 2015 enables sharing of insights from leading experts

Following the resounding success of the WCMS in 2013, we once again organised this flagship event, bringing together leading thinkers and global experts to exchange views and share insights on the big issues in finance, economics and society. Themed 'Markets and

Technology: Driving Future Growth through Innovation', the Symposium was aimed at promoting informed debate on the subject of value-adding, sustainable growth by leveraging technology.

As in previous years, WCMS 2015 saw a strong line-up of speakers including Lord Paddy Ashdown, Member of the House of Lords, Former Leader of the Liberal Democrats, President, UNICEF UK; and President, Royal Institute of International Affairs UK; NR Narayana Murthy, Founder Infosys Ltd; and renowned investor Dr Marc Faber, Executive Director, Marc Faber Ltd. It also featured many domain experts in FinTech speaking at the event, including Lance James, Leo Shimada, Jacob Hook, Camille Blackburn, Chris Brycki and Paul Schulte.

The discussions primarily revolved around how new digital technologies are leveraging on internet connectivity and mobile computing resources to redefine industries and markets – increasing accessibility while creating and distributing value across markets and industries.

Discussions then focussed on how digitisation has had an impact on the financial services sector where technology is redefining products, services and markets as well as transforming consumer experience and competition in business. It also explored the value proposition of disruptive innovation that is providing alternative means to make payments and undertake transactions such as mobile money, P2P lending, on-line advice to manage assets and provide capital to new businesses through technology platforms.

One of the highlights of this year's programme was the ASEAN Panel of Eminent Persons featuring Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry, Malaysia; Dr Raden Mohammad Marty Muliana Natalegawa, Member, United Nations High-level Panel on the Global Response to Health Crises & Former Foreign Minister, Republic of Indonesia

and Korn Chatikavanij, Chairman of the Democrat Party Policy Unit, Thailand & Former Finance Minister. The panel, moderated by Dato' Seri Johan Raslan, Senior Adviser, AmBank Group and Former Executive Chairman, PwC Malaysia, presented its views on the AEC and the opportunities and challenges in achieving overall objectives. Dr Marc Faber provided a comprehensive overview which was followed by a panel of global market experts, moderated by Angie Lau of Bloomberg, converging to discuss 2016 prospects with a special focus on European and Asian markets. In keeping with tradition, WCMS 2015 closed with the financial market outlook for 2016.

The Symposium received positive feedback from both the speakers and participants who left with beneficial takeaways from the intellectual discussions and exchanges on this powerful thought leadership platform. The launch of the aFINity@SC was a timely initiative that resonated well with participants and more importantly, was reinforced by the views of the speakers and panel sessions, forming useful input for our policy options on FinTech going forward.

We believe that WCMS will continue to provide a platform to offer perspectives and encourage global conversations on a wide spectrum of economic and social issues and challenges facing financial markets as it evolves into a global brand of thought leadership and innovation.

Positioning the Malaysian capital market as an international market place

In line with efforts to promote market vibrancy, Capital Markets Malaysia (CM²) continues with its initiatives to entrench Malaysia as an international marketplace for investment and fundraising opportunities and transactions. With the appointment of a chief executive officer (CEO) in the third quarter of 2015, CM² has

embarked on an aggressive strategy to effectively profile the attractiveness of the various capital market segments via a comprehensive and integrated approach.

Brand awareness, business development and the formation of strategic partnerships are the cornerstones of CM² initiatives in order to strengthen international participation and catalyse a myriad of opportunities for investors, issuers and intermediaries with increased transactions and cross border linkages.

For the year, CM² embarked on several engagement sessions with industry players in the region as well as in several financial centres to promote the Malaysian capital market and our leadership in ICM.

Leveraging strategic partnerships with major industry players in Malaysia, the efforts of CM² in positioning Malaysia as an ASEAN value proposition saw the convergence of industry players and potential foreign issuers during WCMS 2015. The event was met with positive response as CM² was able to provide the necessary guidance and information to facilitate issuance and entry into the Malaysian capital market, in addition to providing an opportunity for Malaysian captains of industry to speak directly to the target audience.

The domestic retail segment of the capital market is of significant importance to augment financial inclusiveness of all strata of the investing community. Marking its first foray in this segment, CM² partnered with the SC in the annual InvestSmartTM Fest 2015, Kuala Lumpur, targeted at the various segments and levels of sophistication of public investors. The event brought together numerous financial institutions, associations, industry players and relevant government agencies on a single platform, with over 40 participating brokers, fund managers, PRS providers and ECF operators.

"CM² was able to provide the necessary guidance and information to facilitate issuance and entry into the Malaysian capital market, in addition to providing an opportunity for Malaysian captains of industry to speak directly to the target audience."

The year's activities culminated in CM² participating once again at the World Islamic Economic Forum (WIEF) in Kuala Lumpur, with the continuous promotion of the Islamic capital market. The WIEF is an important platform that convenes over 2,500 participants comprising world leaders, government representatives, economists, academia and the business community to address current economic and social issues affecting the Islamic economy.

Besides developing and implementing the many business development and brand awareness initiatives, CM² actively engages with both international and domestic stakeholders by ensuring its participation in global conferences and roadshows. Leveraging third party industry brands, the CM² team participated in key engagements in Jakarta, Bangkok and London. It is envisaged that such participation will help to increase awareness of Malaysia's competitiveness at a regional and global level, as well as attract investments from the various target regions.

BUILDING CAPACITY FOR THE CAPITAL MARKET

In light of the dynamic market landscape, intermediaries need to continually upgrade the skill sets and professional capabilities of its people. The SC, through its training and development arm, the Securities Industry Development Corporation (SIDC), plays a vital role in industry capacity building by having a comprehensive educational and training programme for the industry.

Fostering industry's professional development

In supporting the SC's capacity building efforts for the capital markets, SIDC through its various fit-for-purpose programmes has established a structured and progressive development framework to develop human capital for the Malaysian capital market and strengthen its talent pipeline, from the entry to leadership levels. This comprehensive provision of industry capacity building initiatives allows SIDC to address the learning and development needs of the diverse groups in the capital market, including the regulators.

Developing new talent

At the entry level, the SC Licensing Examinations ensure that individuals wishing to start a career as capital market professionals meet the stipulated qualification requirements that are established to maintain rigorous competency standards for industry professionals. To this end, SIDC conducts SC Licensing Examinations preparatory courses for candidates.

The capital market talent pool is also continuously widened through the SC's graduate development programmes. The Islamic Capital Market Graduate Training Scheme (ICMGTS), for example, produces

two batches of entry-level professionals trained on fundamental Islamic capital market knowledge and relevant soft skills every year. A total of 521 graduates have undergone this training scheme with SIDC since its launch in 2009, of which 85% have successfully found employment in the financial industry. In 2015, 80 graduates participated in the scheme.

Developing intermediaries

SIDC is involved in two major capacity building initiatives for capital market intermediaries, namely the Continuing Professional Education (CPE) programme and the Industry Transformation Initiative (ITI). A mandatory programme for all licensed intermediaries, CPE comprises training courses focussing on continuous learning and upskilling of technical knowledge, skills and best practices to maintain the quality of market professionals — a contributing factor to investor confidence.

ITI is a modular training programme funded by the Capital Market Development Fund, which aims to enhance the technical and interpersonal competencies of capital market profesionals, helping them to advance professionally. ITI courses offered by SIDC have recorded more than 100,000 participants since the programme was launched in 2007, with 6,974 participants in 2015.

Training industry leaders

In accordance with the strategic 'Growth with Governance' thrust in CMP2 and the *Malaysian Code on Corporate Governance* issued in March 2012, SIDC organises relevant corporate governance programmes through strategic industry collaborations and partnerships with major institutions such as Bursa Malaysia and National Institute of Public Administration (INTAN), aimed at raising the

standard of corporate governance at the management and leadership level. These programmes are designed to help directors and top management carry out their duties and responsibilities more effectively, and ultimately, to promote a more vibrant and attractive Malaysian capital market.

SIDC also offers two key development programmes — the Capital Market Director Programme (CMDP) and the Advanced Business Management Programme (ABMP) — to equip company directors and the C-suite with the necessary skills and competencies to carry out their duties in protecting and driving shareholder value.

The CMDP is an exclusive platform for directors of licensed intermediaries introduced in May 2015 to develop relevant competencies. Designed to allow participants to explore and deliberate on pertinent issues affecting the industry from multistakeholder perspectives, this programme is mandatory for members of the board of directors of licensed intermediaries. As at end-December 2015, SIDC has completed 13 batches of the programme. These sessions were attended by 313 participants, out of whom 227 have completed all the requisite CMDP modules.

The ABMP is an annual flagship programme which started in 2010. The programme was jointly developed with a leading executive education business school, the International Institute for Management Development (IMD), Lausanne, Switzerland, which delivers leading-edge thinking on global trends, governance, business model choices and stewardship in order to steer organisations for the long term. In 2015, 16 participants attended the programme.

Training regulators

Delivered by SIDC, the SC's annual flagship programmes for regulators, i.e. the Emerging Markets Programme (EMP) and Islamic Markets Programme (IMP), support its commitment towards knowledge sharing and co-operation among international regulatory bodies.

Launched in 2001, the EMP is the longest-standing and most well-known platform among new and senior regulators from both developing and developed markets to meet, network, share experiences and exchange thoughts on common regulatory concerns and issues that impact their markets. A total of 643 regulators from 67 countries have attended the EMP since its launch.

The IMP is a senior-level programme for regulators and Islamic finance practitioners covering topics ranging from Shariah fundamentals, underlying concepts and mechanics of Islamic finance and global Islamic capital market developments to regulatory and current issues in the Islamic finance industry. IMP speakers are leading ICM experts from the SC and international industry practitioners. A total of 439 regulators and industry participants from 38 countries have attended the IMP since its establishment in 2006. In 2015, 50 participants attended the programme.

In addition, through close collaboration with international agencies such as the Asian Development Bank (ADB), the Australian Department of Foreign Affairs and Trade, Australian Treasury and AusAID, SIDC has tailor-made and delivered several international capacity building programmes for securities regulators of Cambodia, Indonesia, Lao PDR, the Philippines, Thailand and Vietnam to promote common regulatory competencies, networking and co-operation.

SIDC also entered into MoUs with the National Institute of Securities Markets (NISM), India and the Securities and Commodities Authority (SCA) of the United Arab Emirates to enable collaborations on capacity building initiatives and training programmes for the development of the capital markets and financial services industry.

Furthering ICM thought leadership and nurturing Shariah expertise

We remain committed towards building capacity and Shariah expertise within the ICM through a number of ongoing and new initiatives.

6th SC-OCIS Roundtable and Scholar in Residence in Islamic Finance

Our partnership with the Oxford Centre for Islamic Studies (OCIS) continues to provide a platform for intensive discussions and rigorous exchange of views related to Islamic finance. The sixth SC-OCIS Roundtable, which was graced by His Royal Highness Sultan Nazrin Muizzuddin Shah who delivered a special address, was held in March in Oxfordshire, UK. Themed 'Seeking Sustainability: Role of Islamic Finance in the Transformational Change', the Roundtable deliberated on the principles of ethics, profit and sustainability in the context of the global financial agenda, striking a balance between value and rule-based regulatory framework, and how Islamic finance can play a decisive role in the transformational change in the global financial system. The select group of about 40 key industry practitioners, senior academicians, Shariah scholars, standard setters and regulators from around the world who attended the closed-door Roundtable, provided insightful and constructive views and suggestions, some of which would be pursued further through applied research and focus groups.

One of the platforms for such research is the Scholar in Residence programme, which is a joint initiative between the SC and OCIS, and is an outcome of recommendations from an earlier roundtable. Dr Adam Ng Boon Ka from the International Centre for Education in Islamic Finance (INCEIF) who was selected as the third Visiting Fellow at OCIS for the academic year 2014-2015, conducted his research titled 'Risk Sharing

and Social Impact Partnerships' under the programme. For the academic year 2015–2016, the Fellowship has been assumed by Arshad Mohamed Ismail from Maybank Islamic, undertaking research on 'Enhancing Access to Sukuk Market Liquidity for Small and Medium Enterprises'.

International capacity building programmes

We have extended ICM capacity building initiatives beyond meeting the needs of domestic market in response to rising international demand which is in tandem with the growth of Islamic finance globally. Cognisant of the varying levels of development of the Islamic finance industry, we have designed relevant training programmes for capital market regulators and related industry stakeholders. This includes the sharing of regulatory and Shariah expertise through the organisation of international workshops, regulatory attachments or speaking engagements on general and technical aspects of ICM.

As the Chair of the Islamic Finance Task Force under the Capital Markets Forum of the Standing Committee for Economic and Commercial Cooperation (COMCEC) of the Organization of Islamic Cooperation (OIC), the SC organised two workshops for OIC member countries in Dubai which were structured specially to cater to the different levels of ICM development in these countries. The workshops were focussed on designing and implementing effective strategies for the development of ICM, and attracted a total of 47 participants from 23 organisations in 17 OIC countries.

Discussions and recommendations during the workshops were summarised in a report entitled, *Islamic Capital Market Capacity Building Programme: Workshop Report and Recommendations*. The report, which can be accessed by capital market regulators of OIC member



countries, provides strategic and general policy recommendations for the development of ICM in the short to medium term (one to three years) and long term (more than three years).

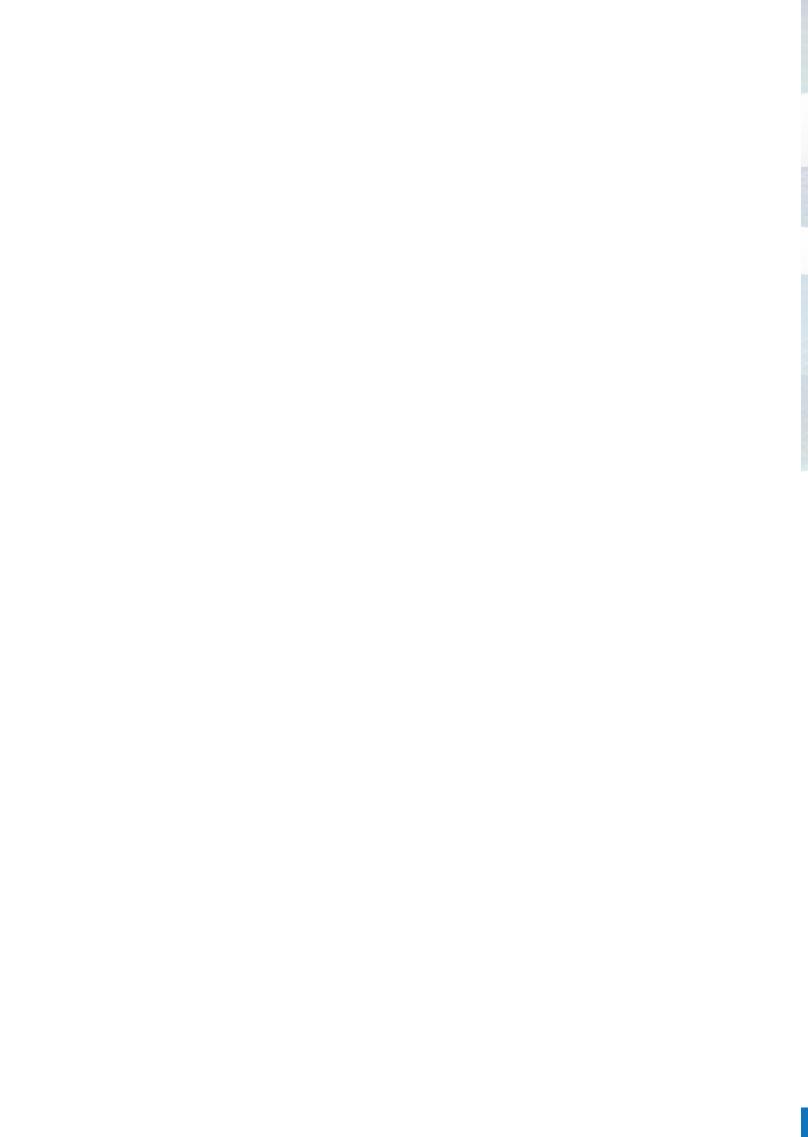
Publication on ICM

The SC launched a textbook entitled *Islamic Capital Markets: Principles and Practices* in partnership with the International Shari'ah Research Academy for Islamic

Finance and Khazanah Nasional Bhd in May 2015 to further develop capacity and skills in ICM domestically and internationally. It serves as a vital source of reference to academicians, students and practitioners, covering comprehensive aspects of the ICM including the theories and practices as well as key principles underlying the ICM operations. Written by prominent scholars, academicians and industry experts, the textbook also features contemporary issues facing the ICM industry by applying various case studies.

PART 2 PRESERVING MARKET INTEGRITY





PART2

PRESERVING MARKET INTEGRITY

INTRODUCTION

The regulatory architecture of the Malaysian capital market today stands on foundations built and reinforced over the years with respect to managing market stability, particularly in strengthening systemic risk defence mechanisms against the effects of global contagion. Governance systems and internal controls of market participants have been strengthened through an effective regulatory framework which is aligned with international standards and best practices, and proactive, analytical and risk-focussed supervision.

With greater volatility experienced by markets across the globe in 2015 due to a confluence of global macroeconomic factors, these foundations continue to prove its criticality in enabling the Malaysian capital market to be resilient. As we remain vigilant of our responsibility in preserving the integrity of the capital market, particularly during such conditions, we continue to scale up our efforts in these core areas.

In 2015, we focussed our supervisory efforts and market and corporate surveillance activities towards detecting and preventing opportunities for misconduct,

assessing the resilience of market institutions and intermediaries, as well as on the culture and conduct of intermediaries and PLCs. This included conducting regular assessments and thematic reviews on specific areas of concern. With the rise in trading activities and complex trading strategies, thematic reviews were carried out to identify and address potential risks that emerge from latest trends in the markets.

Throughout the year, we demonstrated strong commitment towards achieving effective enforcement outcomes including credible deterrence measures to preserve market trust and confidence. We exercised a full suite of enforcement actions, ranging from prosecution to civil and administrative actions.

MAINTAINING MARKET RESILIENCE AMID CHALLENGING CONDITIONS

Investors were seen constantly evaluating investments against a dynamic and changing macroeconomic landscape. Notwithstanding a broad market correction witnessed at the start of the third quarter, market

adjustments have been orderly. Investors also demonstrated a strong appetite for newly-listed call and put structured warrants linked to Malaysia, China and Hong Kong equity indices during episodes of elevated global equity market volatility. The trading volume in structured warrants surged approximately 370% year-on-year (2014: 13.1 billion; 2015: 61.7 billion).

The local derivatives market witnessed a number of record trading days in 2015, bolstered by hedging and speculative trading appeal in equity (FKLI) and commodity (FCPO and FGLD) futures. Average daily trading volume on the derivatives exchange grew more than 13% year-on-year (2014: 50,027 contracts; 2015: 56,696 contracts). The derivatives market witnessed

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Market Surveillance – Thematic Reviews

hematic market surveillance reviews are regularly undertaken to identify and address potential risks that may emerge from latest trends in the market. Examples of such trends include the entry of new market participants (e.g. market makers and day traders), the introduction of new asset classes (e.g. structured warrants, low-priced securities) and the proliferation of new trading technology (e.g. electronic trading). Our thematic market surveillance reviews have supported a deeper understanding on market microstructure¹ issues in Malaysia by complementing observations from real-time monitoring of securities and derivatives market activity. Findings from thematic reviews have been crucial in supporting regulatory actions and policy decisions to preserve market integrity.

In 2015, thematic reviews of the market covered trading activities of more than 190 counters and focussed on themes surrounding electronic trading of securities, trading of low-priced securities and market making/ hedging activities on structured warrants.

Electronic trading of securities

A thematic study was conducted on electronic trading given its significant contribution to the total market value. It signified that Malaysian securities markets are also advancing in line with the trend in global markets in respect of increased usage of electronic trading, given the rapid proliferation in technology. While electronic trading has benefited the capital market by reducing market friction, our study found that this trading platform may be abused as a means for conducting stock market manipulation. illustrate, perpetrators exploited electronic trading features such as convenient market access to facilitate the co-ordination of abusive market behaviour. Records of Clients' Internet Protocol (IP) address also played a crucial role in supporting the identification of stock manipulation activities in this trading space. Accordingly, the SC engaged with market intermediaries to ensure that sufficient safeguards and supervision are in place to protect investors. In particular, proper systems and tools to monitor electronic trades by intermediaries needed to be strengthened. We also emphasised the importance of retaining clients' IP address records for a sufficient period of time as well as easy retrieval of such records.

¹ Market microstructure is the study of the process and outcomes of exchanging assets under explicit trading rules, as referenced in the Transparency and Market Fragmentation – Report from the Technical Committee of the International Organization of Securities Commissions (IOSCO) (Nov 2001).

increased participation of players who executed complex trading strategies involving spread trading, high-frequency trading and cross-asset trading in a bid to navigate challenging market conditions.

Meanwhile, total trading activity in the secondary bond markets decreased compared to 2014, totalling RM0.98 trillion (2014: RM1.19 trillion) amid economic

uncertainties. However, the bond market remained resilient with orderly trading activities. Collectively, domestic capital market activities continued to reflect fair and orderly operations.

In such market conditions, we heightened market and corporate surveillance to preserve market stability and reduce opportunities for misconduct in the market.

Trading of low-priced securities

A review of trading activities in the ACE market showed that more than 80% of listed securities are priced below RM0.50. These low-priced securities were observed to be more volatile as a small change in share price can result in large percentage gains or losses. Given the higher risk-reward profile, our thematic study uncovered instances where low-priced securities were susceptible to excessive speculation and could be easy targets for potential stock market manipulation. We have subsequently engaged with market intermediaries and Bursa Malaysia to fortify their supervision efforts in ensuring orderly trading in low-priced securities, particularly those involving day-trading activities.

Market making/hedging activities on structured warrants

Amid episodes of global financial market volatility, trading volume of structured warrants increased fourfold in 2015. The tremendous growth in the structured warrants segment demonstrated newfound levels of market depth and investor sophistication in the Malaysian capital market. In our thematic review of this segment, we observed that the recent surge in activity was attributed to strong investor interest in structured warrants linked to Malaysia, China and Hong Kong equities/indices. Our analysis of trading behaviour further revealed that investors in structured warrants demonstrated

diverse strategies such as hedging, arbitrage and directional trading. We noticed active participation from market makers/hedgers. Given their significance, we further conducted detailed studies on their trading conduct. We assessed their behaviour against global standards via consultations with international market experts. Findings from our study showed that there were no major surveillance concerns in market making and hedging activities in structured warrants listed on the Malaysian exchange.

Conclusion

Supported by innovations in technology and financial products, Malaysia's securities markets have evolved substantially, particularly in terms of speed, volume and trading behaviour. Our thematic reviews show that Malaysia's evolving market microstructure continues to support fair, orderly and transparent trading in securities markets. Nonetheless, in the wake of recent changes in market microstructure, thematic reviews have shed light on specific areas which require greater regulatory and supervisory attention. In this respect, we have engaged with Bursa Malaysia and intermediaries to strengthen safeguards and supervision such as in the areas of electronic trading and trading in low-priced securities. Moving forward, we will continue to conduct thematic market surveillance reviews to proactively identify surveillance and policy issues that require greater regulatory attention.

We maintained effective oversight of Bursa Malaysia with increased emphasis on pre-emptive measures such as direct engagements with participating organisations and traders, alongside the issuance of Unusual Market Activity queries and Market Alerts on questionable transactions.

The growth in market activity and complexity on the local bourse can be quantified by the 32% year-on-year rise in number of orders (2014: 119 million; 2015: 157 million) and 8% year-on-year rise in the number of trades (2014: 35 million; 2015: 38 million). With growth in market activity driven by new products, sophisticated trading techniques and new market participants, the number of market surveillance alerts increased over twofold from 2014. Over 54,000 alerts were analysed in 2015 (2014: 25,000), some of which were assessed for further investigation. Pre-emptive actions were taken in over 230 instances to curb trading activities deemed improper (2014: 211). Meanwhile, amid a surge in volume and complex trading strategies in the derivatives market, our co-ordinated surveillance efforts with Bursa Malaysia Derivatives yielded action on 12 inter-market surveillance issues. These efforts were augmented by a new surveillance module introduced during the year.

We maintained active surveillance of secondary bond trading in 2015 to detect irregular trading activities that may undermine the integrity of the market. Detailed analysis of trading data and price volatility, and engagements with market participants were carried out to protect investors from possible market abuse, as well as ensure high standards of professionalism among market intermediaries.

Our market surveillance efforts were enhanced by leveraging technology to address demands from the market's relentless speed, volume and complexity. We continued to develop new quantitative models and methods to analyse risk scenarios, identify trends in

the market and detect potential market irregularities. This enabled us to achieve greater precision in market surveillance decisions as well as in the generation of critical data and input for policy choices in market regulation and market development.

Existing automated surveillance platforms were calibrated to support in-depth analytics, including the introduction of new customised alerts and reports. State-of-the-art technological applications were also deployed to deal with big data. Improved extraction and analytics of information on corporates, individuals and trading data bolstered the quality of our market microstructure analysis, surveillance and monitoring, and the establishment of relationship networks among market participants.

Monitoring of systemic risk

In order to effectively identify and monitor systemic risk in the capital market, a holistic approach which goes beyond supervision at individual intermediary level needs to be adopted, given the interconnectedness between the capital market and financial system. Stress in one entity can quickly spread to entities in other sectors or jurisdictions, leading to systemic issues and concerns.

In line with the heightened oversight of markets, we instituted close monitoring of intermediaries especially those which could pose systemic impact. To detect early signs of vulnerability especially during weak market conditions, several indicators were applied as part of the monitoring. For the fund management industry, changes in patterns of redemptions and withdrawals by investors, movements in assets under management as well as asset allocations were closely watched. In the case of the stockbroking industry, analysis of margin exposures and quality and adequacy of collateral was also examined closely.

This year, we developed the Macro-Prudential Surveillance Framework (MPSF) to support the monitoring, mitigation and management of systemic risk arising from or impacting intermediaries in the capital market. This framework is designed to identify vulnerabilities that trigger systemic risk in the capital market by assessing risk transmission across intermediary and sector. It encompasses various systemic risk indicators to provide an overview of the broad capital market to complement intermediary level supervision. This provides early warning and suggests possible policy alternatives to prevent distress and mitigate systemic risk in the capital market at the earliest possible stage.

Similar priority was also given to monitor, mitigate and manage potential systemic risks arising from unlisted capital market products, especially with the introduction of the LOLA regime. In this regard, we established a surveillance framework on unlisted capital market products for that purpose and to supplement product supervision. The framework applies a non-prescriptive approach to identify trends, vulnerabilities and risks arising from unlisted capital market products.

In respect of the bond market, we continued to actively monitor the trading and holding positions of foreign participants to detect potential market disruption. In addition, we also monitored and reviewed the credit assessment of bond issuers to identify vulnerabilities that may lead to systemic risk in the bond market.

Thematic assessments on PLCs were also conducted to detect potential systemic risks in the corporate landscape and their impact to the Malaysian capital market. We completed four thematic assessments in 2015 covering more than 200 PLCs, analysing global and domestic factors that may influence their performance, such as the weakening ringgit, declining commodities prices and the slowdown of China's economy. These assessments provided critical insights which allowed us to formulate regulatory responses and

to apply differentiated surveillance focus over the corporate landscape.

The Netting of Financial Agreements Act 2015 which came into effect on 30 March and the amendments to the Capital Markets & Services Act 2007 (CMSA) serve to align Malaysia with international practices by establishing a legal framework to protect netting provisions in over-the-counter (OTC) derivatives contracts and market contracts respectively.

The Systemic Risk Oversight Committee (SROC) has been in place since 2011 to carry out our mandate for monitoring, mitigating and managing systemic risks. Through SROC, we continued to actively monitor possible areas of systemic impact covering markets, intermediaries, products, as well as PLCs.

Strengthened cross-border surveillance co-operation

The rapidly evolving and increasingly borderless capital market landscape has brought to the fore the importance of multimarket surveillance activities and co-operation. Since its establishment, we continue to play a leadership role to elevate the significance of the Asia-Pacific Regulators Dialogue on Market Surveillance (ARMS) and the impact it brings to the regulatory functions of each participating jurisdiction. ARMS which started initially with seven regional regulators in 2013 has increased to 10 in 2015. The growing participation demonstrates the value and importance placed by regional peers in establishing a multi-jurisdictional platform to network and exchange views relating to issues and challenges in the area of market surveillance.

The collaborative efforts of ARMS have brought its members to commit beyond sharing of information – expanding into sharing of expertise and guidance, and arresting emerging trends which pose significant risks to



market integrity and investor confidence. ARMS has been instrumental in strengthening the effectiveness of regulatory capabilities, including in dealing with cross-border market abuse across the Asia Pacific region.

STRENGTHENING MARKET INSTITUTIONS

Oversight of market institutions

Bursa Malaysia

Continued resilience of trading venue and financial market infrastructure

Ensuring sustained confidence in the Malaysian financial market continues to be a key focus of our market institutions oversight. The financial position of Malaysia's sole stock exchange, Bursa Malaysia remains strong with total shareholder funds of RM803 million as at 31 December 2015. More than 45% of its shareholding comprise long-term strategic institutional shareholders, including the Employee Provident Fund (EPF), the Retirement Fund (Incorporated) (KWAP) and the Capital Market Development Fund (CMDF). Bursa Malaysia's liquidity position continues to provide strong support to its operations, with total liquid assets amounting to RM376 million as at December 2015, in the form of high quality securities and cash.

Building on the strong financial position and existing risk management framework within Bursa Malaysia, efforts were directed towards strengthening the resilience of securities and derivatives clearing houses in line with the requirements of the Committee on Payments and Market Infrastructures (CMPI) and the IOSCO Principles for Financial Market Infrastructures (PFMI), following the assessment under the Financial Sector Assessment Program (FSAP) in 2013. This involved the development of the Equity Margining Framework

(EMF) for securities clearing which would provide an additional layer of protection to the existing clearing guarantee fund, further safeguards against systemic risks arising from clearing house activities as well as align market participants' incentives to manage risk appropriately. Considerable improvements to the risk management practices both at the securities and derivatives clearing houses were observed in terms of the deployment of more rigorous stress testing of credit and liquidity risk frameworks, which is a key pillar to the EMF. This included revisions to the stress testing assumptions and parameters to better reflect market volatility and capture plausible stress scenarios.

Our continuous and active engagement with Bursa Malaysia emphasising the criticality of ensuring the continuity and safeguarding of the trading system and market infrastructures against cyber security risks have observed significant improvement both in terms of cyber security and business continuity risk management practices. These include extensive system audit across the trading, clearing and settlement systems to identify potential vulnerabilities, and system penetration tests to ensure sufficient protection against cyber attacks. The certification of Bursa Malaysia's IT system security as compliant with ISO standards as well as the ability to recover within a 2-hour recovery time objective evidenced by business continuity test results, further affirmed the resilience of the trading system and market infrastructures.

Moving forward, greater emphasis will be placed on the role of risk governance and management to further strengthen the resilience of the securities and derivatives exchanges and clearing houses. The ongoing development of the *Guidelines on Governance of Market Institutions* will among others, require Bursa Malaysia to have in place a comprehensive group risk management framework, which is envisaged to enable greater centralisation and alignment of risk management and compliance practices across its various operating entities.

Strengthening governance of Bursa Malaysia

We review the adequacy of regulatory oversight and governance arrangements and practices in Bursa Malaysia as its business model and the market environment evolve over time to ensure appropriate balance between the multiple roles and objectives of Bursa Malaysia as the operator of the securities and derivatives market, provider of clearing, settlement and depository services, as well as the front-line regulator.

A key outcome of our review in 2015 was the enhancement to the composition of the subsidiary boards of Bursa Malaysia to include industry experts in order to facilitate a more effective functional board at the subsidiary level to drive strategic initiatives focussing on trading, clearing and settlement respectively, while maintaining a strong oversight from the Bursa Malaysia holding company's board to ensure appropriate balance between commercial and public interest objectives. This was effected through changes made in the key subsidiary board membership and the appointment of four directors from Bursa holding company on the board of these subsidiaries.

To further strengthen the effectiveness of board governance at Bursa Malaysia, we also introduced an on-boarding programme, particularly for independent and public interest directors to facilitate new board members greater understanding of the inter-linkages between regulatory, commercial and market environment issues given the multiple roles of Bursa Malaysia, as well as clarifying the expectations on their duties to safeguard public interest.

Continuous regulatory oversight of Bursa Malaysia

As part of our regulatory strategy in identifying and addressing emerging issues surrounding market developments and their interaction with market integrity, systemic risk and investor protection, we continue to maintain active dialogues with the board and

management of Bursa Malaysia. These dialogues provide an effective forum to exchange views on trends and developments in the capital market, developments in international regulatory standards as well as highlight key supervisory issues and concerns to ensure Bursa Malaysia's business and regulatory initiatives remain consistent with SC's regulatory philosophy and objectives. These engagements have resulted in significant steps taken by Bursa Malaysia to strengthen its risk management, in particular the engagement with independent experts to validate its existing risk management framework for the securities and derivatives clearing houses.

We also conducted the annual regulatory assessment on Bursa Malaysia's enforcement function, being a critical component of its regulatory function to ensure observance of procedural fairness, confidentiality and secrecy provisions, protection of personal data and avoidance of conflicts of interest. In exercising its powers and discharging its function, Bursa Malaysia is expected to apply its processes consistently, comprehensively and transparently.

We approved the amendments to the *Rules of Bursa Malaysia Securities* and the *Rules of Bursa Malaysia Securities Clearing* to revamp the Error Trade Cancellation policy, and clarify and strengthen the Error Trade policy. The Error Trade policy provides clear circumstances as to when Bursa Malaysia will invoke its rights to cancel erroneous trades together with comprehensive criteria to effect such cancellation. A price adjustment mechanism was also introduced as a first measure in managing erroneous trades to minimise market disruption.

Federation of Investment Managers Malaysia

Reinforcing governance and operational resiliency of FIMM

To augment the governance of the Federation of Investment Managers Malaysia's (FIMM) Board of directors, we imposed, under the terms and conditions

of recognition as a self-regulatory organisation (SRO), a more stringent condition requiring FIMM to maintain a composition of at least 45% public-interest director (PID) representation on its board, higher than the one third required under the CMSA. The PIDs play a critical role in providing independent and objective judgment to ensure effective oversight of FIMM as an SRO for the industry, and acting in the interest of the public.

In addition, we issued the *Guidelines on Recognised Self-regulatory Organisation* to guide, provide clarity and impose additional requirements on the SRO in the areas of governance, regulatory independence, operational capabilities, industry development and the oversight role of the SC.

Private Pension Administrator

Enhancing operational effectiveness and efficiency of PPA

The PPA was established under the oversight of our regulatory framework with the primary objective to operate and maintain an effective and efficient record keeping and central administration system to safeguard the interest of PRS contributors. Therefore, it is important that PPA ensures that its central administration system has adequate capacity, proper controls and remains resilient to risks.

We commenced the first regulatory assessment on PPA with the objective to review the effectiveness of its overall governance arrangements, efficiency of its central administration function and robustness of the IT risk management framework. A key outcome of the review was the initiative to enhance the operational efficiency in the collection of PRS contribution data from PRS providers to enable timely access by PRS members. During the year, PPA's function was also expanded to facilitate pre-retirement withdrawals in the event of permanent total disablement, serious disease and mental disability, and PRS beneficiary nomination.

We continue to maintain active dialogues with the board and management of PPA to facilitate greater understanding of the SC's supervisory oversight role and expectations on the role of PPA in the protection of public interest, having regard to the relatively new establishment of PPA and the PRS industry. These dialogues also serve as a platform for PPA to raise issues and challenges in the development of the PRS industry.

REINFORCING RESILIENCE OF CAPITAL MARKET INTERMEDIARIES

Strong capitalisation levels

In keeping with the evolving market and risks assumed by market intermediaries, capital requirements are reviewed regularly to ensure they continue to be relevant and adequate relative to the risk, liquidity and solvency level required. In 2015, extensive studies and impact analyses were carried out as part of our review process to ensure these requirements continue to remain relevant and act as safeguards against adverse conditions.

In view of the market volatility this year, supervisory attention continued to be given to compliance with prudential requirements. For the broking industry, the market intermediaries remained strong based on their risk-weighted capital ratio (RWCR), capital adequacy ratio (CAR) and Shareholders' Funds (SHF). Industry average RWCR is well above the 8% prescribed minimum requirement, with 35.3% as at end-2015, while industry average CAR stood at 11.9 times as at end-2015 (Table 1).

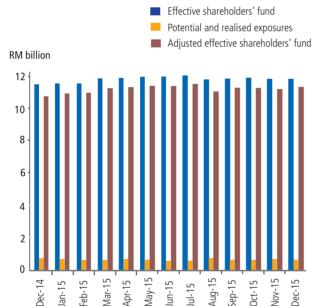
Despite weak stock market sentiments, the level of exposure of the broking industry to losses arising from contra, margin, proprietary trading and outstanding purchase transactions were low with less than 5% of the industry SHF. The impact analysis on SHF showed that the industry was well-insulated to cushion potential

exposures (Chart 1). The broking industry also shows sufficient liquidity with relatively low leverage i.e. 0.05 times of SHF against the maximum cap of 2.5 times of SHF, under Bursa Malaysia's requirement.

Stress testing

In assessing the resilience of capital market intermediaries, the risk parameters in our stress testing models have taken into account the current global and regional macro

Chart 1 Impact analysis on shareholders' funds



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Source: Bursa Malaysia, SC

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economic factors that could affect the domestic markets. The stress test models for broking intermediaries focussed on the impact to financial soundness and ability to cope with tighter liquidity. The scenarios that were stress-tested include default by single largest client, adverse market conditions and liquidity stress. For the fund management industry, scenarios included changes in currency and interest rates.

The stress test results showed that market intermediaries continue to remain resilient due to the strength of their financial and capital positions. Though market intermediaries at large were able to withstand severe deterioration of economic conditions as well as vulnerability to shock, we recognised that under extreme scenarios, certain smaller market intermediaries are likely to be more vulnerable to economic shocks, currency and interest rate movements. As part of our proactive supervisory approach, engagements were held with these intermediaries and measures have been put in place to mitigate the risks identified.

We have also engaged with several intermediaries to promote the adoption and use of stress testing in their risk management processes. In particular, we focussed on stress testing the performance of funds under various stress scenarios. The importance of this initiative which began in early 2015, has now been prioritised given global discussions on potential financial stability risks posed by the fund management industry. In this regard, we are also assessing how fund redemptions and liquidity management are being addressed by fund managers.

Table 1 Risk-weighted capital ratio and capital adequacy ratio

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Broking industry	Minimum Requirement	Dec 2014	Dec 2015
Investment banks' RWCR	8%	35.4%	35.3%
Stockbrokers' CAR	1.2 times	12.3 times	11.9 times



Crisis management programme for intermediaries

A series of programmes was designed in 2015 to better equip us and the industry for crisis management. The first programme was held in October with close to 100 participants from the SC, the industry and other regulatory organisations. The programme introduced the value of developing crisis management processes within regulated intermediaries, regulatory authorities and the capital market overall. The programme aimed to build a foundation for understanding, designing and maintaining an effective crisis management framework and also to identify gaps in crisis management preparedness and processes, and ultimately form a basis for further work on crisis management in the Malaysian capital market.

In addition, we developed an Incident Management Plan Framework for market intermediaries to manage and mitigate adverse impacts in a timely manner. Leveraging real-life case studies, gaps in terms of crisis preparedness were identified together with crisis resolution recommendations which included the need for greater clarity on responsibilities and accountabilities.

Management of cyber security risks

Cyber attacks against critical infrastructure, systems and services in the capital market could have significant implication on the integrity and efficiency of capital markets and a potentially destabilising effect given interlinkages and interdependencies in the ecosystem. Globally, the frequency and intensity of cyber attacks on financial institutions and capital markets have increased exponentially in the past 12 months.

We focussed on cyber security given its importance in supporting the continued resilience of the Malaysian capital market. Thus, cyber security risks and threats as well as IT infrastructure resiliency are major themes in our regulatory audits of intermediaries and institutions.

A thematic review on cyber security was undertaken where the ability of intermediaries to prevent, detect and recover from different forms of threats ranging from risks to confidentiality and availability of services to integrity of data were analysed. The review revealed that improvements were required, for example, in addressing inconsistencies between privileges and rights granted to certain individuals and their job functions, and that intermediaries should be more vigilant in ensuring change management processes are adhered to.

Comprehensive guidelines on cyber security resilience are being developed to enhance the awareness and understanding of cyber security risk among capital market participants. The guidelines will also ensure the preparedness of capital market participants in responding to cyber threats and provide robust recovery measures.

STRENGTHENING CULTURE AND CONDUCT AMONG INTERMEDIARIES

In 2015, we continued to shift our supervisory focus from primarily ensuring compliance to reviewing culture and conduct. While the focal point of a compliance review is on assessment of compliance with laws and guidelines, weaknesses in internal controls, client asset protection and conflict of interest management, the culture and conduct review focuses on assessing risks faced by intermediaries in carrying out their business, alignment of decision-making with investors' interests and enforcing board and senior management accountability. This entails holistically assessing a series of qualitative measures, ensuring that the core corporate culture promotes integrity.

To strengthen our focus on culture and conduct the Securities Commissions Act 1993 (SCA) was amended to extend the Audit Oversight Board's (AOB) regulatory

reach to include auditors of capital market institutions, scheduled funds and reporting accountants. Our supervisory powers were also expanded to involve persons performing outsourced functions for regulated entities including branches and subsidiaries.

Administrative actions were also taken against PLCs, intermediaries and their officers for breaches of securities laws to address behaviour and reinforce good culture and conduct.

Given the dynamic market environment, we expect intermediaries to continuously reassess the way they conduct their business, and manage regulatory expectations and associated risks of non-compliance. Intermediaries need to foster a strong culture which drives clear and appropriate conduct when applying rules and regulations and the expectations embedded within them. They should place more attention on their compliance policies and procedures, and invest in people, internal systems and processes so that they are able to fulfill their regulatory obligations effectively.

Our supervisory focus for 2015 (Diagram 1) aims to raise standards across culture, practices and operations in four priority areas.

We widened our supervisory coverage by conducting 32 assessments on stock and derivatives broking intermediaries and 46 assessments on fund and unit trust management companies (covering approximately 80% in terms of market share). Administrative actions were taken against six intermediaries to address serious breaches of guidelines. Areas that required improvement were communicated directly with the market intermediaries concerned.

The introduction of LOLA has necessitated improved product surveillance and conduct supervision through:

- enhancing data gathering on product offering to identify emerging risks;
- ensuring the disclosure documents remain a reliable source of information and clarifying accountability of persons responsible for preparing disclosure documents;

Diagram 1 Priority areas under our Supervisory Plan for 2015

Conduct of licensed persons

 Intermediaries must ensure competence and ethical conduct of its licensed persons by having appropriate controls and procedures and adequate training and awareness programme.

Distribution channels and sales practices

 Intermediaries must establish effective distribution channels that aid client servicing and deliver high sales practices standards.

Governance of intermediaries

- Tone from the top to prioritise investors' interest and emphasise the value of high standards and credible products and services.
- Intermediaries' self-discipline in areas such as culture, professionalism and fair treatment of investors.

Anti-money laundering

 Shift from compliance approach towards risk-based approach in assessing moneylaundering risks.

- ensuring intermediaries comply with higher standards of sales practices; and
- enhancing the role of intermediaries and capital market service providers.

Our continuous oversight and supervision over bond market intermediaries such as credit rating agencies (CRAs), bond pricing agencies and bond trustees are imperative in preserving market integrity and investor confidence in the corporate bond market. In carrying out this mandate, we seek to instil a culture of good governance and compliance as well as mitigate risks which exist broadly throughout the industry and within individual intermediaries.

We also sought to ensure that bond market intermediaries maintain a sound financial position and adhere to guidelines and regulations. Our supervision of bond markets intermediaries included reviews of periodic submissions of relevant information and the monitoring of material events and business developments. Active and consistent monitoring also enables us to implement timely preventive measures, if required, to reduce overall risk which may threaten individual institutions or broadly, the stability of the marketplace.

Regulatory compliance issues, handling of conflict of interest situations and human resource capacity were key areas which required attention by these intermediaries.

Thematic reviews on sales practices and internal controls

In addition to scheduled assessments on intermediaries, thematic reviews were undertaken to systematically identify, mitigate and address issues which were perceived to present higher risks to investors and capital market integrity. This year, thematic reviews carried out included reviews on sales practices and the effectiveness of controls. Mystery shopping, for example, was carried

out to evaluate the sales practices of registered persons for unlisted capital market products. Attention was also placed on areas such as intermediaries' governance and control including board oversight, independent assessment, ongoing monitoring, suspicious transaction reporting, risk assessment framework and training.

The overall findings highlighted that there have been improvements in the intermediaries' efforts to strengthen their internal controls and compliance standards. However, deficiencies in complying with the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) framework accounted for a significant portion of the total findings of our assessments on market intermediaries.

Enforcement actions taken in respect of intermediaries

Where we had seen potential risks emerging, appropriate responses were applied, including early interventions and actions to protect investors' interests. In 2015, the SC issued 24 Supervisory Letters with Infringement and 15 Supervisory Letters (without infringement) to 37 intermediaries requiring them to address control weaknesses and take remedial steps following breaches of securities laws and guidelines. For breaches of laws and guidelines which are more significant, regulatory actions in the form of directives and fines have been imposed.

Fines were imposed on three intermediaries for failure to conduct ongoing due diligence and detect suspicious transactions effectively, failure to adequately supervise a licensed representative resulting in wrong allocation of clients' monies and for allowing unlicensed persons to carry out regulated activities.

Three intermediaries were also reprimanded for lapses in middle office functions, namely, failure to establish risk management framework and/or policy; no internal audit conducted to assess the adequacy, effectiveness and efficiency of the management, operations, risk

management and internal controls; failure to extend audit coverage to assess AML/CFT framework; and no assessments conducted on outsourced entities.

We revoked the Capital Markets Services Licence (CMSL) of Mercury Asset Management Sdn Bhd (MAM) for failure to comply with the resource requirement of key personnel stipulated in its conditions of licence.

We had also imposed an administrative penalty against Affin Hwang Management Bhd as it had failed to ensure timely submission of statistical returns for its wholesale fund, as required by the SC's *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework*. Administrative penalties were also imposed against CIMB-Principal Asset Management Bhd, RHB Asset Management Bhd and Libra Invest Bhd for similar breaches of the Guidelines.

PCB Asset Management Sdn Bhd was fined RM100,000 for breaching the *Licensing Handbook* by allowing unlicensed persons to solicit fund management clients.

In December 2015, reprimands were issued to Philip Capital Management Sdn Bhd (PCM) and Philip Mutual Bhd (PMB) for breaches of various SC guidelines which included the *Guidelines for Compliance Function for Fund Management Companies* and SC's *Licensing Handbook* for lapses in middle-office operations. Both PCM and PMB were also directed to take timely remedial action for the lapses.

We revoked six Capital Markets Services Representative's Licences (CMSRL) of individuals who were found to have committed serious breaches of securities laws. Robyn Lau Zheng Yin and Shahmir Pavin Joshi had their licences revoked when they were found to have submitted forged examination results slips when applying for their licence. Khoo Chee Leong's CMSRL was revoked after he was found to have engaged in improper business practices.

We had also revoked the CMSRL of Lim Chin Wat for engaging in manipulative trading of Magna Prima shares in the period between May to September 2012. In addition, the CMSRL of Ng Soo Ging was revoked as she was found to have engaged in similar misconduct relating to the shares of GPRO Technologies Bhd, Industronics Bhd and MNC Wireless Bhd. The CMSRL of Hon Sook Yin was revoked as she had been involved in the manipulative trading of Notion VTec Bhd shares in 2011.

Other efforts to strengthen culture and conduct of intermediaries

The Capital Market Director Programme (CMDP) was launched to promote strong governance and compliance culture among directors of intermediaries. Details on CMDP can be found in Part One, Transforming Our Market.

A dialogue with CEOs was held in July to share findings from our supervisory reviews of broking and fund management intermediaries, and our expectations arising from these findings. Some of the common findings for broking intermediaries were in the areas of AML/CFT, compliance and internal audit functions, documentation and processes, board governance and risk management. The common findings for fund management intermediaries were in the areas of AML/ CFT, compliance officers responsibilities, proprietary and staff trading, trading practices, safeguarding of client's assets and board's responsibilities. Updates on regulatory developments affecting these intermediaries were also shared, i.e. in the areas of CMDP, LOLA and tiering of licences. The CEOs were also provided insights into our regulatory approach and focus, as well as supervisory plan moving forward. In addition, letters to CEOs of intermediaries were issued to convey our expectation on controls that should be in place in handling third-party receipts.





Conclusion Of Joint Mutual Evaluation Exercise by Financial Action Task Force and Asia/Pacific Group on Money Laundering

Malaysia completed its third Mutual Evaluation Exercise (MEE) with the tabling and adoption of its Mutual Evaluation Report (MER) at the Financial Action Task Force (FATF) plenary meeting on 25 June 2015 and at the Asia/Pacific Group on Money Laundering (APG) annual meeting on 13 July 2015. The MEE is an important assessment to evaluate the robustness of Malaysia's anti-money laundering, countering financing of terrorism and proliferation financing (AML/CFT/PF) framework against the international standards set by FATF. As a financial sector regulator and a law enforcement authority, we were actively involved in the tabling and defending of Malaysia's position at both the FATF plenary and APG annual meeting.

Overall, MER concluded that Malaysia's AML/CFT/PF legal framework is highly compliant with the FATF standards. In terms of the implementation of the framework, the assessors were of the view that the financial regulators, including the SC, are substantially effective in supervising its reporting institutions for their AML/CFT compliance. However, the assessors found that the reporting institutions require further improvements in several areas such as the application of the risk-based approach, obligations in relation to beneficial owners and reporting of suspicious transactions.

We are committed to raising the compliance standards of reporting institutions by providing further guidance and organising continuous awareness programmes focussed on the areas of improvement highlighted above. The outcomes of the Joint MEE by the FATF and the APG on money laundering in relation to AML/CFT were also shared in the dialogue, including the four main areas for improvement, namely the application of risk based approach, reporting of suspicious transactions, obligations related to countering terrorism financing and proliferation financing, and the need to take reasonable measures to verify beneficial owner.

In ensuring that efforts in combatting money laundering, terrorist financing and proliferation financing (ML/TF/PF) risks are further co-ordinated, a special sub-committee under the National Co-ordination Committee to Counter Money Laundering consisting of representatives from Bank Negara Malaysia (BNM), Labuan Financial Services Authority (Labuan FSA) and the SC was established in 2015. The Financial Sector Sub-Committee provides an effective forum for all three regulators to formulate AML/CFT/PF policies across the financial sector and ensure consistent implementation of the AML/CFT/PF preventative measures by the reporting institutions.

Protecting our capital markets against money laundering activities

As in past years, we took proactive steps in ensuring that market intermediaries remain vigilant and actively manage risks associated with money laundering and terrorism financing through the proper implementation of preventative measures. Kenanga Investment Bank Bhd was fined RM200,000 for breaches under the *Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries* when it failed to adequately supervise its licensed representative and to detect suspicious transactions. A directive was also issued to require its key management personnel including the Head of Compliance to attend two AML/CFT training programmes to familiarise themselves with the requirements.

In April 2015, we fined AmFutures Sdn Bhd RM250,000 for its failure to conduct proper ongoing due diligence to detect suspicious transactions.

SUSTAINING HIGH STANDARDS OF CONDUCT AMONG PLCs AND THEIR OFFICERS

We continue to address securities laws breaches by directors of PLCs by seeking deterrent sentences in courts. In 2015, 17 criminal charges were brought against directors for various serious market offences including insider trading and false and misleading disclosures.

Judicial recognition of the gravity of securities disclosure offences

Judicial recognition of the seriousness and gravity of securities breaches underscores the importance of credible deterrence in our enforcement initiatives.

In April 2015, we secured a major success when the Court of Appeal imposed imprisonment sentences against a former CEO, two ex-directors and one former account executive of Inix Technologies Holdings Bhd (Inix) for providing false information in the company's prospectus and submitting false financial statements to Bursa Malaysia.

Inix's former CEO, Jimmy Tok Soon Guan will serve 18 months in jail while the remaining three individuals, namely Mok Chin Fan, Cheong Kok Yai and Normah Sapar will serve 12-month jail sentences each.

The Court of Appeal's unanimous decision to impose jail sentences against the perpetrators emphasised the growing recognition by the courts of the seriousness of capital market offences and its consequences. In delivering the decision in the Court of Appeal, Justice Rohana Yusuf stated:

"A deterrent sentence must aim to deter potential offenders by making an example of an offender... that the most feared punishment is imprisonment. A deterrent sentence is necessary to maintain the integrity of the financial market, which hinges on an accurate and truthful disclosure of information. No room should be available for false information because in the current disclosure-based regime, the burden of maintaining market integrity rests with market participants.

The crime of misleading the public and Bursa Malaysia cannot be measured in dollars and cents as the damage that would ensue is indeed immeasurable. It has wider ramifications and repercussions on market confidence than offences against a person, which by and large is limited in consequence."

(The full judgment can be found at [2015] 5 CLJ 52).

In another appeal at the High Court, we successfully defended the convictions of Jimmy Chin Keem Feung (Chin) and Shukri Sheikh Abdul Tawab (Shukri) who were found guilty of knowingly authorising the furnishing of a misleading statement contained in the quarterly report of Transmile Group Bhd (TGB) for the financial year ended 31 December 2006.

Both Chin and Shukri, former independent non-executive directors of TGB, were sentenced to a one year imprisonment term and a fine of RM300,000, in default six months imprisonment. They have filed an

appeal to the Court of Appeal against their conviction and sentence.

Our strengthened oversight of auditors was evident this year when for the first time, we obtained a conviction against a licensed audit partner for abetting a PLC in making a misleading statement to Bursa Malaysia Securities Bhd, an offence under section 122B(b)(bb) read together with section 122C(c) of the *Securities Industry Act 1983* (SIA). The Sessions Court convicted Yue Chi Kin (Yue), an audit partner, for his role in abetting the making of a misleading statement



Jail Terms Imposed for False Disclosures in Inix Prospectus and Quarterly Statements

In April 2015, the Court of Appeal in a landmark decision imposed custodial sentences on three ex-directors as well as a former company executive of Inix Technologies Holdings Bhd (Inix) for offences relating to the issuance of Inix's prospectus which contained false information and submission of false statements to Bursa Malaysia.

Jimmy Tok Soon Guan, who was at the material time the CEO of Inix, was charged under section 55 of the SCA with one count of providing false information in the company's prospectus dated 29 July 2005 and four counts of submitting to Bursa Malaysia false statements in the company's quarterly reports between October 2005 and July 2006 under section 122B of the SIA. He was charged jointly with Mok Chin Fan, a former non-independent non-executive director and Cheong Kok Yai, a former executive director of Inix. A former company executive, Normah Sapar was charged for abetting Jimmy in the commission of the offences.

All four respondents pleaded guilty to the charges preferred against them. Upon his plea of guilty before the Sessions Court in 2011, Jimmy was fined a total of RM1.1 million for all five charges, Mok and Cheong were each imposed a fine of RM325,000 collectively for all five charges while Normah was fined RM350,000.

In July 2013, the High Court dismissed our appeal of inadequacy of sentence and affirmed the sentences imposed by the Sessions Court. We then filed an appeal to the Court of Appeal, arguing that a custodial sentence was warranted in this case. On 22 April 2015, our appeal was unanimously allowed by the Court of Appeal when it imposed custodial sentences on all four individuals. Jimmy was sentenced to a total of 45 months imprisonment for all the charges preferred against him. He was imposed nine months imprisonment for each of the four charges under the SIA and a further nine months imprisonment for the sole charge under the SCA. The Court of Appeal ordered that the sentences for the offences of falsifying the company's quarterly reports were to run concurrently, bringing the total imprisonment term to 18 months.

concerning the 2004 audited financial results of United U-Li Corporation Bhd (United U-Li). Yue, who was sentenced to a 1-year jail term and a fine of RM400,000 (in default 6-months imprisonment), was the audit partner of Messrs Roger Yue, Tan & Associates which audited the company's financial results that year.

In sentencing Yue, Sessions Court Judge Dato' Ahmad Zamzani Hj Mohd Zain stated that the public interest is a paramount consideration for offences of this nature. He further stated that such an offence should not be underestimated in order to maintain investor

confidence and market integrity. Yue has filed an appeal to the High Court against his conviction and sentence.

Constitutionality of securities laws

In September 2015, the Court of Appeal upheld the constitutionality of an important provision of our securities laws. The Court of Appeal ruled that section 122(1) of the SIA 1983 does not violate the *Federal Constitution*. Section 122(1) of the SIA is an important

Mok, Cheong and Normah were similarly imposed with custodial sentences where they were each sentenced to a total of 30 months imprisonment for all five charges. The Court of Appeal also ordered that the sentences for the offences of falsifying the company's quarterly reports run concurrently. Mok, Cheong and Normah would each effectively serve 12 months imprisonment in total. The custodial sentences were in addition to the fines which were imposed by the Sessions Court.

In a unanimous decision, the panel of three Court of Appeal judges were of the view that the sentences imposed by the Sessions Court were manifestly inadequate as it did not reflect the gravity and seriousness of the offences committed by the respondents. The Court of Appeal also reminded the public that the offence of submitting false information to a regulatory body is a serious offence and warrants a custodial sentence. In delivering the decision of the Court of Appeal, Justice Rohana Yusof in highlighting the seriousness of disclosure offences stated as follows:

- "... We take a serious view of the act of misleading an authority, in this case Bursa Malaysia. Bursa Malaysia is an exchange holding company, vested with statutory duties and powers to protect investors and to ensure public confidence in the investment environment. The false information furnished to the exchange would defeat the objective and stifle Bursa Malaysia's statutory roles and duties to ensure and maintain a credible and transparent capital market, in order to ensure and maintain investors' confidence. The act of misleading Bursa Malaysia by the respondents cannot be justified on any reason."
- "...Having regard to the serious nature of the offence and the need for general deterrence and after striking the balance between the public interest and the interests of the respondents, no sentence other than imprisonment would be appropriate. We would be failing in our duties if we do not pass sentences which would make it absolutely plain and clear that those who indulge in this kind of conduct would receive severe punishment. A deterrence sentence should serve as a warning to others not to partake in similar offences."

The decision above is reported at PP v. MOK CHIN FAN & ORS [2015] 5 CLJ 52.



provision which relates to the presumption that a director, chief executive officer, or any other officer will be responsible for offences committed by a company under the SIA unless such person is able to prove that the offence was committed without his consent and that he exercised diligence to prevent the commission of the offence.

The constitutional matter is related to our ongoing criminal case against Gan Boon Aun and Khiudin Mohd who were charged in 2007 for abetting Transmile Group Bhd (TGB) in making a misleading statement relating to TGB's revenue in its unaudited consolidated results for its 2006 financial year, which statement was likely to induce the purchase of TGB shares by other persons, an offence under the SIA. Gan and Khiudin were also charged with an alternative charge of furnishing a misleading statement to Bursa Malaysia in the same financial statement. At the material time, Gan was the CEO of TGB while Khiudin was the company's executive director.



Court of Appeal Upholds SC Law to be Constitutional

On 28 September 2015, the Court of Appeal upheld the validity of section 122(1) of the SIA by declaring that the provision did not violate the *Federal Constitution*. Section 122(1) of the SIA is an important provision which relates to the presumption that a director, chief executive officer, or any other officer will be responsible for offences committed by a company under the SIA unless such person is able to prove that the offence was committed without his consent and that he exercised diligence to prevent the commission of the offence.

Gan Boon Aun, the former CEO of Transmile Group Bhd (Transmile) and Khiudin Mohd, the company's executive director at the time, were charged in 2007 for abetting Transmile in making a misleading statement relating to Transmile's revenue in the company's unaudited consolidated results for the financial year ended 31 December 2006, which statement was likely to induce the purchase of Transmile shares by other persons, an offence under section 86(b) read together with section 122C(c) of the SIA.

Gan and Khiudin were also charged in the alternative with furnishing a misleading statement to Bursa Malaysia in the same financial statement, an offence under section 122B(a)(bb) read together with section 122(1) of the SIA.

In March 2011, the Sessions Court ordered Gan and Khiudin to enter their defence on the alternative charge. In June 2011, both the accused filed an application in the High Court to challenge the validity of the alternative charge arguing among others that section 122(1) of the SIA was inconsistent with Article 5(1), Article 7(2) and Article 8(1) of the Federal Constitution. In November 2011, the High Court upheld the challenge and ruled that the section was unconstitutional.

Pursuing and securing criminal convictions against directors of PLCs for offences relating to securities laws

In September 2015, the Kuala Lumpur Sessions Court convicted Lybrand Ngu Tieng Ung (Ngu), the former managing director of Pancaran Ikrab Bhd (PIB), for criminal breach of trust (CBT) relating to the use of RM37,000,000 of PIB's funds. Ngu had dishonestly used the funds to finance his purchase of PIB shares.

Ngu was charged in May 2005 for securities fraud under the SIA and alternatively for CBT under the *Penal Code*.

Ngu then pleaded guilty to the two principal charges under the SIA and was sentenced to one day jail and RM1,000,000 fine for each charge in October 2010. The High Court subsequently set aside Ngu's conviction and sentence and the matter was remitted for a retrial at the Sessions Court. After calling 32 witnesses at the retrial, Ngu was convicted of CBT and was sentenced to six years imprisonment and further ordered to pay a fine

The Court of Appeal, in overturning the decision of the High Court, held that the provision in question is good law and valid. It held that it is not in conflict with Articles 5(1), 7(2) and 8(1) of the *Federal Constitution* and not in breach of the doctrine of separation of powers, as argued by the accused. Justice Dato' Tengku Maimun Tuan Mat, in delivering the decision of the Court of Appeal stated:

"The learned High Court judge found that the effect of section 122(1) of the SIA is that when a company commits a section 122B(a)(bb) offence, a director or an officer of the company is automatically deemed to have committed the offence. In this regard, we are of the view that the words "deemed to have committed the offence" do not make the respondent automatically guilty. Further, the respondent is not without any defence. The respondent may be absolved of liability under section 122(1) if he could show that the offence was committed by the company without his consent or connivance and that he had exercised all such diligence to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

It is thus our judgment that section 122(1), which is concerned with the rule of evidence where it shifts the burden on the respondent under section 106 of the Evidence Act 1950 to show that the offence was committed by the company without the respondent's consent or connivance, has not transgressed Article 5. The respondent's consent or connivance or whether he had exercised such diligence to prevent the commission of the offence by the company is within his own knowledge."

Gan and Khiudin's trial at the Sessions Court has however been stayed pending their appeal to the Federal Court against the Court of Appeal's decision.

of RM1,000,000 in default two years imprisonment. Ngu has since filed an appeal to the High Court against his conviction and sentence, and has been granted bail. We have filed an appeal against Ngu's sentence.

In July 2015, we charged Alan Rajendram a/l Jeya Rajendram, a former director of Linear Corporation Bhd (Linear), for authorising the furnishing of a false statement to Bursa Malaysia Securities Bhd. The false statement was in relation to an announcement made by Linear on 29 December 2009 that its wholly owned subsidiary, LCI Global Sdn Bhd, had accepted a RM1.6 billion construction project awarded by Global Investment Group, a Seychelles incorporated company, to design and construct a district cooling plant of 350,000 RT (refrigeration tonnes) in Manjung, Perak, for what was termed the 'King Dome Project'.

Actions against company directors and management for serious market misconduct

As directors are corporate insiders and hold a fiduciary position, we expect them to exemplify high standards of corporate governance and a breach of insider trading provision is viewed seriously.

In 2015, we charged 16 individuals for insider trading offences, of whom five were directors. Most of the remaining individuals were charged for abetting the commission of insider trading offences which included allowing perpetrators the use of their Malaysian Central Depository accounts.

In January 2015, we charged the former Managing Director of TH Group Bhd (TH Group), Lei Lin Thai, with 53 counts of insider trading in TH Group shares between 5 June and 22 September 2008. Lee is alleged to have purchased 2,766,600 units of TH Group shares while in possession of material, non-public information relating to the proposed privatisation of TH Group Bhd. Lei is also alleged to have used the accounts

belonging to four other individuals, namely, Chung Yin Mui, Ng Lai Sim, Wong Jun Mooi and Lau Sin Ling. These individuals were charged with abetting Lei by allowing him to use their respective trading accounts for the purpose of acquiring the said shares.

In a related case involving TH Group shares, we had also charged Ang Pok Hong and her niece, Wendy Wong Soon Soon for insider trading involving the purchase of 204,000 units and 154,000 units respectively, of the company's shares.

We also preferred three charges against Ramesh a/l Rajaratnam, the former Executive Deputy Chairman of Malaysian Merchant Marine Bhd (MMM), for insider trading in MMM shares in January and February 2010 while in possession of material non-public information. The material non-public information in this case was in relation to the proposed downgrade by Malaysian Rating Corporation Bhd (MARC) of its credit rating on MMM's RM120,000,000 Al-Bai' Bithaman Ajil Islamic Debt Securities (BaIDS) from the category of investment grade to non-investment grade and the classification of MMM as a PN17 company.

In July 2015, we charged Amran Awaluddin, a former director of Ranhill Bhd and Ranhill Power Bhd (formerly listed on Bursa Malaysia) with seven counts of insider trading. Amran is alleged to have purchased 309,100 Ranhill Power Bhd (RPB) shares between 27 July 2007 and 11 September 2007 while in possession of information relating to the proposed privatisation and delisting of RPB which was announced on 11 September 2007. Amran is alleged to have acquired the said shares through the account of Nooralina Mohd Shah who was charged with seven counts of abetting Amran in acquiring the said shares.

In another case, we charged Datuk Lim Kim Chuan, a former CEO of Melewar Industrial Group Bhd (MIGB) for alleged insider trading of 398,000 M3nergy Bhd (M3nergy) shares between 6 August 2008

and 11 September 2008. It is alleged that the CEO purchased the shares through accounts belonging to two individuals, Tay Hup Choon and Theng Boon Neoh. Tay, together with the CMSRL holder of Tay's account at AmInvestment Bank Bhd, Theng Boon Cheng @ Tan Boon Cheng, were both charged for abetting Lim in the commission of the offences. In this case, the material non-public information related to the conditional voluntary take-over offer by Melewar Equities (BVI) Limited, a substantial shareholder of MIGB, to acquire M3nergy shares. Lim, who was also a director of M3nergy, faces a total of 11 charges under the CMSA.

In December 2015, we charged Transocean Holdings Bhd's (THB) director, Tan Swee Hock, with a total of 28 insider trading charges. Tan is alleged to have purchased 632,700 THB shares between 20 August 2009 and 6 November 2009 while in possession of material non-public information through the accounts of Chan Sze Yeng and Yap Lee Lee. The said information related to a proposed take-over offer by Kumpulan Kenderaan Malaysia Bhd of THB shares which was announced to Bursa Malaysia on 6 November 2009. Chan was charged for abetting Tan in the commission of the offences. Chan's remisier, Cheng Seng Chow, of JF Apex Securities Sdn Bhd, was charged with abetting Tan in this case.

Disgorgement of ill-gotten gains from wrongdoers

Our civil enforcement powers provide us with the ability to pursue and deprive individuals of their ill-gotten gains derived from trading on material non-public information. The CMSA allows us to claim disgorgement of up to three times the gains made or losses avoided by those in breach. The monies disgorged will be used to restitute investors who have suffered losses as a result of the breach committed by the perpetrators.

In May 2005, we filed a civil action at the Kuala Lumpur High Court against Goh Chin Liong, who is the Deputy Managing Director of WCT Bhd, and two other individuals namely, Leong Ah Chai and Chan Soon Huat for insider trading breaches in relation to the trading of WCT Bhd (WCT) shares. We alleged that Goh had communicated material non-public information to Leong who had thereafter disposed 1,600,000 units of WCT shares between 2 January 2009 and 5 January 2009. In respect of Chan, we claimed that he had disposed a total of 2,400,000 shares and 1,200,000 WCT warrants between 30 December 2008 and 5 January 2009, similarly while in possession of material non-public information.

The information in this case related to the cancellation of a contract for the proposed construction of the 'Nad Al Sheba Dubai Racecourse' in the Emirate of Dubai, United Arab Emirates, which was awarded to a joint-venture company set up by WCT and Arabtec Construction L.L.C. The announcement was made by WCT on 6 January 2009. The relief sought against the three defendants includes a civil penalty of RM1,000,000, a disgorgement of three times the profits earned as a result of the insider trading and that the defendants be barred from being a director of a PLC.

On 30 December 2015, we filed a civil suit against Teng Choon Kwang and Tan Boon Hwa for alleged insider trading activities relating to the shares of Inti Universal Holdings Bhd (Inti). We claimed that both individuals had acquired a total of 305,000 Inti shares between 13 and 18 September 2007 while in possession of material non-public information. At the material time, Teng was a Non-Executive Director of the Inti.

In this case, the material information related to an announcement made by Inti to Bursa Malaysia on 19 September 2007 involving a proposal from Laureate Education Inc. to acquire the controlling interest in Inti from the company's major shareholder, Inti Supreme Holdings Sdn Bhd amounting to RM126.6 million which translated to a price of RM1.20 per Inti share.

We are seeking a disgorgement of three times the profits alleged to have been earned by the defendants as a result of the breach amounting to RM293,502. We are also claiming, among others, a civil penalty of RM1 million from the defendants and that the defendants be barred from being appointed as directors in any public listed company for a period of five years.

In 2015, a total of six individuals entered into regulatory settlements with us following letters of demand we had issued to them. These settlements led to the successful disgorgements of up to three times the illegal gains made or losses avoided from such market misconduct.

In March 2015, Sip Way Keong and his wife, Pang Soo Ling entered into a regulatory settlement with us following our proposed civil action against them for communicating inside information and insider trading activities. At the material time, Sip was a Director of Corporate Finance of AmInvestment Bank Bhd. It is alleged that Sip had communicated inside information to Pang relating to the disposal of shares in Putrajaya Perdana Bhd held by Eastern & Oriental Bhd and its subsidiaries. Pang then traded in the shares of Putrajaya Perdana Bhd between 12 July 2007 and 8 August 2007. Sums of RM71,224 each were disgorged to the SC as a result of the regulatory settlement.

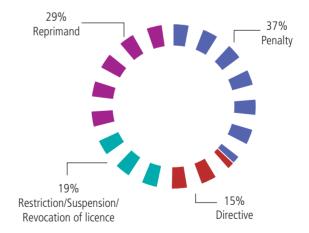
In another case, three individuals entered into regulatory settlements with us for the insider trading of Inti Universal Holdings Bhd shares on 18 and 19 September 2007. Puan Chan Cheong, Loo Poh Keng and Puan



Administrative actions taken in 2015

Acknowledging that effective enforcement is contingent upon timeliness of our administrative actions, we had reviewed and improved our internal processes. As a result, there were considerable improvements to the overall efficiency in managing administrative actions in 2015. This is evident by the reduction of time taken to issue show cause notices, review responses to the show cause and issue decision letters. The enhanced process resulted in a reduction of time taken to conclude an administrative action from an average of 144 days between 2012 to 2014 to only 44 days in 2015, showing a 70% improvement.

Chart 2
Total administrative actions in 2015 by type of sanctions



Kam Fook paid a total sum of RM996,778 following letters of demands sent to them alleging insider trading activities had taken place.

On 15 December 2015, Chan Chee Beng paid a sum of RM1,944,438 and entered into a regulatory settlement following a proposed civil action alleging that he had communicated inside information to his late wife, Yeoh Phaik Choo who had traded in call warrants of Maxis Communications Bhd (Maxis) between 23 April 2007 and 27 April 2007. The material information which was announced on 30 April 2007, related to the notification from Usaha Tegas Sdn Bhd (UTSB), a substantial shareholder of Maxis, that UTSB and its affiliates intended to launch a voluntary general offer for all the ordinary shares of Maxis. At the material time,

Chan was an executive director of UTSB as well as a non-executive director of Maxis.

In total, a sum of RM3,083,666.70 was disgorged from these six individuals and represents the ill-gotten gains claimed by the SC that were made from the insider trading activities in these cases. The said sum will be restituted to eligible investors who were affected by the insider trading activities.

Monitoring disclosures by PLCs

In our corporate surveillance work, we review corporate transactions which appear to lack substance or require further clarity with respect to their commercial

Table 2
Administrative actions from 1 January to 31 December 2015 by types of sanction and parties in breach

Parties in breach	Types of sanction				
	Directive	Reprimand	*Penalty	Restriction/suspension/ revocation of licence	
Licensed persons	4	3	7	8	
Public-listed company	2	2	-	-	
Directors of PLC	-	7	8	-	
TOTAL	6	12	15	8	

Note:

^{*} A total of RM1.041 million in penalties were imposed in 2015

justification, as well as the completeness and accuracy of disclosures in circulars to shareholders and in financial reports. A total of 75 direct and indirect engagements were held with PLCs, auditors and other relevant parties. Indirect engagements refer to those conducted through Bursa Malaysia.

Through these direct and indirect engagements, we were able to achieve the following outcomes:

- Reminded responsible parties of their fiduciary or professional duties in exercising their powers, including stopping certain questionable transactions. Directors of PLCs were also alerted to look deeper into the substance of transactions;
- Improved quality of disclosures on, among others, corporate transactions by prompting PLCs for additional disclosure;
- Improved quality of corporate governance in the PLC landscape by highlighting relevant issues such as composition of board of directors and audit committee;
- Gained insight into accounting treatments observed by PLCs to ensure better quality financial reporting. This allowed us to pre-empt wrong or inappropriate accounting treatment before the succeeding set of financial statements was issued; and
- Ensured special audits met the intended objective.

In order to enhance the integrity of disclosures, we impose reprimands and fines on the board of directors of PLCs for furnishing false or misleading statements to Bursa Malaysia and for non-compliance with approved accounting standards in the preparation of financial statements for PLCs.

Reprimands and fines were imposed on the board of directors of Niche Capital Emas Holdings Bhd (RM280,000) and YFG Bhd (RM200,000) for

non-compliance with approved accounting standards and the furnishing of false or misleading statements to Bursa Malaysia respectively in relation to the preparation of their audited financial statements. Additionally, we directed both companies to re-issue and restate their respective audited financial statements.

Four infringement notices were also issued to PLCs for non-compliance with approved accounting standards. The infringement notices serve as a warning to PLCs to ensure that their financial statements are prepared and presented in compliance with approved accounting standards and that repeated non-compliance will result in stricter sanctions.

Ensuring reliability of audited financial statements of public interest entities

We continue to support efforts by the financial reporting ecosystem to achieve high standards and reliable audited financial statements of public-interest entities (PIEs) in the country. To promote high quality audit practices, regular inspections of audit firms were conducted.

The AOB inspected 12 audit firms during 2015 and selected 35 individual audit partners from these firms. These individual partners collectively audited 36 PIEs. The 12 firms collectively audit over 97% of PLCs by market capitalisation and over 76% of the total number of PIEs. As a result of the inspections, the AOB commenced actions on two audit partners and two audit firms.

The AOB also monitors the impact of its activities on the auditors and the respective PIEs. Actions taken by the auditing community which can be directly or indirectly attributed to the AOB's activities to date are:

- a change in audit strategy and audit procedures;
- prior year adjustments to audited financial statements;

- changes in audit opinions;
- changes in individual audit partners to enhance quality reviews of audit engagements;
- enhanced quality control processes at the audit firm level;
- enhanced vigilance by audit firms on quality issues;
- increased merger activities of audit firms to enhance capacity; and
- increased in number of individual partners.

CORPORATE GOVERNANCE: FROM COMPLIANCE TO CULTURE

Complementing the measures we have undertaken in enforcing regulatory discipline, we continued to promote self-discipline among issuers and market intermediaries through our work in developing a sound corporate governance framework. Such a framework provides investors and companies with a common and credible structure of rights and responsibilities that is supported by the rule of law, effective supervision and enforcement. For the corporate governance framework to be effective and support a culture of good conduct, it requires a dynamic synthesis of efforts between regulators and the market.

Towards excellence in corporate governance

2015 marks the end of the 5-year period of the *Corporate Governance Blueprint 2011* (CG Blueprint), for which 83% of its recommendations have been implemented via the revised *Malaysian Code of Corporate Governance 2012*, amendment to Bursa Malaysia's Listing Requirements or various industry-led taskforces. The remaining recommendations will be reviewed for implementation in due course.

We have recorded progress on several areas including an increase in the number of companies that have disclosed their board charter on the respective websites. The board charters provide information on the key values and ethos of the company, and the division of responsibilities and powers between the board, board committees, the chairman and the CEO. There is also evidence of more companies conducting annual performance assessments on the board of directors, either collectively and/or on individual director basis.

To support the progress achieved so far, we remained proactive in identifying the priority areas moving forward. Numerous engagements were undertaken throughout the year with local and international stakeholders on issues such as corporate conduct, board quality, governance of small and medium-sized listed companies, and enforcement of corporate governance. A Survey on Future Corporate Governance Priorities was also undertaken on 28 August 2015, on the sidelines of the Roundtable on Global and Regional Development in Institutional Investor Stewardship organised by Minority Shareholder Watchdog Group (MSWG). Outcomes from the engagements and survey will be considered in formulating future work programmes in relation to corporate governance standards and practices in Malaysia.

Establishment of the Institutional Investors Council

Institutional investors are a significant driving force of good corporate governance. A milestone in enhancing the role of this class of investors was reached by the establishment of the Institutional Investors Council on 3 July, following the successful launch of the *Malaysian Code for Institutional Investors* in June 2014. The Council plays an important role to represent the common interests and concerns of institutional investors and to be a platform to shape and promote corporate governance culture through among others, the effective adoption of the Code.

The Code which pledges to create engaged and active institutional investors, has garnered eight signatories since its release. Recent signatories in 2015 include BNP Paribas Investment Partners Malaysia Sdn Bhd, BNP Paribas Investment Partners Najmah Malaysia Sdn Bhd, KWAP and ValueCAP Sdn Bhd. In March this year, PricewaterhouseCoopers Malaysia expressed their support of the Code and joined the list of supporters

which includes the SC, the Malaysian Institute of Corporate Governance and the International Corporate Governance Network. We had our first engagement with the Council's Governance and Policies Working Group on 13 October 2015 to discuss issues and future priority areas for corporate governance in Malaysia and global expectations in terms of responsible ownership practices of institutional investors.

PART 3 PROTECTING OUR INVESTORS



PART3 PROTECTING OUR INVESTORS

INTRODUCTION

The unprecedented developments in capital markets globally since 2009 have witnessed a period of considerable change in macro and micro dynamics, impacting all dimensions of the value chain of markets and its participants. Consistent with our investor protection mandate, we remained focussed on fulfilling our strategic objectives and priorities through proactive and proportionate regulation that aim to balance harm mitigation with business innovation and market growth. This is achieved through vigilant supervision of market participants to ensure appropriate culture and conduct, vigorous and visible enforcement and tailored investor education to improve the level of financial and investment literacy as investors are offered more options and choices, including a growing and complex product range.

In 2015, several measures were taken to bolster investor safeguards. This includes improvements in investor protection through amendments of the CMSA and other SC regulations, increasing transparency of information

on intermediaries as well as improvements to redress mechanisms for investors. Efforts towards educating the public on the capital markets were also stepped up through engagement programmes targeting various communities. These efforts are aimed at fostering an ecosystem that reaffirms investor faith and confidence in the fairness of the capital market.

STRENGTHENING INVESTOR SAFEGUARDS

We continue to build on work done over the last several years to put in place strong investor safeguards in the form of regulations, guidelines, and avenues for enquiries, complaints and redress. These efforts combine to strengthen our regulatory framework as well as increase the confidence of investors to participate in the capital market. In an investing landscape that evolves with the introduction of new products and technologies and changing economic conditions, regulatory measures continued to be undertaken this year to further improve upon these safeguards.



Improvements to the regulatory framework for investor protection

Several measures were undertaken to reinforce investor confidence through amendments to the CMSA in 2015, to provide protection to investors from unfair, improper or fraudulent practices and to prevent misleading information from entering the marketplace.

Amendments relating to debenture issuances were undertaken to ensure that persons responsible for the preparation of an information memorandum or disclosure document would not be able to exclude their liability for statements made in such documents. Additionally, a specific provision was incorporated to impose an obligation on any person who is aware of any false or misleading statements in a disclosure document for debentures to inform the SC.

To augment minority shareholder protection in a take-over and merger transaction, the SC is now empowered to appoint an Independent Adviser in a case where the offeree fails to appoint one. To address concerns about the relationship between the principal and agent in their dealings with investors, the CMSA amendments clarified that CMSL holders are not permitted to contract out their responsibility over acts of their agents. This means that the CMSL holder remains responsible for the conduct of their remisiers.

Improving disclosures in prospectuses

Full, fair and timely disclosure of all information, including potential risks and rewards, influence investment decisions and should be clearly disclosed to investors and market participants at the same time. To improve the quality of information disclosed in prospectuses, a new requirement for a 'true and fair' audit opinion in relation to financial information disclosed in a prospectus was introduced. Disclosure

of *pro forma* financial information would now be limited to situations where there are recent significant acquisitions or disposals during and/or after the completion of the most recent financial year, as well as to illustrate the effects of the proposed initial public offering.

This new requirement is aligned to international practice as well as the ASEAN Equity Securities Disclosure Standards adopted by Malaysia for ASEAN cross-border offerings. Guidance has been introduced in Chapter 12 of the *Prospectus Guidelines* to clarify these requirements and our expectations with respect to these new requirements.

Enabling investors to conveniently verify the status of licensed persons

Investors place high priority on licensed firms and persons in the capital market being fit and proper. Through our reviews we aim to ensure that all licensed persons deal fairly, honestly and in good faith with their clients. Before parting with their savings, we always advise investors to look into the background of the companies they deal with, as well as the individuals who represent them. With the introduction of electronic licences on 1 January 2015 for licensed intermediaries and their representatives, investors can now search for such details on our website under the Public Register of Licence Holders.

Improved redress mechanisms for investors

Ensuring that investors have access to an effective redress avenue for their grievance and disputes in relation to capital market products or services is an important contributing factor to investor confidence, hence a key part of our investor protection mandate. Redress mechanisms go hand in hand with our enforcement and administrative sanction regime. Where an investor makes a monetary claim against capital market intermediaries, SIDREC provides a free platform for mediation and adjudication of the dispute, while a comprehensive investor compensation framework is the responsibility of the Capital Market Compensation Fund Corporation (CMC).

As the awareness of SIDREC's ability to adequately respond to their needs grows, SIDREC has seen a rise in the number of investors seeking its services. Its remit too has been expanded in 2015 particularly given investors' increasing access to capital market products through an array of distribution channels. This has resulted in three significant changes to SIDREC's purview. (Diagram 1)

To further enhance the dispute resolution framework, SIDREC, with the approval of SC, had also recently established an appeals committee to provide an avenue for aggrieved parties to appeal against an award by SIDREC. Awards granted by SIDREC were previously final and binding on its members. With the establishment of the SIDREC Appeals Committee,

both claimants and members of SIDREC may seek a review of SIDREC's ruling and award in specified circumstances, namely, where there is a serious error of law or fact, or on production of new evidence previously not available during the earlier adjudication.

Appointment of members of the SIDREC Appeals Committee is subject to SC's approval. Members comprise senior representatives from the SC, representatives from the industry, and a board member of SIDREC.

In parallel, SIDREC's processes and procedures were enhanced to effect the expansion of its remit as well as to ensure rigour in the mediation process. The outcome is an accessible, impartial and independent avenue for investors to resolve their disputes with market intermediaries.

Another essential component in the investor protection ecosystem is the CMC. The CMC receives, assesses and determines claims against the Capital Market Compensation Fund (CMC Fund). The CMC Fund is a consolidated fund that was established to replace the following funds: the Compensation Fund and Fidelity

Significant changes to SIDREC's purview

An increase in scope to include the regulated activity of dealing in PRS

An increase in claim limit from RM100,000 to RM250,000

Allowing for mediation for disputes involving claims exceeding SIDREC's claim limit, where both parties voluntarily seek SIDREC's assistance

Fund managed by Bursa Malaysia Securities Bhd and Bursa Malaysia Derivatives Bhd respectively, as well as the deposit schemes managed by the SC, deposited by fund management companies and unit trust management companies. The CMC makes payments to eligible claimants and where applicable, pursues subrogation against defaulting licensed intermediaries. In August 2015, as provided for under section 165 of the CMSA, the SC approved the Rules of the CMC which relates to the administration of the CMC and the CMC Fund. The Rules, among others, describe how investors may make a claim against the CMC Fund, wherein, investors may be compensated from the CMC Fund if an intermediary cannot pay out claims made against it in respect of fraud, defalcation or mis-selling or where an intermediary is found not culpable for the action of fraud or defalcation arising from a decision by SIDREC.

In 2015, there were no claims made against the CMC Fund, while the four transitional cases from the previous compensation framework administered by Bursa Malaysia have been resolved, with the respective claimants receiving their compensation payment from the CMC. The last pay out made by the CMC in respect of the transitional cases was in September 2014.

ENGAGING WITH INVESTORS

A core component of the investor protection ecosystem is investor education, and in this connection, our approach and programmes are driven by our flagship initiative, InvestSmartTM, a key element of the SC's 3-year Strategy for Investor Education and Empowerment which we launched in 2014. Recognising that investor exposure to a growing and complex product range and distribution channels in combination with low financial literacy and gaps in knowledge are significant drivers of risk, InvestSmartTM's more focussed approach is deemed essential to ensure improvements in this area.

Through InvestSmartTM, our programmes recognise that financial decisions, now and in the future, are likely to require higher levels of financial knowledge and skill. InvestSmartTM recognises that *caveat emptor* must be supplemented and complemented by education and awareness programmes aimed at increasing the number of knowledgeable investors who are self-reliant and able to make investment decisions that are right for them.

Another facet of InvestSmartTM is our direct engagement with the community that also gives us an excellent means of channelling feedback, collecting data and informing further our regulatory functions and educative programmes.

Engaging investors on the ground

An important component of InvestSmartTM is our on-the-ground interaction with investors, which comprises 'SC in the Community' efforts. These various engagements range from one-on-one conversations with members of small community groups throughout Malaysia to global and large retail investor events implemented in partnership with stakeholders.

In 2015, we set up InvestSmartTM Kiosks at Urban Transformation Centres (UTC) in Johor Bahru, Kuala Lumpur (Pudu), Kuching, Kuantan, Kota Kinabalu and Alor Setar, to meet the public as they attend to other services such as immigration, road transport and national registration. At these points of congregation for the urban masses, we were able to engage a cross-section of the Malaysian public and glean insights on investment behaviour – from those who are already investors in the market as well as those who are yet to embark on their investing journey.

Through our mobile unit, we reached out to rural areas in collaboration with the Ministry of Finance's Mobile Community Transformation Centre (CTC) roadshows, which brings the services of various public sector agencies to rural communities throughout the country. This initiative allowed us to extend our reach in raising the level of awareness of the need to invest as well as to be wary of unlicensed investment schemes. Working with community leaders, we met with the population in small towns and villages, reflecting our priority to meet with investors and other stakeholders on the ground. This enables us to better understand their concerns, provide information on scams and doubtful schemes as well as ideas and resources to help them become more informed investors. The public provided their feedback and investment experiences to our InvestSmartTM team members, who fed this information back to the relevant groups in the SC to incorporate into policy and operational activities. Among the communities we visited in 2015 were Permatang Pauh (Penang), Simpang Empat (Perlis), Tampin (Negeri Sembilan), Bertam (Penang) and Dabong (Kelantan).

Collaboration with stakeholders

Our investor education initiatives also involved collaboration with intermediaries to ensure that they have the capacity and capability to provide quality services to investors and exemplify conduct that facilitates good disclosure and sales practices, a strategy that have been ongoing for the past few years. Under the InvestSmartTM initiative, we introduced an approach of shared responsibility for investor education among industry players and stakeholders. We believe that our investor education priorities can be efficiently sustained by appropriate collaboration with the industry bearing in mind the potential conflicts of having partners that have commercial activities being involved in a regulatorinitiated educational activity. These risks are mitigated by a carefully calibrated set of parameters which industry players must commit to before being included as 'partners-in-education'.

We embarked on our collaborative events in 2015 with the InvestSmartTM Mini Fest, which was held on 21 and 22 March in Tambun, Perak, showcasing the function and role of the SC, SIDREC, PPA as well as five investment banks and unit trust management companies to the people of Ipoh and surrounding communities. Our engagement with the more than 1,000 visitors enabled us to impart messages of smart investing, as well as observe their investing habits.

Our largest annual retail investor event, the InvestSmartTM Fest 2015 was held at Mid Valley Exhibition Centre, Kuala Lumpur from 9 to 11 October and involved 42 participants from industry players associations and regulators, representing an increase of 20% over the previous year's event. This was the second InvestSmartTM Fest following the inaugural event at 1Utama Shopping Centre, Petaling Jaya in September 2014. In 2015, more activities were targeted to existing investors, and industry speakers explored more intermediate to advanced level topics of investment. Through promotions on the ground, broadcast and social media, the event attracted approximately 6,400 visitors. 85% of visitors were aged 50 and below, with 45% aged 30 and below - representing a predominantly young investor demographic profile. Approximately 70% of those who attended the event came to learn more about the capital market, enquire on products and services, as well as pick up pointers on how to better invest. Although products in which visitors invested in ranged from collective investment schemes, stocks, property and fixed deposit savings, unit trusts were the leading instrument of investment, with 31% invested in this category.

The SC also actively supports programmes where the industry takes the lead. In April, we participated in Permodalan Nasional Bhd's (PNB) annual Minggu Saham Amanah Malaysia (MSAM) event in Sibu, Sarawak. We had face-to-face interaction with more than 4,000 people at our InvestSmartTM booth, as well as

overall exposure to MSAM's total visitors numbering 319,000 enabled by traditional and new media as well as printed channels. We noted that InvestSmartTM received extensive coverage in the regional newspaper *Borneo Post* which added to our reach in Sarawak.

Leveraging social media and gamification

Tailoring our investor education approaches for different investor segments, we explored more creative avenues to reach the next generation of investors via digital and social media, as well as gamification, given that today's youth are more tech-savvy and conversant with mobile technology and social networking. To introduce financial concepts through an interactive manner, we engaged users through the comments functions in our InvestSmartTM Facebook account, stimulating conversations on basic investment-related matters among our close to 40,000 followers.

The latest version of the InvestSmartTM app launched in October 2015 included an update to enable investors to assess the conduct of unit trust consultants or dealers' representatives that they engage with through a quiz-type feature. As at end 2015, the app was downloaded 6,850 times. Additionally, an investment strategy challenge was held for university students in conjunction with InvestSmartTM Fest 2015, where participants were required to design an investment portfolio to achieve a chosen financial goal.

The most prominent example of gamification in 2015 was the EdgeWiz Campus Investment Challenge (ECIC), an online stock-trading competition for university and college students organised by The Edge Education Foundation in collaboration with InvestSmartTM. Roadshows were held at campuses where we gave talks on the capital market to students. The institutions reached

via these roadshows included HELP University (Pusat Bandar Damansara), KDU University College (Shah Alam), University of Nottingham Malaysia Campus (Semenyih), INTI International College (Subang Jaya and Penang), KBU International College (Bandar Utama), Tunku Abdul Rahman (TAR) University College (Setapak and Penang), Universiti Sains Malaysia (Penang) and DISTED (Penang). More than 5,500 students from 64 institutions participated in this challenge. In July, we presented the six winning teams and six individual winners with their prizes. The champion team and individual, both from TAR University College, received internship offers with us in addition to cash prizes contributed by The Edge Education Foundation.

Targeted programmes through the Securities Industry Development Corporation

Our training and development arm, SIDC takes on an important role in supplementing the SC's own investor education programmes, by covering specific segments as agreed with us. Given its forte in conducting seminars that reach various segments from schoolchildren to working adults plus existing investors, the programmes conducted by SIDC enabled us to provide more detailed information and learning opportunities in a classroom setting.

In 2015, 100 SIDC-conducted investor education seminar sessions were held nationwide. Programmes included the Stock Market Seminar for Retail Investors and the Unit Trust Seminar for Retail Investors to guide investors to make smart stock market or unit trust investment decisions, and increase investor awareness and sophistication; the Be Money Wise (B.M.W) seminars which provide practical information on financial management for women, blue-collar workers and rural communities – important segments that require targeted

programmes on money management fundamentals which would assist them to be investment-savvy; and Money@Work seminars, a financial and wise investing seminar tailored for staff of government agencies and private corporations.

SIDC also undertook education programmes for children, teenagers and young adults to encourage awareness of smart investing from an early age. The Cash@Campus programme aims to equip university students with financial planning and smart investing skills before beginning their working life; the Teens & Cash programme teaches secondary school students money management, the importance of investing and investment products; and the Kids & Cash programme teaches basic money management habits for primary school children aged 10 to 12. (Table 1)

Recognition of Investor Education efforts

From 18 to 20 May, Malaysia's leadership in investor education was showcased on a global stage when the International Forum for Investor Education (IFIE) and IOSCO chose the SC to co-organise and host their seventh IFIE-IOSCO Global Investor Education Conference in Kuala Lumpur. This was the first time that such an event was held in this region.

More than 100 investor education leaders from 30 countries gathered in Kuala Lumpur to focus on strategies for investor engagement in order to build financial capability. Key speakers included IOSCO Secretary General, David Wright; SC Chairman, IFIE Chair, Paul Andrews and Deputy Head, Financial Affairs Division, OECD, Flore-Anne Messy.

The SC's expertise in the investor education was also tapped during the Malaysia-OECD High-level Global

Table 1 List of investor education programmes conducted by SIDC

Programmes	Sessions	2015 Participant Reach
Kids & Cash and Teens & Cash	17	2,243
Cash@Campus	9	1,050
Be Money Wise (B.M.W.)	29	3,121
Money@Work	3	500
Train and Reach	5	538
Stock Market Seminar for Retail Investors	19	2,067
Unit Trust Seminar for Retail Investors	18	2,060
TOTAL	100	11,579

Symposium on Financial Well-being, organised by OECD and BNM from 29 September to 1 October 2015. The SC senior management joined other distinguished speakers at the first panel session of the symposium on 'Integrated Financial Education and Consumer Protection Strategies to Promote Financial Well-Being: A Policy Maker Perspective'.

Managing complaints and handling enquiries

Complaints are reports by aggrieved investors and other participants in the capital market whereas enquiries are requests for clarification and information. The complaints we receive range from general financial market matters to the firms and people who operate in the market. We also receive enquiries that range from

illegal investment offers and schemes, to dealings with licensed and registered persons.

Complaints are an important source of first-hand information on possible transgressions in the capital market. Information analysed from both complaints and enquiries are important forms of market intelligence, providing valuable insights into trending issues in the capital market that inform our regulatory and investor education initiatives. Hence, complaints and enquiries are looked at from all angles, with input from various departments in the SC to ensure that the most appropriate resolution is achieved. Where allegations raise red flags, the SC would review, and if there is basis, will investigate. Follow-through action could include various forms of administrative actions or civil and criminal enforcement actions. Aspects of our work on complaints management have fed into policy approaches, amendments to regulations and adjustments to the supervisory programme.

A total of 349 complaints were received in 2015 (Table 2). Of the 349, 43% were resolved within 15 days while the remainder needed further fact finding and analysis prior to being resolved. A further 45% were complaints that resulted in new files being opened while the remaining 12% were assigned to existing files of similar nature. (Chart 1)

Of the 139 complaint files opened during the year, the majority were related to allegations of improper practices in securities dealing (45%) and improper conduct by PLCs and/or their directors (34%). (Chart 2)

In terms of complaints received against PLCs and/or directors, 26% related to alleged misconduct by company officials, while 22% related to poor or misleading disclosure of information by the company. (Chart 3)

Table 2
Complaints and enquiries received

	2013	2014	2015
Complaints	415	516	349
Enquiries	1,010	729	446
Total	1,425	1,245	795
Total complaints/enquiries resolved within 15 days	716	849	548
Total complaints/enquiries requiring review beyond 15 days*	709	396	247
Files opened during the year*	163	141	139
Files closed during the year	204	207	245

Note

^{*} A file may consist of more than one complaint/enquiry

Chart 1
Complaints received

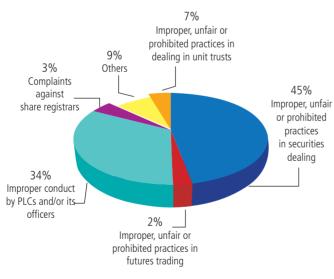


Complaints received relating to improper, unfair or prohibited practices in securities dealing demonstrated that the public are aware of their rights as investors. 32% of the complaints related to dissatisfaction with the way intermediaries conducted their business dealings and activities, while 25% related to alleged unlicensed or fraudulent activities. (Chart 4)

For the year under review, 52% of the enquiries received were in respect of the licensing status or legality of schemes. This shows that investors were more aware of the benefits of checking with the authorities if they had doubts on the legitimacy of a scheme. (Chart 5)

With regard to licensing status or legality of schemes, all enquirers are either directed to our public register of licence holders or are responded to immediately by our officers. If an enquiry received does not fall under

Chart 2
Categories of complaint files opened



Note: 139 files opened. A file may have more than one category

Chart 3
Issues on improper conduct by PLCs and/or its directors/officers

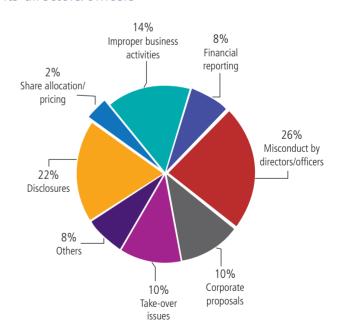


Chart 4
Issues on improper, unfair or prohibited practices in securities dealing

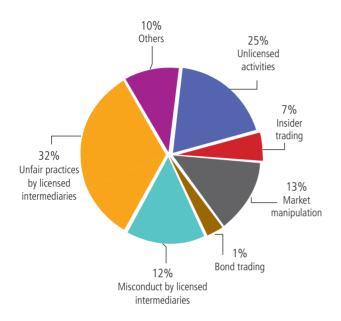
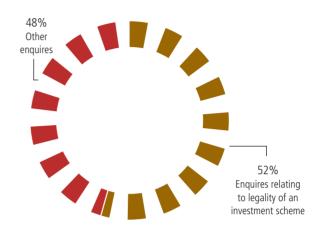


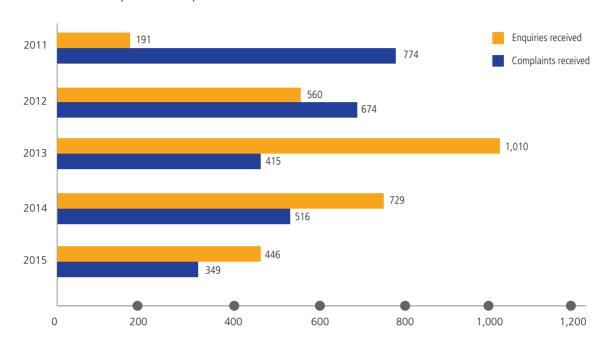
Chart 5
Enquiries received



our purview, we ensure that such enquiries are directed to the relevant organisation or government agency. If it involves the jurisdiction of several agencies, the enquiry will then be escalated to working groups that include SC and BNM, Ministry of Domestic Trade, Co-operatives and Consumerism, Companies Commission Malaysia (CCM) and the Royal Malaysian Police, among others. The working groups will then deliberate the issues and decide on the appropriate action to be taken.

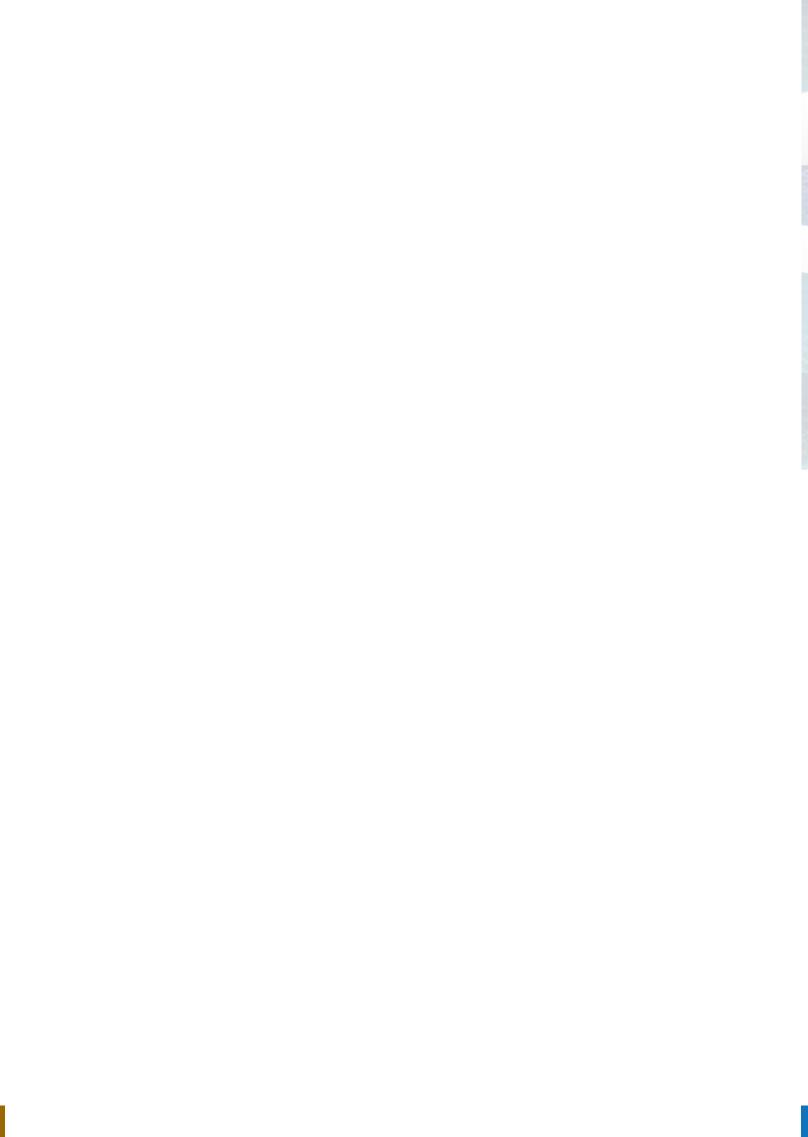
While we have observed an overall a decrease in the number of complaints and enquiries over the past few years, significantly, the number of enquiries has been exceeding the number of complaints from 2013 onwards (Chart 6). This shows that SC's role in the eyes of the public has expanded beyond that of an enforcement agency to a regulator with which they may interact before making important financial decisions. This augments our desire to encourage investor empowerment and provides important feedback on our past efforts in this regard. Leveraging complaints data analyses thus allows us to further refine and improve our investor education efforts, and ensure that investors continue to play an active and informed role in the capital market.

Chart 6
Statistics on complaints/enquiries received: 2011–2015



Source: SC





PART4

PREPARING OUR PEOPLE FOR THE FUTURE

INTRODUCTION

As technology, innovation and competition continue to transform capital markets, we remain steadfast in our commitment to strengthen organisational capability and effectiveness by growing a workforce that is productive, agile and innovative, and within an ecosystem of high standards of governance that is focussed on compliance, ethical and professional conduct. We also pay close attention to maintaining a positive, conducive and sustainable working environment leveraging our foundational human resource practices and corporate culture.

We further ensure that the organisational structures and work culture that enable our people to form collaborative teams and enterprise-level task forces that have delivered strong outcomes for the organisation.

We continue to invest in information gathering systems with improved access to market information and

intelligence and strengthen market analytics capabilities to enable our staff to keep pace with market innovations and properly monitor them. In this connection, resourcing, learning and development programmes are carefully calibrated aligned with the need to deliver on our immediate and future core functions.

REFINING INTERNAL GOVERNANCE

We recognise that good regulatory outcomes depend on more than well-designed rules and regulations. The regulator must provide confidence that its decisions are made in an objective and consistent basis, without conflict of interest, bias or improper influence.

To that end, we have further strengthened our framework for institutional governance to maintain the confidence and trust of those we regulate and the broader community.



Strengthening our governance framework

In the year under review, we undertook a holistic review on our governance framework which was primarily effected through the SCA Amendments in 2015.¹ These changes sought to strengthen and refine the governance principles of independence, accountability and transparency to provide greater confidence and trust that regulatory decisions were made with integrity.

Given the important position of the Board as the apex of the SC's institutional governance arrangements, the SCA Amendments provides for clear and objective criteria for the appointment, disqualification and revocation of Board members, in addition to clear tenure for their appointment. These amendments are in line with recommendations by FSAP which was jointly undertaken by the World Bank and International Monetary Fund in 2013.²

These changes aim to provide assurance that the Board in carrying out its functions would act impartially, independently and in the best interest of SC.

Other key amendments are as follows:

- 1. Better diversity in Board representation specifying the knowledge, skills and experience required to ensure that the SC is best poised to face future challenges brought about by globalisation, increasing competition and rapid technological advances;
- 2. Refinements to provisions relating to the setting up of Board committees; and

Further clarity on powers that are exercised by the Chairman or the Board, enabling greater operational efficiency.

Raising the bar on institutional integrity

Establishment of Internal Compliance Department

We recognise that our decisions and actions have significant financial and market consequences and that the SC's commitment to a strong culture of compliance, ethics and transparency can provide greater confidence that our decisions are made fairly and free of conflict. Our governance policies and practices are embedded in our policies, codes and best practice. All persons in the organisation know their responsibilities and are aware that these codes and practices must be actively upheld and implemented. The Internal Compliance Department (ICD) was established in June 2015 to steer organisational efforts and raise the bar on culture and conduct through compliance and education programmes. In 2015, ICD had embarked on awareness and education programmes as well as mapping of processes, roles and responsibilities to better monitor compliance and reporting of non-compliance.

A Compliance and Ethics Committee (ComEt) was also formed in July, comprising several Executive Directors and Heads of Departments, chaired by the General Counsel. ComEt acts in an advisory capacity and makes recommendations to the Chairman on how to further improve our compliance culture and address ethics and conflict-related risks.

The OECD recognises that strong governance strengthens the legitimacy and integrity of the regulator, supporting the high-level policy objectives of the regulatory scheme and will lead to better outcomes. See *The Governance of Regulators, OECD Best Practice Principles for Regulatory Policy,* (OECD, 2014).

Principle 2 of IOSCO's Objectives and Principles of Securities Regulation states that "The regulator should be operationally independent and accountable in the exercise of its functions and powers". This principle was also reiterated in the OECD Public Consultation paper titled *Principles for the Governance of Regulators* issued 21 June 2013.

STRENGTHENING TALENT AND DEVELOPING OUR PEOPLE

Our people are our most valuable resource. The human resources strategy aims to continuously develop the skills of our 760 staff, maximising their potential and achieving the highest-possible level of performance. As capital market regulation becomes more globalised, we recognise the need to constantly revitalise our Employee Value Proposition and relevant people practices. Efforts are constantly made to augment our resources and capabilities as we strive for optimum management and operational excellence.

Recruiting the right talent

Our scholarship programme continues to attract young talent who would like the opportunity to navigate today's challenging landscape and shape the future of capital markets.

Scholarships are awarded to bright and deserving students to become regulators for tomorrow. In 2015, we decided on 13 scholarships following a selection process that incorporated higher standards of criteria given the field of candidates.

Our pipeline was also augmented by 13 young people under the rebranded Graduate Management Executive Programme (GMEP) known since October 2015 as the Model Regulator Programme or MORE@SC which has been designed to be more structured with mandatory modules including practical training and a corporate social responsibility (CSR) component. All SC graduating scholars are required to serve with us under the MORE@SC initiative.

To tap on a more diverse pool of talent, efforts to attract young people extended beyond conventional recruitment channels of active participation in career fairs and exhibitions across the country, to leveraging social media, alumni networks and referral programmes.

These efforts, together with recruitment initiatives targeted at experienced hires, resulted in 57 people joining the SC in 2015.

Making the right recruitment choice is critical to ensure that we have the people we need to deliver our mandate and commitment to our stakeholders. The recruitment process was refreshed with the use of a new assessment tool which provides development profiles for the purposes of identifying and designing development interventions for each candidate. This not only allows us to profile candidates who have a good cultural fit with our organisation but also profile existing talents in progressing their careers in accordance with best job-fit.

Optimising our workforce

Continuous process improvements and periodic reviews of work roles across the SC were undertaken to ensure the resourcing structure is in place to deliver our strategic priorities. Departments' organisational structures were reviewed and job functions refined to accurately reflect the changing roles, jobs, accountabilities and responsibilities. Job profiling exercises provide pathways for upward mobility through role expansions. Thus, more growth opportunities were made available for our people, as shown in the promotion of 107 qualified and primed candidates in 2015.

Developing regulatory capabilities for the future

We also commenced an extensive internal review of our capabilities and capacities to meet demands arising from changes in market structure, financial innovation and investor behaviour.

Long-term developmental and regulatory strategies were mapped out to determine the SC's future deliverables and capacity requirements to fulfill our mandate.

Developmental initiatives will be reviewed to determine whether a gradual shift in focus towards creating an enabling environment would be a more sustainable approach for market development. As a start, we have streamlined the strategic focus of our core regulatory functions to deliver more effective regulation through credible deterrence.

Given the growth of FinTech and the increasing delivery of capital market services through technology, we have also embarked on initiatives to enhance our data analytics capabilities to provide insights into policymaking, supervisory interventions and enforcement actions. Resourcing, learning and development programmes will be calibrated to align with the need to deliver on our immediate and future core functions.

Leadership development

As we move forward, identifying and developing strong leaders in the SC is pertinent to sustaining our performance, values and culture. As a multi-faceted knowledge-based organisation, advancing strong leadership capabilities and specialist skills is essential. Our emphasis on having a healthy talent pipeline with the required leadership bench strength is demonstrated through the Leadership Development Programme (LDP).

The LDP aims to foster thought leaders and develop desired leadership attributes. In 2015, the SC collaborated with IMD to introduce the IMD's Global Leadership in The Cloud (GLC) Programme. This is a flexible learning and global exchange platform for senior level professionals to develop and elevate leaders' global leadership skills. In addition, three of our people participated in a regional leadership programme for securities regulators, jointly run by the Monetary Authority of Singapore Academy and Toronto Leadership Centre in Singapore.

In prioritising sustainable talent development and strengthening efforts in succession management, we incorporated a more rigorous and systematic leadership development programme to accelerate personal growth and readiness of our talents to assume critical roles. We continued to evaluate the potential and capabilities of our people and succeeded in adding seven individuals to our leadership bench strength. At senior levels, leadership assessments together with job profiling initiatives have facilitated placements of talent in roles that optimise their performance potential and contribution in delivering quality regulatory services.

Continuous learning and development

Effective regulation demands proactive efforts to identify and address risks, systemic or otherwise, in order to prevent or mitigate harmful outcomes. It requires people to master new skills, including understanding and using technology for a range of supervisory activities, deeper appreciation of behavioural economics in order to better respond to new challenges brought about by investors or leveraging quantitative analyses to obtain deeper insights into market and corporate performance. To achieve our objectives, we continued to invest in learning and development programmes, including targeted learning solutions designed to address specific developmental needs of individuals and bridge capability gaps.

Our people had the opportunity to take part in regional and international programmes for exposure to best practices through collaborative relationships with other financial institutions and regulatory agencies. This included our collaboration with the Toronto Leadership Centre in organising sharing sessions on specialist risk areas such as cyber security, financial behavioural analysis in complex financial crimes and crisis preparedness programmes. To stay abreast with evolving supervisory responsibilities and strengthen risk

management processes, relevant personnel were exposed to methodologies and standards on risk and crisis management learning events held variously by the Asia-Pacific Economic Financial Regulators Training Initiative, the International Monetary Fund – Singapore Regional Training Institute, US Securities and Exchange Commission, the Australian Securities and Investments Commission, the OECD, the Financial Supervisory Commission, Republic of China and IOSCO. Throughout 2015, 644 staff underwent various forms of training, ranging from seminars and conferences to intensive classroom sessions.

Staff members who want to develop professional and specialised skills continue to take advantage of our Financial Scheme for Continuous Professional Development (PROFOUND) which enables qualified personnel to pursue post-graduate qualifications and grow their skills, knowledge and understanding in focussed areas related to the SC's functions. In 2015, five staff completed their qualifications under the PROFOUND scheme while nine are in the midst of completing their studies.

To further grow their skill-sets in conducting effective audits and examinations, 15 staff completed the Institute of Chartered Accountants in England and Wales International Standards on Auditing (ICAEW ISA) certification programme. Another eight participated in the Certificate of Islamic Finance (CIF) programme.

Broadening work experiences through secondments and attachments

As capital markets become more global, regulators have become more interdependent and with that the realisation of the importance of co-operation, including in the area of building workforce capacity. This opportunity comes at a time when classroom training has become increasingly expensive or found to be not adequate in order to implement agreed standards

1 3 SCHOLARSHIPS
AWARDED BUILDING
Leadership AUTOMATION
Development SYSTEM
Programme FLEXIBLE LEARNING AND
FINANCIAL
REPORT
ELECTRONIC GLOBAL EXCHANGE
PLATFORM FOR SENIOR
LEVEL PROFESSIONALS
TO DEVELOP AND
SUBMISSION ELEVATE LEADERS'
HUB GLOBAL LEADERSHIP
SKILLS

and principles or for sharing of best practices, especially at the middle management and senior levels. One avenue that is increasing in popularity and efficacy is the exchange of resources by way of secondments and attachments programmes. These provide practical learning opportunities and exposure to relevant work experiences. In 2015, the SC hosted two regulators from the Capital Market Authority, Arab Saudi, an officer from the Financial Services Agency of Japan (JFSA), two attachés from the Capital Markets Board of Turkey and one attaché from the Financial Supervisory Service, South Korea. At the same time, a staff member of the SC was seconded for two years to the Islamic Financial Services Board (IFSB).

Our Internship Programme with local universities entered its eigth year in 2015, with 16 interns being hosted by various departments in the SC. In support of Malaysia's chairmanship of ASEAN, we took part in a new platform for internship brought together by a collaboration between the Ministry of International Trade and Industry and TalentCorp Malaysia, known as the myASEAN Internship programme. Through this programme, SC commits to provide work experience to ASEAN nationals studying in Malaysian universities The first candidate to commence an internship with the SC is from Vietnam.



DIGITISATION AND ENHANCING ANALYTICS

Enhancing efficiency and analytics capabilities through digitisation and technology

With digitisation and technological innovation becoming more pervasive, we continue to leverage technology to increase organisational efficiency and capabilities, including—

- 1. LOLA Online Submission System to streamline industry submissions under the LOLA framework. Time-to-market of unlisted capital market products is now shortened and operational overheads reduced.
- 2. The Financial Report Electronic Submission Hub (FRESH) which is an online platform for PLCs to submit their annual audited accounts and periodic financial reports following the amendments to section 319 of CMSA. FRESH also aids our pre-emptive surveillance processes, facilitates information sharing as well as communication with PLCs.
- 3. i-Cube, an in-house business intelligence platform developed to process information from a centralised Enterprise Data Warehouse (EDW), thereby strengthening data analytics capabilities and providing intelligence; and
- 4. The XBRL pilot project for PRS filing to further improve the efficiency and quality of data collection, ease information exchange and promote greater market transparency. This pilot project marks the first successful XBRL submission in Malaysia.

Protection against cyber threats

Concomitant with our expanding technological infrastructure and increasing cybersecurity threats globally, we have taken several measures to address potential breaches of our infrastructure and data. These included undertaking periodic vulnerability assessments consistent with the National Cyber Crisis Management Policy drawn up to combat cyber threats to the nation's Critical National Information Infrastructure. These efforts were validated by SIRIM when certifying the SC on the revised Information Security System and Management (ISMS) ISMS/ISO 27001:2013, assuring the system's continued compliance with international security standards. The revised standard focussed on the organisational context of information security and risk assessments.

WIDENING KNOWLEDGE SHARING

Retaining and sharing knowledge

One of the key challenges in managing organisational knowledge is retaining and sharing tacit knowledge possessed by an individual with others in the organisation. Retaining and sustaining such knowledge requires us to take a different approach which is in contrast to documents and other tangible forms of retaining knowledge.

Continuing the three year knowledge management roadmap established in 2014 to manage the wealth of institutional knowledge within the SC, various organisational development initiatives were carried out to augment organisational productivity. In 2015, 'Hard Talk Sessions' were organised with SC's past and present senior leaders as a way to capture, share and thereby retain and sustain such domain knowledge. As well, a series of conversations between SC senior staff with industry experts and business leaders under the programme, 'Conversations@SC' was undertaken

throughout the year under review. The compilation of this series made available to our people as well as members of the public through our corporate portal have been assessed to be useful in terms of providing perspectives and insights on economic and business outlook, emerging trends impacting financial markets as well as strategic concerns relating to the workforce of the future. Through these initiatives, our people are provided with exposure to various perspectives which may have direct relevance to their roles or projects in which they are involved.

We received the Knowledge Ready Organisation (KRO) Award by the Information & Knowledge Management Society (iKMS), at a ceremony held in Singapore. This regional award recognises our unstinting efforts in nurturing a knowledge enriched environment while promoting collective knowledge leadership in pursuit of organisational goals.

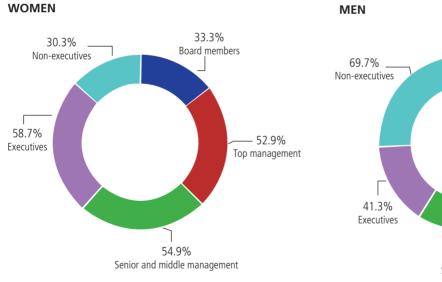
SUSTAINABILITY AT THE SC

Sustainability is embedded across our organisational functions and activities. This is evidenced by workforce diversity, concerted efforts to reduce carbon footprint by reducing paper and electricity usage, and leveraging the 'smart' features of the SC building to reduce energy cost, environmental impact and operational inefficiencies.

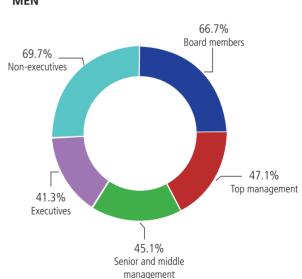
People and diversity

Diversity is a critical attribute of a well-functioning board and an essential measure of good governance. The SC continues to uphold this principle as demonstrated by our Board composition (Chart 1). In addition, a truly diverse, inclusive and engaged workforce is vital in

Chart 1
Gender breakdown based on board and management level

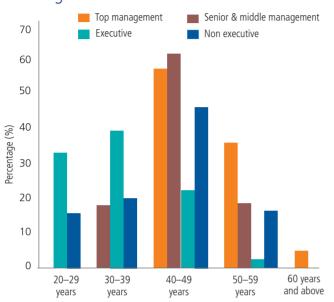


Source: SC



SECURITIES annual report

Chart 2 Age group breakdown based on management level

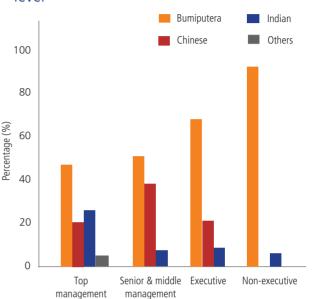


Source: SC

sustaining a well-functioning organisation. Diversity in terms of gender (Chart 1), age (Chart 2) and ethnicity (Chart 3) permeate throughout the workforce from top management to the executive level.

Given that a high percentage of our women staff either have young children or are at a child-bearing age (43% of staff population), we continue to provide support for women at work. Our in-house crèche facility provides good quality and reliable child care at an affordable price. Having the crèche within the building allows our young working mothers to be able to concentrate and be productive at work, knowing that their child is safe and happy at a centre that is well managed by a certified provider with proven early childhood development methods.

Chart 3 Ethnicity breakdown based on management



Source: SC

In addition, our flexible working hours arrangement provides our people with the option to start work early or a little later, so as to achieve a better work-life balance.

Safety and health

Our commitment to our people's health and well-being is exemplified in the work of the Health & Safety Committee that is responsible for all aspects of health and safety at the workplace focussing particularly on steps to reduce risks in this regard. The committee conducted ergonomic assessments, introduced healthier menus at the cafeteria, held a blood donation drive, organised several talks on safety and arranged for free health screenings for our people during the 2015

Health and Safety Week event. Health alerts were issued when there was an outbreak of a disease or deteriorating air quality levels.

We continue to adhere to the national Occupational Safety and Health laws. Our Auxiliary Police and floor representatives have been trained in first aid and their skills are regularly updated as required by law. In addition, Health and Safety audits are carried out to ensure compliance with relevant laws and regulations of the country.

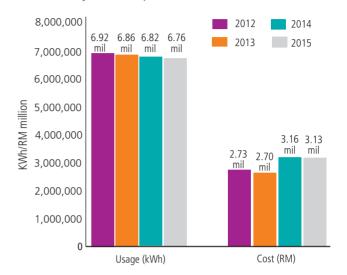
Environmental impact

We continually strive to minimise the impact of our operations on the environment and actively monitor our operational carbon footprint, promote recycling and responsible use of resources. We educate our people about climate change and the importance of environmental protection. The use of smart energy monitoring software in our Building Automation System helps to reduce electricity demands during peak hours, thus lessening energy wastage. This year, our energy saving initiatives included the replacement of lightings with energy efficient bulbs and LED lightings, rescheduling air-conditioning chiller operations to lesser operating hours and optimal operating temperature.

We significantly reduced our paper usage in the last four years from 2012 to 2015 by 20% which represents a 26% cost saving over the same period. These positive results are borne out of disciplined efforts to reduce the printing of hard copy documents as well as replacement of old printers with models that have a scanning function.

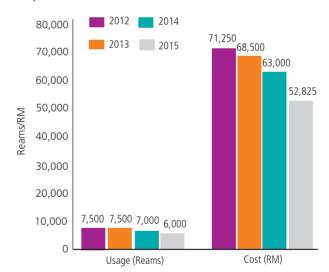
Our energy consumption (Chart 4) and paper usage (Chart 5) are continually tracked and monitored to ensure a greener workplace.

Chart 4
Electricity consumption in KWh and RM



Source: SC

Chart 5
Paper use in reams



Source: SC



COMING TOGETHER FOR THE COMMUNITY

Our people participated actively in various corporate social responsibility activities and collaborated with other agencies. This encouraged volunteerism, strengthened relationships, engagements and created greater goodwill in the community.

In response to the floods that affected major parts of the East Coast in the early part of the year, the SC joined the Ministry of Finance (MoF) and its associated agencies to extend support for various communities in Kelantan.

Our people rallied together for a flash donation drive where over RM30,000 was raised and another RM20,000 was added from the SC's corporate social responsibility budget, bringing it to RM50,000.

In Kuala Krai and Tanah Merah, 54 of our people assisted in major post-flood cleanup over two days.

The combined efforts of the SC, MoF and other agencies helped to prepare two schools namely Sekolah Kebangsaan Sultan Yahya Petra and Sekolah Kebangsaan Ladang Kerilla for the new academic year. Our people also travelled to villages further inland to distribute critically needed necessities such as school uniforms, clothing, household items, gas stoves and canisters to families in need of assistance.

The Treasure Trove, SC's charity shop organised a 'Pop-up Bazaar' with 35 stalls. Proceeds of RM3,675 from the sales was channeled to the National Cancer Council Malaysia (MAKNA). Since its inception in November 2011, a total of RM52,220 has been raised and given to various charities.

In its third year, with a turnout of 400 people, the SC Charity Jogathon, themed 'Run with Me, Run for Funds' was held on 14 November bringing together our people, their families, friends, and the increasing network of SC Alumni. Almost RM60,000 was raised and these funds will be disbursed in 2016.



SC joined MoF and its associated agencies in the Kelantan flood relief

CAPITAL MARKETS REVIEW AND OUTLOOK



PART 5

CAPITAL MARKETS REVIEW AND OUTLOOK

CAPITAL MARKET DRIVERS

Following a subdued start to 2015, capital markets globally experienced fluctuations in risk-on risk-off mode which emanated from several global macrofactors (Chart 1) including divergence in monetary

policy of key economies, slowdown in emerging markets led by China and ongoing weakness in commodity prices.

The year 2014 ended with a conclusion of the US quantitative easing programme and had set expectations that divergent monetary policy among

Chart 1
Capital market conditions (min=0, max=100)



Source: SC using Thomson Reuters Datastream

Note: Capital market conditions (for emerging markets) measured by average of financial sector beta, stock index volatility, negative stock index returns and international bond yield spread against US treasuries; and (for advanced economies) by financial sector beta, TED spread, slope of benchmark yield curve, AAA corporate bond spread against risk free rate, (negative) stock index returns and stock index volatility. Higher index indicates more stress in capital markets.

advanced economies would be a dominant theme in the global financial environment in 2015. Meanwhile, the effects of the sharp fall in oil prices during the second half of 2014 continued in the medium term, adversely affecting economic growth and inflation targets. In addition, markets globally grew more cautious over the effect of China's economic structural transition on global trade.

In 2015, lacklustre global growth emerged as a key theme impacting capital markets. Modest growth registered by advanced economies and the slowdown experienced by emerging economies for the fifth consecutive year adversely affected investor sentiment. The expansion in advanced economies was led by the US and the UK on the back of improvements in the labour market and household spending. While growth gained momentum in these two economies, the brighter prospects of advanced economies was weighed by subdued recovery in the Eurozone and Japan. Emerging economies expanded at a slower pace in 2015 with growth largely dragged by a slowdown in China, coupled with economic distress related to geopolitical factors, particularly in Russia and the Middle East. Weak global development saw the International Monetary Fund (IMF) cut its 2015 global growth forecast twice, from 3.5% to 3.3% in July, down to 3.1% in October.

Divergent growth prospects among advanced economies resulted in differences in monetary policy focus by the respective central banks. The US Federal Reserve (Fed) raised interest rate by 25 bps to its Federal Funds Target Rate in December 2015 after deliberating over the timing and pace of its rate hike in eight Federal Open Market Committee (FOMC) meetings throughout the year. The decision comes after the US Fed held rates near zero for seven years. The US Fed's hints of possible rate hikes throughout the year strongly influenced investor expectations and fund flows, which consequently led

to an appreciation of the US dollar and heightened volatility in emerging market currencies. Central banks in Europe, Japan and China meanwhile continued monetary easing in response to slow economic growth and threat of deflation.

A slowdown among some of the world's biggest manufacturing nations resulted in subdued commodity prices. Crude oil, in particular, came under severe pressure in 2015. Crude oil prices started 2015 relatively low and ended the year approximately 30% lower, reflecting the sustained pressures of excess supply over global demand. As at end December, crude oil prices dropped below US\$40 per barrel, the lowest level since February 2009.

Decelerated growth in China exerted further downward pressure on commodity prices and global trade as the country underwent structural transformation towards ensuring a more sustainable growth path. The slower than expected growth in the world's second largest economy weighed on investor sentiment throughout the year on concerns of weaker global demand and trade. These developments adversely impacted many emerging market economies, especially the commodity exporters and those that have closer ties with China.

The year also witnessed a significant number of central banks cut interest rates to spur domestic growth and enhance exports competitiveness, which resulted in volatility in the foreign exchange market.

Against this backdrop, there was a rerating of emerging market economies as investors shifted their preference away from countries seen to have risks associated with commodities or other vulnerabilities. The reversal of flows from emerging markets was, as such, reflective of slowing growth in major emerging markets affected by the commodity rout, expectations of a US Fed rate hike and a stronger US dollar.

GLOBAL CAPITAL MARKET

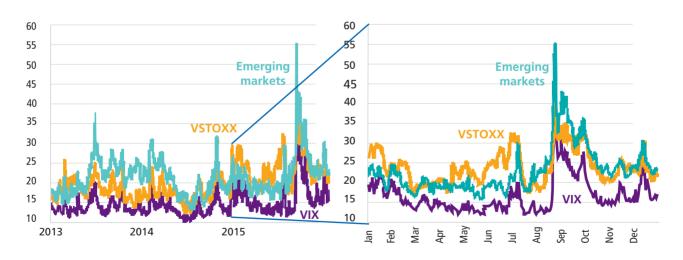
The overall global investing climate for 2015 was one of caution. While the aforementioned factors influenced investors to lean towards more prudent positions throughout the year, levels of volatility were more pronounced towards the latter half of 2015 (Chart 2).

Notably, volatility levels rose significantly at the start of the second half 2015, as escalation of the Greek debt crisis due to political deadlock culminated in speculations of a Grexit, which triggered fears of regional contagion and raised uncertainty over its impact on the future of the Eurozone. While the turbulence in Greece gradually subsided, volatility remained elevated as investors attention turned towards the severe plunge in China's equity markets. In particular, the Shanghai and Shenzen equity indices made sharp corrections of 32% and 40% respectively during the period 12 June to 8 July.

The surprise devaluation of the Chinese yuan by the People's Bank of China (PBoC) in August signalled a much weaker Chinese economy than previously anticipated, resulting in a sharp spike in volatility. The release of Chinese PMI figures later in the same month, the lowest since August 2012, led to wider sell-offs in stock markets globally, with new highs for both the VIX and VSTOXX volatility indices of almost 41.0 relative to their averages for the year of 16.6 and 23.9 respectively.

Volatility levels fell in early December as investors primed to position themselves ahead of the imminent US Fed's announcement of higher interest rates and the removal of one element of uncertainty in the market. The year ended with investor risk aversion rising marginally on the back of further decline in oil prices and concerns over its impact on emerging economies reliant on petroleum exports.

Chart 2
Investor risk aversion



Source: SC using Thomson Reuters Datastream

Note: US: VIX volatility index, Europe: VSTOXX volatility index, Emerging Markets: CBOE EM Volatility Index. Europe constitutes
of the larger countries such as Belgium, France, Spain, Germany, Italy, Netherlands and Finland

Stock market

Stock markets globally registered positive return in early 2015 with central banks in the Eurozone and China easing monetary policy. Over the course of the year, as policy and macroeconomic divergence increased, greater distinction was witnessed between stock markets based on the relative risks and merits of each market. Varying economic conditions and expectations for higher rates in the US amplified fundamental differences between healthy and vulnerable economies across the world.

The divergence in economic developments of advanced and emerging countries was more pronounced in the movements of their respective equity markets in the latter half of 2015 (Chart 3). While speculation of a Grexit and the Chinese financial market turmoil triggered

Chart 3 MSCI indices (1 Jan 2015 = 100)



Source: Thomson Reuters Datastream

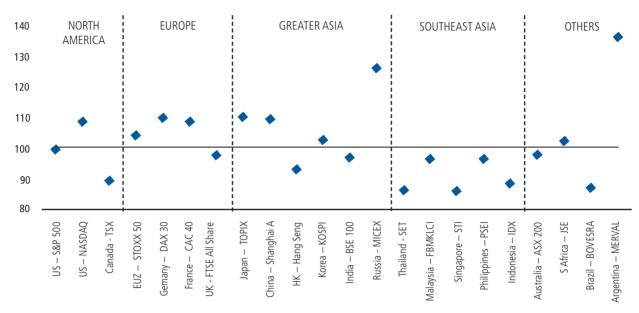
sell-offs in equity markets globally, emerging economies with higher exposure to China and commodity exporters faced the brunt of the decline. Fresh lows for crude oil prices in December prompted further portfolio rebalancing in favour of advanced markets.

Among advanced economies, the S&P500 ended the year 0.7% lower as investors locked in gains from the year-end rally supported by the strengthening US economy. Japan's Topix rose 9.9% buoyed by the stimulus policies from the Bank of Japan to spur the economy. In line with the positive trajectory of Europe's economic recovery, the performance of the main bourses were broadly higher as Germany's DAX and France's CAC 40 rose by 9.6% and 8.5% respectively, while the UK's FTSE All Share declined by 2.5% as speculation on a possible rate hike hampered the index's advance.

The best performing index in 2015 was the Argentinian Merval Index which logged an annual gain of 36.1% followed by the Russian MICEX Index which closed 26.1% higher. Other stock markets that performed relatively well include Japan and China, which closed 9.9% and 9.3% higher respectively. Many indices treaded negative territory in 2015, with Singapore's STI and Thailand's SET among the worst performing stock markets (Chart 4). In general, emerging economies faced a challenging year, with the MSCI Emerging Market Index ending 2015 down 16.96%.

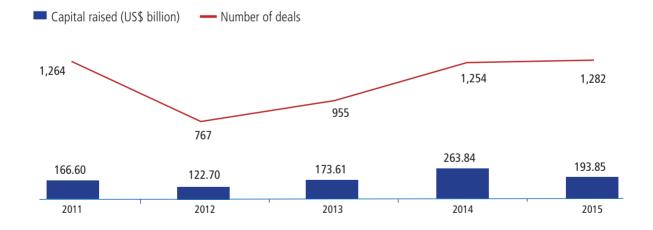
The cautious investing environment hampered IPOs during the year, as a number of companies postponed their IPOs over concerns that volatile market conditions could lead to lower valuations. Consequently, global IPOs declined 26.5% in value of capital raised in 2015 while the number of IPO deals only increased by 2.2% to 1,282 in 2015 (Chart 5).

Chart 4
Stock market performance in 2015 (31 Dec 2014 = 100)



Source: Bloomberg

Chart 5
Global IPOs (US\$ billion and number of deals)



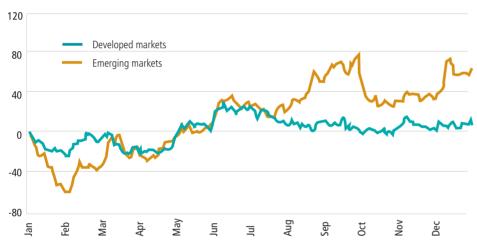
Source: Dealogic

Bond market

Global bond markets began the year characterised by low yields in early 2015. Concerns over overpriced bond markets and a possible Grexit however resulted in an increase in bond yields in the second quarter. As prospects of global growth deteriorated as the year progressed, investors rebalanced their portfolios to seek more prudent investing positions in safe-haven sovereigns, resulting in divergent yield movements between advanced and emerging markets (Chart 6).

The shift in preference for advanced market bonds was also influenced by market expectation of monetary policy decisions. Eurozone and Japanese sovereigns were generally buoyed by accommodative monetary measures (Chart 7). The US Treasury yield adjustments were fairly modest in face of the first rate hike, as investors acknowledged that the US Fed will adopt a more cautious approach in consideration of further rate hikes (Chart 8).

*Chart 6*Government bond yields (basis points)



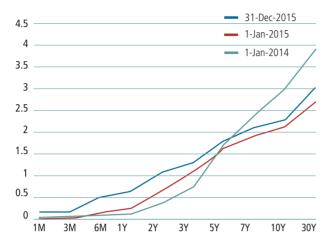
Source: Thomson Reuters Datastream

Chart 7
10-year advanced economies government bond yields (percentage)



Source: Thomson Reuters Datastream

Chart 8
US Treasury yield curve (percentage)



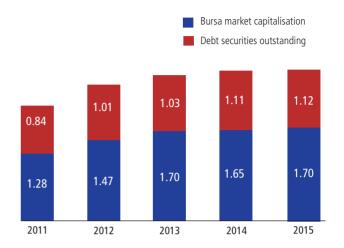
Source: US Treasury

MALAYSIAN CAPITAL MARKET

Despite a volatile global environment, the Malaysian capital market continued to expand and play a major role in financing the domestic economy. The overall size of the capital market grew by 2.1% to RM2.82 trillion (Chart 9).

In 2015, the capital market remained a key avenue for corporate fundraising. During the year, primary market issuances amounted to RM90.4 billion, approximating the amount raised in 2014. Close to RM3.9¹ billion was raised via IPOs, with a listing of 10 new companies on Bursa Malaysia. Six companies sought listing on the Main Market with the remaining four on the ACE Market. The three biggest equity IPOs were Malakoff Corporation Bhd (RM2.7 billion), Sunway Construction Group Bhd (RM0.48 billion) and Red Sena Bhd (RM0.4 billion). The remaining 80.5% of equity fundraising was raised via the secondary market. In tandem, RM86.4 billion was raised in the corporate bond market (Chart 10).

Chart 9
Malaysian capital market (RM trillion)



Source: SC, BNM

Chart 10
Total funds raised via capital market (RM billion)

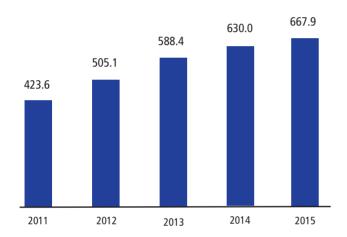


Source: SC, Bursa Malaysia, BNM

¹ This excludes REITs amounting to RM0.25 billion.

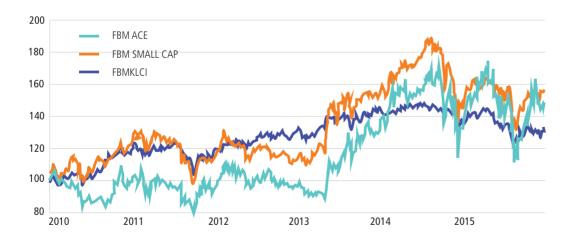
The fund management industry maintained its upward growth trajectory in 2015, a reflection of investors' confidence in the resiliency of the Malaysian capital market. Total assets under management increased by 6.0% to RM667.9 billion, from RM630.0 billion in December 2014 (Chart 11).

Chart 11
Assets under management (RM billion)



Source: SC

Chart 12
Performance of FBMKLCI, Small Cap and ACE Market indices (31 Dec 2009 = 100)



Source: SC

Malaysian stock market

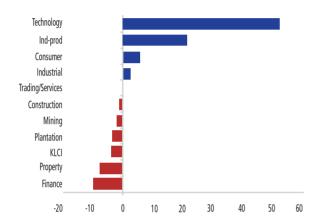
Stock market capitalisation expanded by 2.6% to RM1.70 trillion in 2015.

While heightened market volatility resulted in a cautious investing tone throughout the year, investors diverted interests into lower liners in the Small Cap and ACE counters, particularly those with high-growth potentials. Consequently, the Small Cap and ACE Market indices ended the year higher by 6.0% and 13.0% respectively (Chart 12).

Towards the end of the year, the FBMKLCI rallied briefly as the US Fed rate hike removed an element of uncertainty among investors. While the persistent weakness in oil throughout the year drove down the index by 3.9% to close at 1,692.51 points on the last day of trade, it was notably one of the top performers among other ASEAN peers which were similarly affected.

Technology, industrial products and consumer products sectors were the top performers, supported by strong demand on the back of the weaker ringgit (Chart 13).

Chart 13
Malaysian stock market performance by sector (percentage)



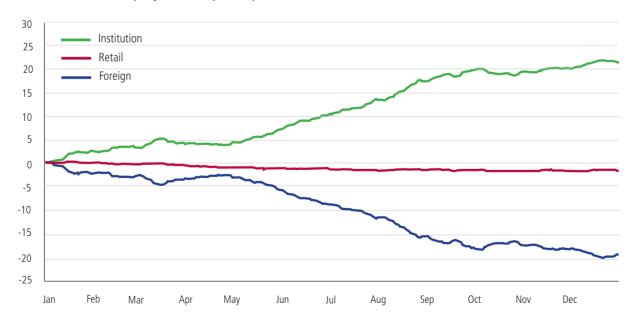
Source: SC

In line with regional trends, Malaysia encountered fund outflows as foreign investors swapped to more conservative investing positions. Foreign investors were net sellers as the Malaysian market registered cumulative outflow of approximately RM19.7 billion at the end of 2015 (Chart 14). Nonetheless, domestic institutional investors cushioned foreign equity outflows with net buying of RM21.4 billion, which allowed for orderly market adjustments against a volatile global environment. Local retail investors meanwhile largely remained on the sidelines in the second half of the year.

Bond market

The Malaysian bond market totalled RM1.12 trillion as of 31 December 2015, approximating the RM1.11 trillion recorded at end 2014. Malaysia continued to maintain its position as the third largest local currency bond market as a percentage of GDP in Asia, after Japan and South Korea.

Chart 14
Net cumulative equity market participation (RM billion)

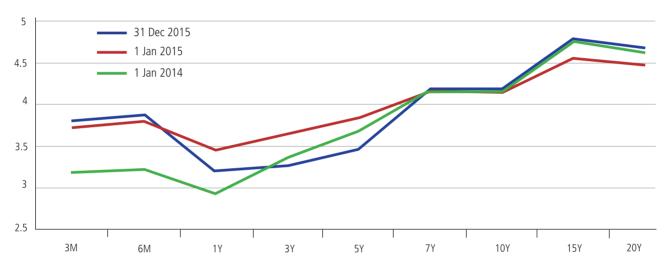


Source: SC

The Malaysian Government Securities (MGS) market saw more demand for longer-term securities in early 2015, reflecting higher yields for short and medium-tenor bonds and narrow declines for longer-term papers as compared to early 2014 (Chart 15). Medium-term yields declined as buying interest in local bonds strengthened post-US rate hike at year end (Chart 16).

Foreign ownership of bonds issued in Malaysia decreased by 4.9% to RM214.8 billion in 2015 from RM225.9 billion in 2014, accounting for 19.1% of total bonds outstanding. The biggest decline was between June and August as foreign investors trimmed 6.7% of their holdings in light of the falling ringgit. Nevertheless, foreign outflows were relatively well absorbed by strong domestic liquidity.

Chart 15 MGS benchmark yield curve (percentage)



Source: Thomson Reuters Datastream

*Chart 16*MGS benchmark yields (percentage)

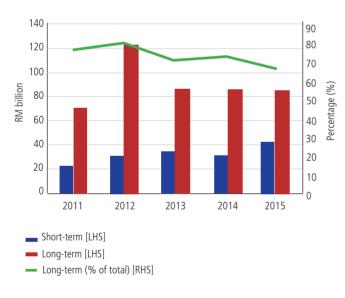


Source: Thomson Reuters Datastream

Notwithstanding outflows, foreign holdings in MGS remained stable, amounting to 47.7% of total MGS outstanding as at end December 2015, reflecting investors' long-term positive outlook on Malaysia.

Low and stable foreign ownership in corporate bonds offered relief to the market from the impact of global volatility and reversal of fund flows from emerging markets. Foreign ownership of corporate bonds was mainly concentrated on AAA papers ranging from mid to long-term tenures. The maturity profile of local corporate bond issuances shortened for the year due to higher demand for more liquid papers on the back of market volatility (Chart 17).

Chart 17
PDS issuance by maturity (RM billion)



Source: SC

2016 OUTLOOK

Four key 2015 year end events are likely to set the tone for the first half of 2016, namely the European Central Bank's (ECB) additional easing at the start of December, PBoC's decision to measure the renminbi against a broader basket of currencies, US Fed's move to tighten policy mid-month and the absence of a reduction in the OPEC official oil production ceiling.

Monetary easing by the ECB will likely remain to support aggregate demand in the Eurozone. The Bank of Japan is also expected to maintain its asset purchase program in the near term, with subdued industrial production and consumption potentially leading to lower-than-expected core inflation, which in turn could force the bank to ease further. In contrast, the pace and timing of subsequent US Fed rate increases will pose uncertainty for financial markets. While the US Fed has indicated that the implementation will be gradual, the actual pace of hikes may be slower than that implied by the FOMC considering the muted outlook for inflation and oil prices, the impact of a strong dollar on US exports and the continued fragile state of the global economy.

World energy prices fell in December 2015 as OPEC oil producers failed to reach a consensus for reduction in oil production. Cut-backs in investments and reduced drilling have led to cuts in oil output projections by the International Energy Agency, which in turn could mean that prices will potentially bottom out in 2016. Amid the current weak global growth environment however, there is low probability that oil prices will recover to the previous year's level in the near term.

Meanwhile, Chinese authorities have set a 6.5% annual economic growth rate target from 2016 to 2020 as the government faces challenges with slowing exports and weakening investments. It is likely that Chinese policy makers will deploy additional monetary easing and expand fiscal stimulus and ease regulations in the real

estate market and infrastructure investment projects in order to fuel the economy. The current commitment of policymakers to initiate market-oriented reforms in the near to mid term is expected to introduce more volatility into the economy in the short term, where fluctuations have previously been dampened or prevented by state power.

Years of investment based on predictions of double-digit growth in China have left virtually all industrial commodity markets over-supplied. While copper prices could potentially achieve market balance, aluminium, steel and iron ore will continue to struggle with over-capacity. Commodity-linked assets are resultantly expected to have differentiated performance in coming months.

China's gradual rebalancing, the end of the commodities super-cycle, weak global trade and debt overhang will weigh on the growth prospects of emerging markets.

Emerging markets are expected to see a continuation of portfolio capital outflows in 2016 in the wake of US policy normalisation. Nevertheless, the magnitude of outflows is likely to be smaller than in 2015. Two factors could mitigate the extent of emerging market equity outflows. Firstly, US policy normalisation has been largely priced-in since the start of the taper tantrum in 2013. With that being so, it is likely that we have seen the bottoming of outflows from emerging market equities on the back of the US Fed rate hike. Secondly, the US Fed tightening cycle is expected to be very gradual and will be countered by further quantitative easing in Europe and Japan. Hence, emerging market asset valuations are not expected to deteriorate significantly.

Taking these into consideration, emerging market assets could see continued volatility in the first half of 2016 as investors adjust to the new normal in the US, before settling down in the second half of the year.

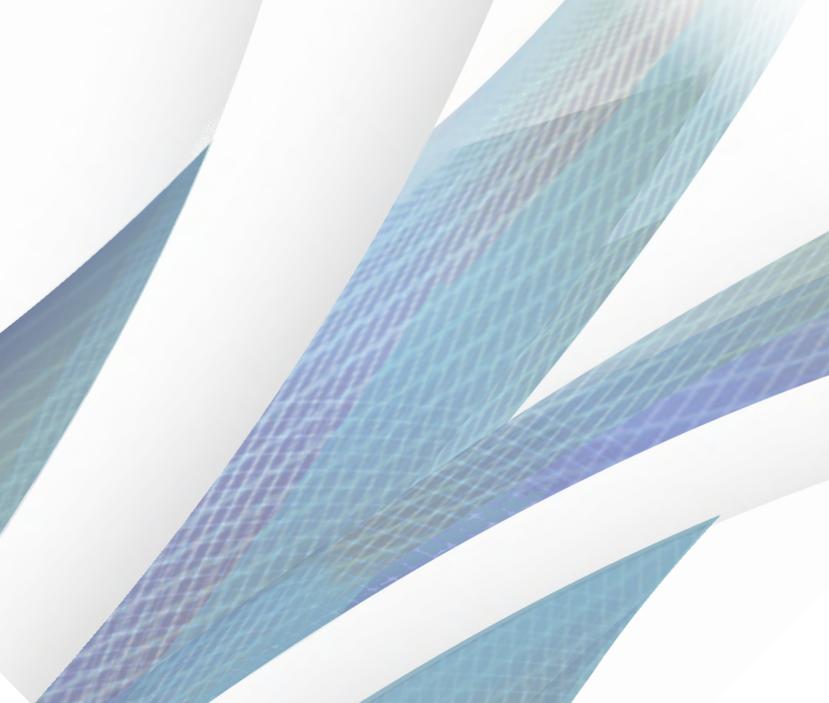
The Malaysian economy is expected to remain on a growth trajectory in 2016, albeit with the expansion in GDP moderating slightly to around 4.0% – 4.5%. Growth will continue to be steered by domestic demand while recovery in some advanced economies will help to sustain demand for Malaysian exports. The recalibration measures in respect of the 2016 Federal Government Budget announced in January 2016 reflects the government's commitment towards its fiscal consolidation agenda, with lower forecast revenue addressed by expenditure adjustment and re-prioritization of development projects. Monetary policy will meanwhile remain accommodative to support sustainable growth and ensure sufficient liquidity in the financial system.

The Malaysian capital market will continue to be impacted by volatility in global liquidity flows emanating from the US Fed interest rate hike, the slowdown in China and weak commodity prices. Furthermore, China's structural change is expected to provide more headwinds for small open economies such as Malaysia. Notwithstanding this, the domestic capital market is resourced with ample domestic liquidity which will help the market remain resilient in the face of volatile global capital flows. In the bond market, yields are expected to respond to the upward pressure arising from the expected normalisation of US interest rates. This may lessen foreign selling in the bond market and potentially attract new investors.



ROAD TO DIGITISATION

TECHNOLOGY AS A LEVELLER PROMOTING GREATER INCLUSIVITY IN THE CAPITAL MARKET









ROAD TO DIGITISATION

TECHNOLOGY AS A LEVELLER PROMOTING GREATER INCLUSIVITY IN THE CAPITAL MARKET

The advent of technology and "digitisation" has far-reaching implications on society and people's daily life. Today, the pace of change is ever accelerating and it has drastically changed the innovation landscape. Decentralised and distributed innovation would not be as strong as it is today without such profound revolution. Central elements of financial innovation too would not exist without such digital foundation.

As its name would suggest, many of the means are digital in nature, and accessibility depends entirely on virtual basis. It extends communication and collaboration beyond different types of traditional barriers; financial, geographic, demographic, as well as traditional economic boundaries. The map of knowledge domains has changed. As the sharing economy kicks into high gear, people are no longer constrained to what is available only in the local arena.

When people contribute resources and means together as a community, they are motivated by a variety of factors other than just money. Collaborative and co-creative projects will become something common; presenting a series of linked and synergistic factors. Crowdfunding platforms as well as access points to open resources domain become dynamic social platforms. New ways to acquire financial capital without the typical obligation that comes with demands for control, patenting, or voting rights, have become the mainstream of ventures financing.

Clearly, the democratisation of wealth does not necessarily lead to a reduction in dependency but rather increases reciprocity. Nevertheless, analogous to the creative industries, crowdfunding has been used as an alternative financing instrument in entrepreneurial funding. Just as crowdfunding does for literature, music, films, or social projects, crowdfunding in entrepreneurial activities has one primary purpose: To establish a connection between capital providers and seekers.



How did it start?

It all started

with global

initiative

crowdsourcing

Global Crowdfunding Space

What is the size of the industry?

Crowdfunding, on which individuals coming together to fund projects of all kinds, has raised US\$16.2 billion in 2014. The pace of innovation has impacted government policy, and changed the role of financial institutions around the world.

First equity

crowd funding

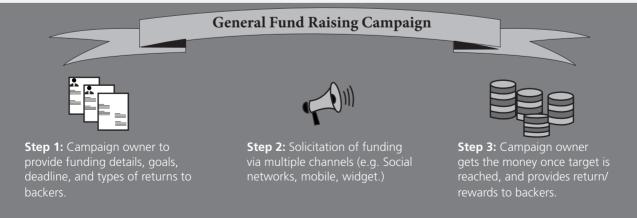
platform

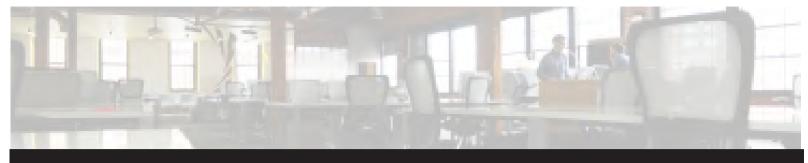
2005

2009

2 Since 2012, global funding via crowdfunding has doubled Global funding volume reached US\$16 billion Funds raised via crowdfunding **US\$16** billion **US\$12 billion** Signing of **US\$8** billion JOBS Act Kickstarter established **US\$4 billion** 2010 2011 2012 2013 2014







DEVELOPING MALAYSIA EQUITY CROWDFUNDING

A C

OUR JOURNEY

The establishment of ECF is part of SC's strategy to democratise finance. While Malaysia has developed a diversified and well-established RM2.82 trillion capital market over the last two decades, nevertheless, for capital markets to be inclusive; small and medium enterprises (SMEs) and start-ups must also be able to obtain market-based financing.

SC has released the *Guidelines on Regulation of Markets* under Section 34 of the *Capital Markets and Services Act 2007* to introduce new requirements

for the registration of ECF platforms and provide governance arrangement for the operator of such platforms.

A call for registration to become ECF operators was released in February 2015. A total of 27 applications to operate an equity crowdfunding platform in Malaysia was received from a diverse group of interested parties, both foreign and domestic.

Six ECF platform operators were approved by the SC on 11 June 2015.

EQUITY CROWDFUNDING HOW IT WORKS



Admission of locally incorporated private companies

RM3 million fund raising cap in every 12-month period. Total of RM5 million fund raising cap for each entity.

Micro-funds structure allowed to raise funds.

Issuer



Platform operator register as RMO

Not allowed to conduct regulated activities unless licensed (CMSL).

Third party (Trustee) to remit / handle monies.

Disapplication of general solicitation rule under *Companies Act 1965*.

Platform



All-or-Nothing approach

Tiering of investor class:

- RM5,000 for retail investors for a single investment and no more than RM50,000 within 12 months.
- Up to RM500,000 for angel investors within 12 months.
- Unlimited amount for sophisticated investors.

Investors



Garnering awareness through Equity Crowdfunding forum

The Synergy & Crowdfunding Forum (SCxSC) aims to explore issues of capital formation for young entrepreneurs in Malaysia, and the emergence of web-based innovations such as crowdfunding that will aid connecting businesses to capital.

SCxSC, in its second instalment, featured a guest speaker from New Zealand providing a comparative perspective on their crowdfunding industry. The forum also featured a panel session on fundraising challenges for Malaysian entrepreneurs.

SCxSC attracted over 700 participants, and the 2-day forum set the stage for six registered

6 Equity Crowdfunding Platforms Registered

Alix Global,
Ata Plus,
Crowdonomic,
Eureeca,
pitchIN and
Propellar CrowdPlus.

ECF platform operators to conduct an introductory workshop of their respective platforms' strengths and value proposition.

The forum provided awareness on new methods of capital financing for businesses while also identifying quality seed-stage deals for investors. SCxSC was targeted at investors, start-ups and the public interested to learn more about the rise of

alternative finance such as equity crowdfunding. In recognising the importance of ECF as a means to inclusivity in the Malaysian capital market, the SC also announced the list of six registered equity crowd funding platforms to provide market-based financing for SMEs at the forum. The forum also saw the signing of an MoU between MDeC and three ECF platform operators to conduct programmes in funnelling ICT companies to the ECF platforms.



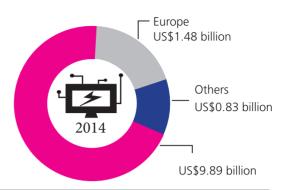
SECURITIES COMMISSION MALAYSIA annual report 2015

Rise of Alternative ^a Investing & FinTech

Global FinTech Financing Activity

Financial Technology (FinTech) has revolutionised the financial services industry, including the way people participate in alternative finance.

Global investment in FinTech has achieved CAGR of 53.6% from the period of 2008 to 2014 – US\$0.93 billion (2008), to US\$ 2.97 billion (2013), to US\$12.2 billion (2014)



STATE OF PLAY US makes up the lion's share. Europe experienced the Hot investment areas included highest level of growth with an payments, lending, trading increase of 215% (year-on-year) in US soared to US\$9.89 technologies and wealth to US\$1.48 billion in 2014. billion in 2014, up from management. US\$3.39 billion in 2013 Growth in FinTech investments dominated by UK and Ireland, followed by Nordic countries (US\$345 million), Payments accounted for largest number of FinTech deals (29%), followed by Lending (16%) and, Wealth Management and Netherlands (US\$306 million) Markets segments.

and Germany (US\$82 million)

Source: Fintech New York: Partnerships, Platforms and Open Innovation Report

*Note: Lists are by no means exhaustive

Global Fin Tech Clusters... Peer-to-peer Lending Crypto Currency Equity Crowdfunding Fin Tech* Wealth Management Digital Wallet



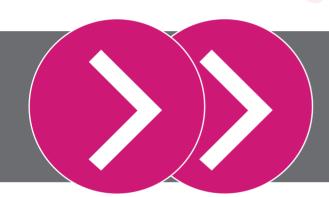
Catalysing Malaysia's FinTech Initiative





Alliance of FinTech Community (aFINity@SC) was launched at the WCMS on 3 September 2015 by the SC to catalyse greater interest for development by entrepreneurs and investors into FinTech.

The SC will co-ordinate with other relevant stakeholders including innovators, established businesses, investors and other authorities / government agencies, as part of a concerted effort to form a network of FinTech stakeholders that will spur more FinTech-focussed innovation.



The SC functions as a Network Organiser (NEON) to create awareness; form hubs to organise and nurture FinTech ecosystem; and provide policy and regulatory clarity conducive for innovation

OUR WORKFLOW

Awareness and Data Collection

Call For Participation to generate expressions of interest from a wide range of FinTech stakeholders including entrepreneurs, financial service providers, investors, and government agencies.

Organise and Engage

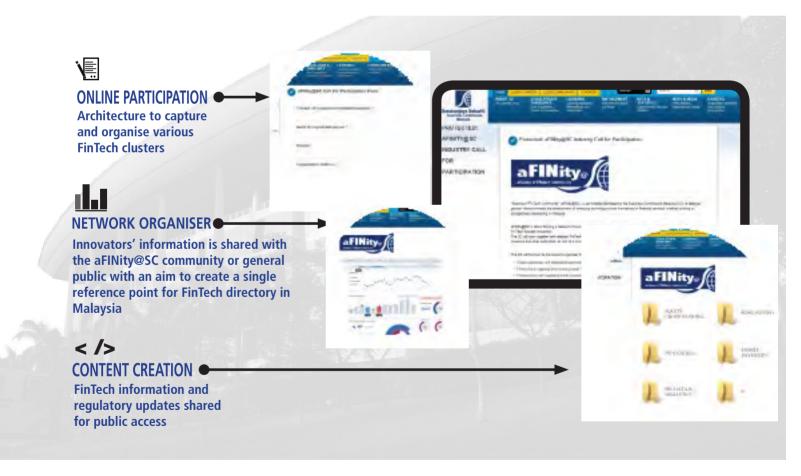
Organise various hubs across different groups of stakeholders. Formal and informal engagements to discuss and collaborate to introduce technology-driven innovations aimed at solving unmet needs in the current financial services industry.

Policy and Regulatory Clarity

Provide policy and regulatory clarity for innovative FinTech businesses by facilitating discussions with relevant regulators to help entrepreneurs design solutions that will incorporate regulatory and risk concerns.

Taking it to new Frontiers





CONTACT US



http://www.sc.com.my/afinitysc-industry-call-for-participation/

STATEMENTS AND STATISTICS



BOARD MEMBERS







DATO' SERI DR RANJIT AJIT SINGH Appointed 1 April 2012

Dato' Seri Dr Ranjit Ajit Singh is the Executive Chairman of the SC. He was previously Managing Director of the SC and has extensive experience in the field of finance and securities market regulation and has spearheaded many key initiatives in the development and reform of Malaysia's capital market.

Dato' Seri Dr Ranjit was appointed the Vice-Chairman of the governing Board of the International Organization of Securities Commissions (IOSCO), the global body of capital market regulators and was elected as the Chairman of IOSCO's Growth and Emerging Markets (GEM) Committee which represents 94 countries. In 2014, Dato' Seri Dr Ranjit was appointed Chairman of the ASEAN Capital Markets Forum (ACMF), a body tasked to spearhead market integration efforts within the region and comprises capital market authorities from ASEAN.

Dato' Seri Dr Ranjit chairs the Securities Industry
Development Corporation (SIDC), the Malaysian
Venture Capital and Private Equity Development
Council (MVCDC) and the Capital Market
Development Fund (CMDF). He is also the
Vice-Chairman of the Asian Institute of Finance and
a member of the Board of the Labuan Financial
Services Authority and the Financial Reporting
Foundation as well as a board member of the
Malaysian Institute of Integrity (IIM).

Dato' Seri Dr Ranjit is trained as a financial economist and accountant. He holds a Bachelor of Economics (Honours) degree and a Master of Economics degree in Finance from Monash University, Melbourne. He was also conferred the degree of Doctor of Laws *honoris causa* by Monash University, Melbourne. He is a fellow of CPA Australia and has worked in academia, consulting and accounting in Australia and Malaysia.



DATO DR NIK RAMLAH MAHMOOD Appointed 1 April 2012

Dato Dr Nik Ramlah Mahmood was appointed Deputy Chief Executive of the SC and member of the Commission on 1 April 2012. She joined the SC in 1993 as Manager of Law Reform and went on to become Director of the Policy and Development Division in 1997. In 2008, she was made Managing Director and Executive Director of the Enforcement Division.

Dato Dr Nik Ramlah has been instrumental in developing many areas of the capital market. She has extensive experience in areas ranging from regulatory policy, legal reform, product and market development, corporate governance, Islamic capital market, investor education and enforcement.

Dato Dr Nik Ramlah sits on the boards of the SIDC, the Capital Market Development Fund and Capital Markets Malaysia. She is also a member of the Malaysian Venture Capital and Private Equity (MVCDC) Development Council and the Professional Development Panel of the International Centre for Education in Islamic Finance (INCEIF), the global university of Islamic Finance.

Dato Dr Nik Ramlah holds a First Class Honours in Law from University Malaya and a LLM and PhD from University of London. Prior to joining the SC, Dato Dr Nik Ramlah was an Associate Professor at the Faculty of Law, University of Malaya.



DATUK FRANCIS TAN LEH KIAH Appointed 18 May 1999

Datuk Francis Tan Leh Kiah is a consultant of Azman, Davidson & Co Advocates and Solicitors. He was the Managing Partner from 1986 to 2008. In addition to being an advocate and solicitor, he is a member of

the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and the Chartered Tax Institute of Malaysia. He is also a solicitor of the Supreme Court of England and Wales.



DATO' GUMURI HUSSAIN Appointed 1 August 2004

Dato' Gumuri Hussain is the former Chairman of SME Bank and served in this capacity from 2005 to 2013. He was also the Managing Director and Chief Executive Officer of Penerbangan Malaysia Bhd from 2002 to 2004. Prior to this, he was a Senior Partner and Deputy Chairman of Governance Board of PricewaterhouseCoopers Malaysia.

Dato' Gumuri is the Non-Executive Chairman of Sistem Televisyen Malaysia Bhd, Non-Executive Director of Media Prima Bhd, Metrod Malaysia Bhd and Audit Oversight Board. He has also served as a Non-Executive Director of KUB Malaysia Bhd, Rangkaian Hotel Seri Malaysia Bhd, Malaysian Airline System Bhd, Bank Industri & Teknologi Malaysia Bhd and Sabah Bank Bhd.

Dato' Gumuri is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA).



DATUK FAZLUR RAHMAN EBRAHIM Appointed 1 May 2006

Datuk Fazlur Rahman Ebrahim is the former Managing Director of Prokhas Sdn Bhd, a company wholly owned by the Minister of Finance, Incorporated. He is currently the Corporate Advisor of Johor Corporation and sits on the Board of Pelaburan Hartanah Bhd, Permodalan Felcra Sdn Bhd, Credit Counseling and Debt Management Agency and Dana Amal Jariah. He is also a member of the Shariah Council of BNP Paribas Malaysia Bhd, the

Business Advisory Council of International Islamic University Malaysia, the Audit Committee of Razak School of Government and the Investment Committee of Majlis Amanah Rakyat.

Datuk Fazlur holds a bachelor's degree in Business Administration from Ohio University, US and a master's degree in Business Administration (Finance) from Universiti Kebangsaan Malaysia.



TAN SRI DATO' SERI MOHAMED JAWHAR HASSAN Appointed 15 May 2010

Tan Sri Dato' Seri Mohamed Jawhar Hassan is the Non-Executive Chairman of the New Straits Times Press (Malaysia). He was previously also the Chairman and Chief Executive of the Institute of Strategic and International Studies (ISIS) Malaysia.

He has served in the Malaysian government in various positions before joining ISIS Malaysia including Director-General, Department of National Unity; Under-Secretary, Ministry of Home Affairs; Director (Analysis) Research Division, Prime Minister's Department; and Principal Assistant Secretary, National Security Council. He also served as Counselor in the Malaysian Embassies in Indonesia and Thailand.

Tan Sri Jawhar is also a member of the Operations Review Panel, Malaysian Anti-Corruption Commission; Distinguished Fellow, Institute of Diplomacy and Foreign Relations; Distinguished Fellow, Malaysian Institute of Defence and Security; Fellow, Institute of Public Security of Malaysia, Ministry of Home Affairs; and Board Member, Institute of Advanced Islamic Studies, Malaysia. He is also Malaysia's Representative as Expert and Eminent Person to the ASEAN Regional Forum (ARF).

Tan Sri Jawhar was also Co-Chair, Network of East Asia Think-tanks (NEAT) 2005-2006 and Co-Chair, Council for Security Co-operation in the Asia Pacific (CSCAP) 2007-2009.



TAN SRI DATO' HASMAH ABDULLAH Appointed 10 March 2011

Tan Sri Dato' Hasmah Abdullah was the former Director General and Chief Executive Officer of the Inland Revenue Board Malaysia (IRBM) and had served the agency for almost 38 years. After retirement, she joined PricewaterhouseCoopers Taxation Services Sdn Bhd as a Tax Advisor from 1 July 2011 until 30 September 2013. She is currently an independent and non-Executive Director of UMW Holdings Bhd since 1 September 2013 and Panasonic Manufacturing Malaysia Bhd from 1 October 2013.

Tan Sri Hasmah is also on the Board of Trustees of the Malaysian Tax Research Foundation, the Board of Trustees of Dana Amal Jariah and a member of the Executive Council of the Selangor and Federal Territory Association for the Mentally Handicapped (SAMH).

Tan Sri Hasmah graduated in 1973 with a bachelor's degree in Arts (Hons) from University of Malaya.



TAN SRI DR MADINAH MOHAMAD Appointed 15 February 2012

Tan Sri Dr Madinah Mohamad is the Secretary General, Ministry of Education Malaysia (MOE), a position she has held since June 2013. She is involved in policy guidance and the administration of the ministry and is directly involved in driving the education transformation agenda. Tan Sri Dr Madinah is also the Vice President of the Malaysian National Commission for UNESCO and a member of the UNESCO Executive Board 2015-2019.

Prior to her current position, Tan Sri Dr Madinah has had vast working experience in various government agencies such as the Ministry of Foreign Affairs, Public Service Department, Ministry of National and Rural Development, Ministry of Works, and the National Unity and Integration Department of the Prime Minister's Department. She was also the former Secretary General, Ministry of Science, Technology and Innovation (MOSTI) from April 2009 to June 2013.

Tan Sri Dr Madinah graduated with a bachelor's degree in Political Science from Universiti Sains Malaysia and a master's degree and a PhD in Human Resource Development from Universiti Putra Malaysia.



DATO' SRI DR MOHD ISA HUSSAIN Appointed 19 August 2015

Dato' Sri Dr Mohd Isa Hussain currently serves as the Deputy Secretary General (Investment), Ministry of Finance. Prior to his current position, he was the Interim Head of the Public Land Transportation Commission (SPAD). Having been in the public services since 1983, Dato' Sri Dr Mohd Isa started his career in the Prime Minister's Department as Assistant Director and was appointed as Assistant Director at the Pahang State Economic Planning Unit of Pahang in 1985. He then joined the Ministry of Finance, holding various positions including Assistant Secretary in the Government Procurement Division and Senior Assistant Director of the Budget Management Division. In 2004, he assumed the position of Deputy Undersecretary of Investment, MOF (Inc.) and Privatisation Division. Dato' Sri Dr Mohd Isa was appointed as the Deputy Secretary General (Operations), Ministry of Transport in 2008.

Dato' Sri Dr Mohd Isa serves on the boards of Felcra Bhd, Permodalan Felcra Sdn Bhd, Felcra Properties, Felcra Cambodia, Lembaga Pembangunan Langkawi (LADA), Lembaga Pelaburan Kelang, Integrated Nautical Resort, Garuda Suci Sdn Bhd, Kuala Lumpur International Airport Bhd, Penang Port Holdings Bhd, Pelaburan Hartanah Bhd, Syarikat Jaminan Pembiayaan Perniagaan Bhd, Syarikat Jaminan Kredit Perumahan Bhd, Piramid Pertama Sdn Bhd, Danaharta Hartanah Sdn Bhd and Assets Global Network Sdn Bhd. He is also on the board of EXIM Bank.

Dato' Sri Dr Mohd Isa holds a PhD in Finance from Universiti Putra Malaysia and an MBA in Finance from University Kebangsaan Malaysia, Bachelor of Economics (Honours) (Applied Statistics) from University of Malaya and a Post-graduate Diploma in Public Management from National Institute of Public Administration.



Eugene Wong Weng Soon

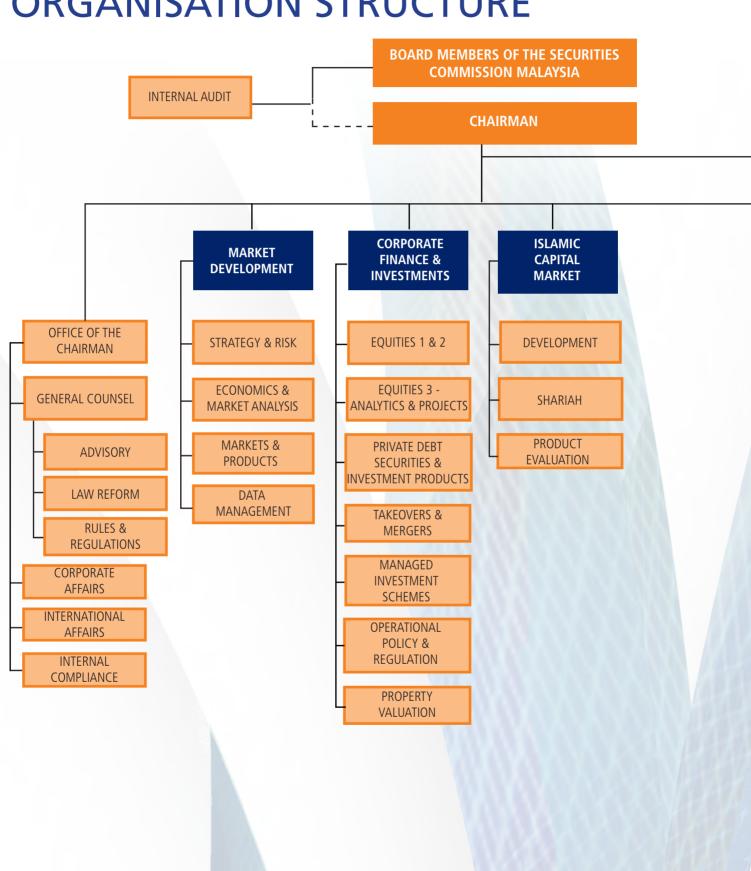


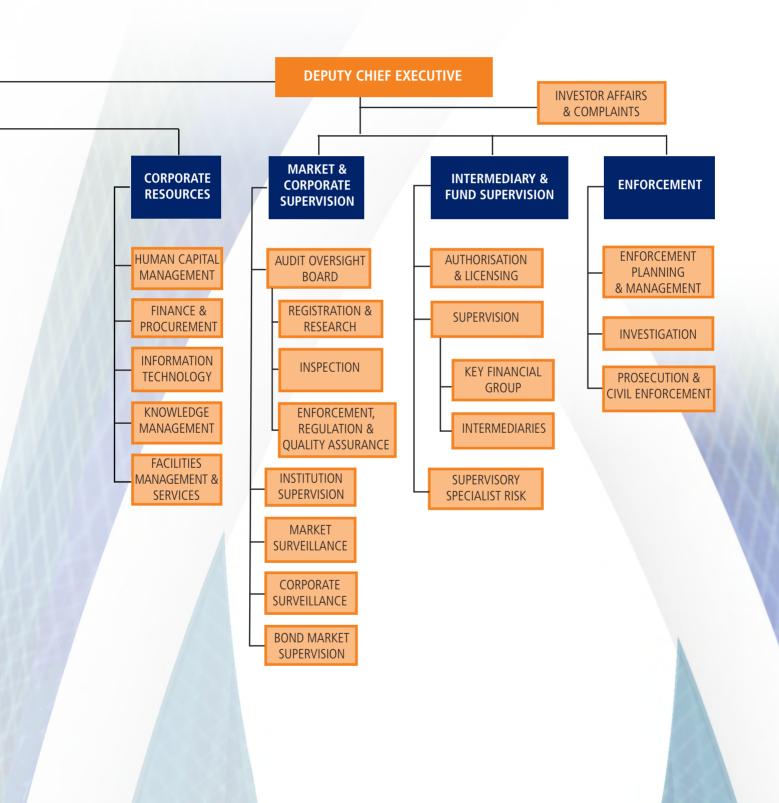


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PART 6 » STATEMENTS AND STATISTICS

ORGANISATION STRUCTURE







STATEMENT ON GOVERNANCE

The 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 ensuring investor protection, fair and orderly markets, and reducing systemic risks. The SC's responsibilities, powers and authorities are clearly defined and transparently set out in securities laws, namely the SCMA, Capital Markets & Services Act 2007 (CMSA) and Securities Industry (Central Depositories) Act 1991 (SICDA).

ABOUT THE COMMISSION

Board members

The Board is responsible for the overall governance of the Commission. The Minister of Finance appoints Board members. The Board comprises an Executive Chairman, a Deputy Chief Executive and seven other members inclusive of representatives from the government.

Dato' Seri Ranjit Ajit Singh assumed the position of Executive Chairman on 1 April 2012. A profile of Board members is featured on pages 110 to 113 and their involvement in the various committees established by the Board are provided on page 121.

The Executive Chairman is appointed for a term of three years, and is eligible for reappointment upon completion of his or her term. Other Board members are appointed for a term of two 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 public-listed company, becomes a member of either Houses of Parliment, or becomes an officer or director of an entity that is regulated by the Commission. Further, a Board member will also be disqualified if he or she:

- is convicted of an offence under the law involving fraud, dishonesty, corruption or violence;
- is declared a bankrupt;
- is not capable of discharging his or her duties;
- fails to attend three 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 involve in any activity which may interfere with his or her independence in discharging his or her functions.

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

- shall neither take part nor be present in any deliberation or decision of the Board or its committees; and
- shall be disregarded for the purposes of constituting quorum of the Board or its committees, relating to the matter.

Functions of the Commission

The SC's regulatory functions include:

- Advising the Minister of Finance on all matters relating to the Malaysian capital market;
- Supervising exchanges, clearing houses and central depositories;
- Approving authority for issuance of securities, including listed corporate bond and sukuk;
- Registering authority for prospectuses of corporations;
- Regulating all matters relating to securities and derivatives contracts;
- Regulating the take-over and mergers of companies;
- Promoting and regulating all matters relating to fund management, including unit trust schemes:
- Regulating and supervising all intermediaries in the PRS industry;
- Licensing, registering, authorising and supervising all persons engaging in regulated activities or providing capital market services;
- Oversight over self-regulatory organisations;
- Promoting proper conduct of market institutions and licensed persons;
- Developing an effective audit oversight framework and registering or recognising all auditors of public-interest entities (PIEs) and scheduled funds;
- Undertaking reasonable measures to monitor, mitigate and manage systemic risks arising from the securities and derivatives markets;
- Promoting and regulating corporate governance and approved accounting standards of listed corporations;
- Setting and approving standards for professional qualification for the securities and derivatives markets; and
- Promoting the development of securities and derivatives markets in Malaysia, including research and training.

These regulatory functions are carried out with the view to ensure that:

- Investors have confidence in our capital market by ensuring that they are adequately protected;
- Markets operate in a fair and orderly manner;
- Systemic risk posed by the capital market is adequately managed.

Board Meetings

Eleven Board meetings were held in 2015. The quorum required is five. The attendance record is set out in Table 1.

Table 1
Board meeting attendance

Board member	Number of meetings attended
Dato' Seri Ranjit Ajit Singh	11/11
Dato Dr Nik Ramlah Nik Mahmood	9/11
Datuk Francis Tan Leh Kiah	9/11
Dato' Gumuri Hussain	8/11
Datuk Fazlur Rahman Ebrahim	11/11
Tan Sri Dato' Seri Mohamed Jawhar Hassan	10/11
Tan Sri Dato' Hasmah Abdullah	9/11
Tan Sri Dr Madinah Mohammad	9/11
Dato' Sri Dr Mohd Isa Hussain ¹	3/4
Dato' Fauziah Yaacob²	7/7

Note:

¹ Appointed 19 August 2015

² Resigned 29 July 2015

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Board committees

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

The Shariah Advisory Council (SAC) is given the mandate to ensure that the implementation of the ICM complies with Shariah principles. It advises the Commission on all matters related to the development of the ICM and functions as a reference centre for all ICM issues.

Members of the SAC are appointed by DYMM Seri Paduka Baginda Yang di-Pertuan Agong, and are as follows:

SAC members

- 1. Tun Abdul Hamid Haji Mohamad
- 2. Tan Sri Sheikh Ghazali Haji Abdul Rahman
- 3. Datuk Dr Mohd Daud Bakar
- 4. Dato' Dr Abdul Halim Ismail
- 5. Professor Dr Ashraf Md Hashim
- 6. Professor Dr Engku Rabiah Adawiah Engku Ali
- 7. Professor Dato' Mohamed Ismail Mohamed Shariff
- 8. Professor Madya Dr Aznan Hasan
- 9. Professor Madya Dr Asmadi Mohamed Naim
- 10. Dr Shamsiah Mohamad

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

In addition to this, the AOB also exercises oversight over any person who prepares a report relating to financial

information of PIE and schedule funds, in relation to capital market activities.

The AOB members are appointed by the SC, and are as follows:

AOB members

- Nik Mohd Hasyudeen Yusoff (Executive Chairman)
- 2. Goh Ching Yin
- 3. Datuk Nor Shamsiah Mohd Yunus
- 4. Cheong Kee Fong
- 5. Chok Kwee Bee
- 6. Dato' Gumuri Hussain
- 7. Dato' Zahrah Abd Wahab Fenner¹

Note:

¹ Appointed 3 June 2015

OPERATIONAL ACCOUNTABILITY

The Chairman is entrusted with the day-to-day administration of the SC as provided by section 4B(1) of the SCMA. In managing the day-to-day operations of the SC, the Chairman is assisted by the Deputy Chief Executive and the Executive Directors, and collectively they are known as the Executive Team. The Deputy Chief Executive, by virtue of section 4B(2) of the SCMA, deputises the Chairman in the event the Chairman is not available or unable to discharge his authority or duties. There are various operating committees established by the Chairman to advise and assist in the day-to-day operations of the SC, such as the Risk Management Committee, Systemic Risk Oversight Committee (SROC), Central Enforcement Committee, the Resources Committee, and the IT Committee.

The SC has a robust regulatory and supervisory framework to ensure observance of the International Organization of Securities Commissions (IOSCO) Principles to achieve the key objectives of capital market

Table 2
Board committees in 2015

Bodiu Committees in 2015					
Committee		Key responsibility	Members		
1.	Audit Committee	Review effectiveness of the SC's risk management and internal control systems and review the annual financial statements.	 Dato' Gumuri Hussain (Chairman) Datuk Francis Tan Leh Kiah Datuk Fazlur Rahman Ebrahim Tan Sri Dato' Hasmah Abdullah 		
2.	Issues Committee	Evaluate any proposed issuance and listing of securities of a corporation on the main market; corporate proposals involving acquisition of asset which results in significant change in the business direction or policy of a corporation listed or to be listed on the main market; corporate proposals involving the issuance of securities for the amalgamation of two or more corporations listed on the main market; and registration of listing prospectus.	 Dato' Seri Ranjit Ajit Singh (Chairman) Dato Dr Nik Ramlah Nik Mahmood Datuk Francis Tan Leh Kiah Dato' Gumuri Hussain Datuk Fazlur Rahman Ebrahim 		
3.	Take-overs and Mergers Committee	Review take-over applications of a novel and/or complex nature and matters relating to national policy.	 Dato' Seri Ranjit Ajit Singh (Chairman) Dato Dr Nik Ramlah Mahmood Datuk Francis Tan Leh Kiah Dato' Gumuri Hussain Tan Sri Dato' Hasmah Abdullah 		
4.	Managed Investment Schemes Committee – previously known as Trusts and Investment Management Committee	Approve the establishment of listed schemes.	 Dato' Seri Ranjit Ajit Singh (Chairman) Dato Dr Nik Ramlah Mahmood Datuk Fazlur Rahman Ebrahim Tan Sri Dato' Seri Mohamed Jawhar Hassan Tan Sri Dato' Hasmah Abdullah 		
5.	Licensing Committee	Evaluate and approve (or reject) application for the grant of a new Capital Markets Services Licence (CMSL), applications for new licensed representatives, directors, key management or compliance officers that are submitted together with the new CMSL application, application relating to private retirement scheme providers and consider any policy recommendations relating to licensing issues.	 Dato' Seri Ranjit Ajit Singh (Chairman) Dato Dr Nik Ramlah Mahmood Tan Sri Dato' Seri Mohamed Jawhar Hassan Tan Sri Dato' Hasmah Abdullah Tan Sri Dr Madinah Mohamad 		
6.	Compensation Fund Appellate Committee	Hear appeals arising from the determination of the CMC.	 Datuk Francis Tan Leh Kiah (Chairman) Tan Sri Dato' Seri Mohamed Jawhar Hassan Tan Sri Dr Madinah Mohamad Goh Ching Yin Ahmad Fairuz Zainol Abidin 		
7.	Nomination and Remuneration Committee	Assess and formulate the remuneration of the Chairman and Deputy Chief Executive (DCE) and make appropriate recommendations to the Minister of Finance.	 Datuk Fazlur Rahman Ebrahim (Chairman) Dato' Gumuri Hussain Datuk Francis Tan Leh Kiah Tan Sri Dato' Seri Mohamed Jawhar Hassan 		

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regulation. As a competent capital market regulator, the SC had undertaken independent assessments under the various standards set by IOSCO, of which the SC is an active member, as well as other international standard setting bodies.

The SC's internal audit function which is independent of line operations and functionally, reports directly to the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS

Accountability for the SC's capacity to manage risks to its mission, objectives and goals rests with the Executive Team, which is headed by the Executive Chairman. The Audit Committee reviews the effectiveness and integrity of the SC's risk management and internal control systems activity on behalf of the Board, while the Risk Management Committee, comprising all members of the Executive Team, is responsible for providing strategic direction with regards to risk management throughout the organisation.

The SROC was established in line with the SC's mandate and authority established under section 15(1)(p) of the SCMA, which empowers the SC to take all reasonable measures to monitor, mitigate and manage systemic risks arising from activities in the securities and derivatives markets. The SROC's primary functions include considering systemic risk issues and co-ordinating market crisis management issues, as well as deliberating and advising on relevant policies and pre-emptive regulatory action.

Key elements to ensure a sound control environment for SC's operations

- An organisation structure with clearly defined responsibilities and delegation of responsibilities to its committees to assist the Commission in performing its key regulatory functions, which is also set out in this annual report;
- The annual Business Plan containing the SC's business goals, strategies, key projects, resource needs and budget, which is approved by the Board;
- The Code of Ethics and the Code of Conduct (including the Code of Practice on the Prevention and Eradication of Sexual Harassment) which set out the expectations required of staff on ethical conduct and standards of behaviour;
- The establishment of the Internal Compliance Department, to drive the SC's efforts to instil a strong culture of compliance and ethics, as well as to promote institutional integrity;
- The Internal Whistleblowing Procedure established as a safe channel of communication for individuals to expose or report internal wrongdoing or suspected breaches of law within the organisation;
- The Statement of the SC's Principles and Standards established to facilitate efficient and ethical engagement between the SC and its external stakeholders, which include the suppliers, contractors, vendors and consultants. In relation to this, the SC also expects its business stakeholders and all market participants engaging with the SC to emulate similar ethical principles. The Statement of the SC's Principles and Standards include the expected governance standards with regards to ethics and integrity, conflicts of interest, transparency and disclosure, adherence to client charters, maintenance of confidentiality, providing a safe environment and workplace, commitment

to environmental and social responsibilities and the SC's expectations of the people with whom the SC does business with;

- The Conflict of Interest Declaration which is required of Board members and staff when faced with a conflict situation:
- The SC Policymaking framework established to ensure greater accountability, more robust challenge and validation to improve consistency of policies and policy-actions;
- The Enterprise Risk Management (ERM) framework to provide Management and the Board a holistic view of risks to help them set priorities and make well-informed decisions;
- The Business Continuity Management framework which provides for arrangements in the event of incidences which may prevent the SC from carrying out its regulatory and supervision functions, either due to natural disasters or man-made threats, and whether affecting just the market, the SC, or both;
- The *Policy and Guidelines on Procurement* emphasises on accountability, due diligence, fair evaluation and transparent decision-making throughout the procurement process. Implementation of Integrity Pacts was incorporated in the policy and all vendors are required to embrace the spirit of commitment to integrity as a preventive control measure to demonstrate and ensure arm's length transactions. Declaration on conflict of interest, non-disclosure agreement and *Vendor Code of Conduct* were introduced to further ensure accountability and integrity of the procurement process. In addition, the procurement policy encourages engagement with environmentally and socially responsible vendors;

- The Asset Management Policy and Guidelines which set out the conduct for the treatment of assets in the SC, with the main purpose being to ensuring that the SC's fixed assets are safeguarded and properly accounted for, properly maintained and are in good working condition; ensuring the proper existence, valuation, ownership and condition of assets and to ensure that all fixed assets that are unaccounted for or those that are no longer in use, are disposed or written-off in accordance to procedures and guidelines;
- The IT User Policy was established to ensure the effective protection and proper usage of the SC's computer systems. It is a guide for efficient and disciplined IT department management and provides unambiguous and precise reference for IT department personnel in carrying out their duties and for users in utilising the computer systems;
- The Records Management Policy which 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;
- The SC Document Confidentiality Levels which was established to protect classified documents managed by the SC; and
- The Business Process Flows which are available on the SC's intranet to serve as a guide to all staff, particularly new recruits, in understanding the SC's operations.



EXTERNAL STAKEHOLDER AND PUBLIC COMMUNICATION

Effective and ongoing communication with capital market participants is necessary to facilitate the discharge of the SC's responsibilities. We regularly meet our constituents to discuss and gather feedback on issues and measures to enable us to provide a facilitative policy and regulatory framework, and encourage continuous growth and development of the capital markets. All press releases, publications, various guidelines and annual reports are posted on the official website – www.sc.com.my.

The SC has an Investor Affairs and Complaints Department (IAC) that acts as one of the key channels in engaging investors and the public. The IAC receives and handles public complaints and queries relating to the capital market, including complaints against the SC, or a staff of the SC, in relation to misconduct in the discharge of the SC's functions. In addition, the IAC is responsible for the SC's investor empowerment strategy, and undertakes education and outreach initiatives, throughout the country via various modalities, for the general public and investors at all levels.

SIDREC is a body approved by the SC to handle capital market related disputes involving monetary claims by investors against stockbrokers, future brokers, fund managers, unit trust management companies, PRS providers and distributors, among others, who are licensed under the CMSA to conduct regulated activities in Malaysia. SIDREC has an obligation to report to the Commission on issues of systemic concerns that may arise from disputes received.

AUDIT COMMITTEE REPORT

The SC is pleased to present the Audit Committee Report for the financial year ended 31 December 2015.

Members and meetings

The Audit Committee comprises the following non-executive members of the SC:

- Dato' Gumuri Hussain (Chairman);
- Datuk Francis Tan Leh Kiah:
- Datuk Fazlur Rahman Ebrahim; and
- Tan Sri Dato' Hasmah Abdullah.

The Committee convened six meetings, which were attended by the majority of its members, during the financial year. A member of senior management is invited to be in attendance at the Audit Committee meetings.

Terms of reference

The Audit Committee is a Board committee. The Board members determine the membership and appoint the Audit Committee members and the Chairman of the Committee.

The Committee meets at least four times a year or as frequently as required and needs a quorum of two. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. The proceedings of

the Committee are recorded and the minutes of meetings are tabled at Board meetings.

The purpose, authority and responsibility of the Audit Committee are set out in the Audit Committee Charter.

The main responsibilities of the Audit Committee are to:

- i. assist the Board in its review of the adequacy and effectiveness of the SC's risk management and internal control systems;
- ii. consider and recommend the appointment of the external auditor, their remuneration and any issues regarding their performance;
- iii. review the external auditor's audit scope and plans of audit, including co-ordination of audit efforts with internal audit;
- review the accounting policies and practices adopted by the SC in the preparation of its financial statements and integrity of the financial reporting processes;
- v. review the annual financial statements and make appropriate recommendation(s) to the Board regarding the adoption of the SC's annual financial statements and the level of disclosure, focussing in particular on:
 - compliance with applicable accounting standards;

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- changes in significant accounting policies and practices;
- significant adjustments arising from the audit; and
- significant unusual events.
- vi. approve the Internal Audit Charter and support as well as provide direction to the Internal Audit Department to ensure its effectiveness;
- vii. consider and review the findings arising from internal audit reports or other internal investigations and responses by management, and to determine appropriate corrective actions required of management;
- review the implementation of action plans to address key audit observations raised by the Internal Audit Department; and
- ix. review the effectiveness of processes and procedures to ensure compliance with laws, regulations and contracts.

Activities of the Committee

During the financial year, the main activities of the Audit Committee included the following:

Financial Reporting

 Review of the financial statements for the financial year ended 31 December 2014 prior to presentation to the Board.

External Audit

 Review of the audit findings, auditor's report and management letter and management's responses arising from the statutory audit for the financial year ended 31 December 2014.

- Review and approval of the external audit plan for the financial year ended 31 December 2015. Various audit and accounting issues were discussed at the Audit Committee meetings.
- Recommendation to the Board to re-appoint the existing external auditors for the financial year ending 31 December 2015.

Internal Audit

- Review of the internal audit reports and management's action plans to address the audit issues. The Audit Committee also monitored implementation of agreed actions and suggestions for improvements arising from the audits performed.
- Review of the achievement of the 2015 internal audit plan, which provided an overall indication of the performance of the internal audit function for the year.
- Consideration of the adequacy of scope and comprehensive coverage of internal audit's activities, and approved the internal audit plan for the financial year ending 31 December 2016.
- Review of Internal Audit Department's quality assurance and improvement initiatives including the consideration of the Internal Audit Stakeholder Survey results and action plan, and proposed quality assurance review.
- Review of the representation made on risk management and internal controls in the Statement on Governance for the Annual Report 2015.

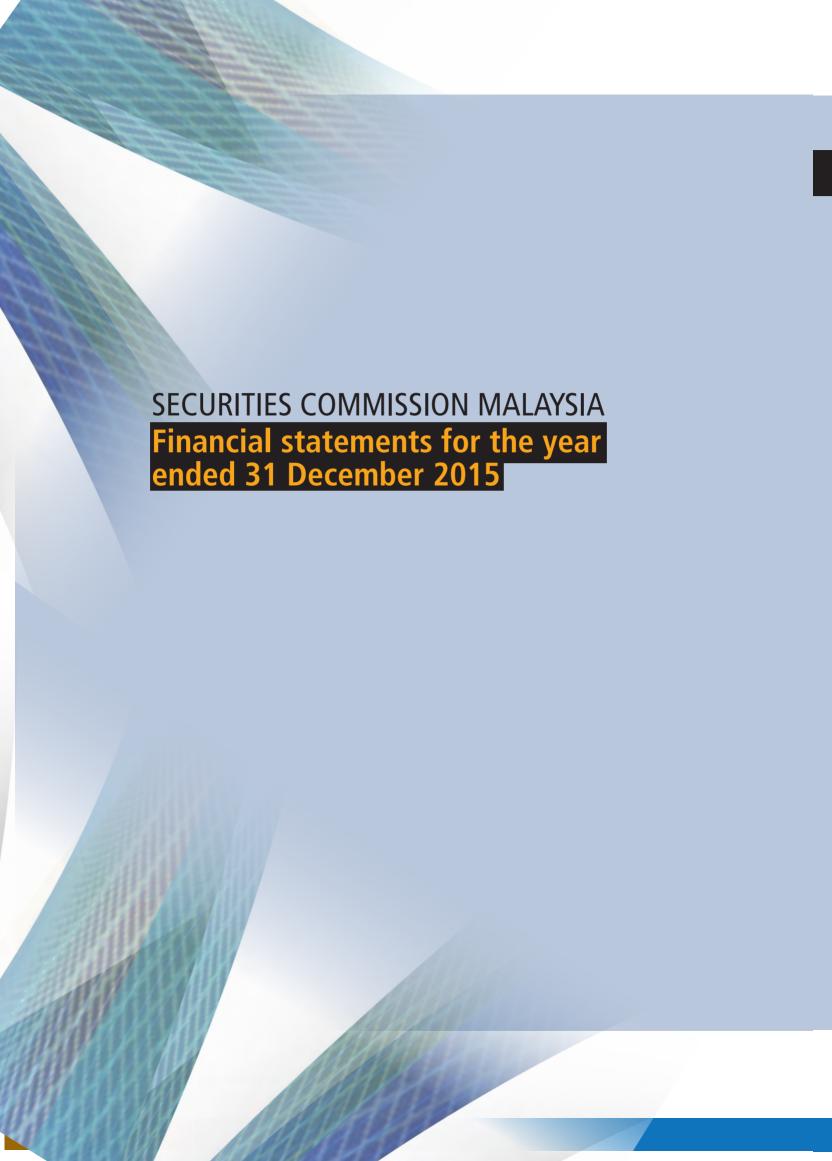
Internal Audit

The Internal Audit department assists the Audit Committee in the discharge of its duties and responsibilities. The internal audit function reports directly to the Audit Committee, which determines the adequacy of scope and function of the department. The internal audit function 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.

The Internal Audit department carries out its responsibilities by conducting reviews based on the

approved internal audit plan, which is developed using a risk-based methodology. The main activities of the internal audit function for the year 2015 included performing predominantly risk-based audits for the areas identified in the internal audit plan.

The result of the audits and activities performed by the internal audit function is presented to the Audit Committee for their review. Where applicable, the internal audit conducted follow-up audits to ensure that Management's corrective actions were implemented appropriately and provided updates on the status of the key actions to the Audit Committee. In addition, the Internal Audit Department played an advisory role in the course of performing its audit activities.



Securities Commission Malaysia Statement of financial position as at 31 December 2015

	Note	2015 RM′000	2014 RM'000
Non-current assets			
Property, plant and equipment	3	181,016	185,348
Long term receivables	4	10,705	12,346
Other investments	5	273,734	213,904
Other investments	9	213,134	213,304
		465,455	411,598
Current assets			
Trade and other receivables	6	30,468	27,202
Other investments	5	466,775	522,567
Cash and cash equivalents	7	35,148	51,303
		532,391	601,072
Total assets		997,846	1,012,670
Reserves			
Accumulated surplus		796,711	820,973
	8	•	
Compensation fund reserve	٥	100,000	100,000
Total reserves		896,711	920,973
. 11 1 1114			
Non-current liability			
Post-employment benefits	9	50,658	45,721
Current liability			
Other payables and accruals	10	50,477	45,976
		101,135	91,697
Total reserves and liabilities		997,846	1,012,670



Securities Commission Malaysia Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	Note	2015 RM′000	2014 RM'000
Income			
Levies		125,830	131,776
Fees and charges		12,647	31,608
Finance income		30,157	25,808
Licence fees		3,265	3,284
Registration fees		1,905	1,830
Other income		4,060	2,365
		177,864	196,671
Less: Expenditure			
Staff costs	12	144,826	138,306
Administrative expenses		37,199	31,450
Depreciation of property, plant and equipment	3	11,699	11,429
Rental expenses		2,786	2,544
		196,510	183,729
Net operating (deficit)/surplus		(18,646)	12,942
Less: Grants		(4,900)	(4,674)
Human Capital Development expense		-	(610)
(Deficit)/Surplus before tax	13	(23,546)	7,658
Tax expense	17	-	-
(Deficit)/Surplus after tax		(23,546)	7,658
Other comprehensive expense, net of tax Items that will not be reclassified subsequently to profit or lo	oss	(716)	
Remeasurement of defined benefit liability		(716)	
(Deficit)/Surplus and total comprehensive (expense)/income	for the year	(24,262)	7,658

Securities Commission Malaysia Statement of changes in equity for the year ended 31 December 2015

	Compensation fund reserve RM'000	HCD* fund reserve RM'000	Accumulated surplus RM'000	Total RM'000
At 1 January 2014	100,000	610	812,705	913,315
Surplus/Total comprehensive income for the year	-	-	7,658	7,658
HCD charge for the year	-	(610)	610	-
At 31 December 2014/ At 1 January 2015	100,000	-	820,973	920,973
Remeasurement of defined benefit liability	-	_	(716)	(716)
Total other comprehensive expense for the year	-	_	(716)	(716)
Deficit for the year	-	-	(23,546)	(23,546)
Deficit/Total comprehensive expense for the year	-	-	(24,262)	(24,262)
At 31 December 2015	100,000	-	796,711	896,711
	Note 8	Note 11		

^{*}Human Capital Development ('HCD')



Securities Commission Malaysia Statement of cash flows for the year ended 31 December 2015

	Note	2015 RM′000	2014 RM'000
Cash flows from operating activities		(22.546)	7.650
(Deficit)/Surplus before tax Adjustments for:		(23,546)	7,658
Depreciation of property, plant and equipment	3	11,699	11,429
Finance income		(30,157)	(25,808)
(Gain)/Loss on disposal of plant and equipment		(101)	39
Provision for post-employment benefits		4,851	4,756
Reversal of impairment loss on property		(27)	_
Operating deficit before working capital changes		(37,281)	(1,926)
Changes in working capital:		(37/231)	(.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Trade and other receivables		(5,036)	4,176
Other payables and accruals		4,501	7,953
Not such (wood in)/organizated from a gravation activities		(27.016)	10,203
Net cash (used in)/generated from operating activities		(37,816)	10,203
Cash flows from investing activities			
Maturity/(Acquisition) of investments in Malaysian			
Government Securities and Government Guaranteed	Bonds	28,163	(33,179)
Increase in restricted deposits		(1,751)	(10,582)
(Increase)/Decrease in investments in deposits placed with licensed banks and a scheduled institution		(32,201)	2,681
Finance income received		31,927	20,929
Post-employment benefits paid		(630)	(423)
Proceeds from disposal of plant and equipment		173	130
Purchase of plant and equipment		(7,412)	(6,609)
Repayment from long-term receivables		1,641	1,910
Net cash from/(used in) investing activities		19,910	(25,143)
Net decrease in cash and cash equivalents		(17,906)	(14,940)
Cash and cash equivalents at 1 January		34,742	49,682
Cash and sash annivelents of 24 December		16.026	24.742
Cash and cash equivalents at 31 December		16,836	34,742
Cash and cash equivalents comprise:			
Cash and bank balances	7	2,014	1,020
Deposits placed with licensed banks	7	33,134	50,283
		35,148	51,303
Less: Restricted deposits		(18,312)	(16,561)
		16.936	24.742
		16,836	34,742

Securities Commission Malaysia Notes to the financial statements

The Securities Commission Malaysia (SC) is the regulatory agency 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 Market and Services Act 2007*. The address of the SC is at:

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

These financial statements were approved by the Commission on 28 January 2016.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012–2014 Cycle)
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012–2014 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Joint Arrangements Accounting for Acquisitions of Interests in Joint Operations
- MFRS 14, Regulatory Deferral Accounts
- Amendments to MFRS 101, Presentation of Financial Statements Disclosure Initiative
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets
 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture Agriculture: Bearer Plants*
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012–2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012–2014 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

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

The SC plans to apply the abovementioned standards, amendments and interpretations that are applicable and effective from the annual periods beginning on or after 1 January 2016 and 1 January 2018, respectively.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the SC except as mentioned below:

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

(i) Initial recognition and 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 instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The SC categorises financial instruments as follows:

Financial assets

(a) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the SC has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(b) Loans and receivables

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets are subject to review for impairment (see Note 2(d)).



Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

(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 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) and any cumulative gain or loss that had been recognised in equity 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. 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.

(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" and "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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the SC will obtain ownership by the end of the lease term.

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

Leasehold land Over the lease period of 99 years

expiring in 2094

Buildings50 yearsOffice equipment, furniture and fittings5 – 10 yearsComputer and application systems3 yearsMotor vehicles5 years

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

(c) Cash and cash equivalents

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

(d) Impairment

(i) Financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of the financial asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

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

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

An impairment loss is recognised if the carrying amount of an asset or its related cashgenerating 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.

(e) Revenue

(i) Levies and licence fees

Levies and licence fees income are recognised in profit or loss on an accrual basis.

(ii) Fees and charges

Fees and charges income are recognised in profit or loss when payments have been received.

(iii) Finance income

Finance income received from fixed deposits and other investments are recognised as it accrues using the effective interest method in profit or loss.

(f) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

Post-employment benefits

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

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The SC determines the net interest expense 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.

(g) Grants

The SC provides grants to eligible entities to undertake capital market activities. Grants are recognised in profit or loss when payments have been made.

(h) 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 are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

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

3. PROPERTY, PLANT AND EQUIPMENT

	easehold land RM'000	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 2014 Additions Disposal Transfer from/(to)	9,154 - - -	232,387 - (225) -	103,668 767 – 1,573	65,140 1,965 – 1,423	2,905 841 – –	1,583 3,036 – (2,996)	414,837 6,609 (225)
At 31 December 2014/ 1 January 2015 Additions Disposals Transfer from/(to)	9,154 - - -	232,162 - - -	106,008 1,089 – 857	68,528 1,630 (6,616) 1,751	3,746 9 (743) –	1,623 4,684 - (2,608)	7,412 (7,359)
At 31 December 2015	9,154	232,162	107,954	65,293	3,012	3,699	421,274
Depreciation and impairr At 1 January 2014			02.521	CO 200	1 401		224.264
Accumulated depreciation Accumulated impairment loss	t	67,477	93,521	60,209	1,401		224,364
Depreciation for the year Disposal At 31 December 2014/ 1 January 2015	1,756 93 –	67,613 4,647 (56)	93,521 3,145 –	60,209 3,071 –	1,401 473 –	- - -	224,500 11,429 (56)
Accumulated depreciation Accumulated impairmen		72,068 136	96,666 –	63,280 –	1,874 –	- -	235,737 136
Depreciation for the year Disposal Reversal of impairment loss	1,849 93 – –	72,204 4,643 – (27)	96,666 3,340 – –	63,280 3,130 (6,616) –	1,874 493 (671) –	- - - -	235,873 11,699 (7,287) (27)
At 31 December 2015 Accumulated depreciation Accumulated impairmen		76,711 109	100,006 –	59,794 –	1,696 –	-	240,149 109
	1,942	76,820	100,006	59,794	1,696	-	240,258

2015 SECURITIES COMMISSION MALAYSIA annual report

Carrying amounts At 1 January 2014	7,398	164,774	10,147	4,931	1,504	1,583	190,337
At 31 December 2014/ 1 January 2015	7,305	159,958	9,342	5,248	1,872	1,623	185,348
At 31 December 2015	7,212	155,342	7,948	5,499	1,316	3,699	181,016

4. LONG-TERM RECEIVABLES

	2015 RM'000	2014 RM′000
Staff financing Less: Unearned profit	13,298	14,753
– Islamic financing on house and car	(887)	(1,056)
	12,411	13,697
Less: Amount due within 12 months (Note 6)	(1,706)	(1,351)
Amount due after 12 months	10,705	12,346

Staff financing relates to Islamic financing and conventional housing loans, Islamic financing and conventional motor vehicle loans, computer loans and study loans. The financing for housing and motor vehicle are secured over the properties and motor vehicle of the borrowers, respectively. The staff financing are repayable over a maximum period of 25 years, 7 years, 5 years and 4 years, respectively. The rate charged on these staff financing ranges from 2% to 4% per annum (2014: 2% to 4% per annum).

The maturity structures of the financing to staff as at the end of the financial year were as follows:

	2015 RM'000	2014 RM'000
Within 1 year	1,706	1,351
More than 1 year and up to 5 years	4,811	5,163
More than 5 years	5,894	7,183
	12,411	13,697

5. OTHER INVESTMENTS

		Non-current		Current		Total	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
He -	eld-to-maturity investment Malaysian Government Securities and Government	s:					
	Guaranteed Bonds	260,734	213,904	-	74,993 	260,734 	288,897
Lo -	ans and receivables: Deposits placed with licensed banks and						
	a scheduled institution	13,000	-	466,775	447,574	479,775	447,574
		273,734	213,904	466,775	522,567	740,509	736,471
Fa –	ir value: Malaysian Government						
	Securities and Government Guaranteed Bonds	260,888	216,228	-	75,038	260,888	291,266

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

6. TRADE AND OTHER RECEIVABLES

	2015 RM'000	2014 RM'000
Levies	12,882	11,726
Income receivable	9,430	11,200
Other receivables	2,613	359
Deposit and prepayments	3,837	2,566
Short-term staff financing (Note 4)	1,706	1,351
	30,468	27,202



7. CASH AND CASH EQUIVALENTS

	2015 RM'000	2014 RM'000
Cash and bank balances Deposits placed with licensed banks	2,014 33,134	1,020 50,283
	35,148	51,303

The deposits placed with licensed banks earned income at rates ranging from 2.00% to 3.70% per annum (2014: 2.30% to 3.30% per annum).

Included in deposits placed with licensed banks are amounts restricted for brokers' security deposits of approximately RM1.2 million (2014: RM1.2 million), stockbroking industry development of approximately RM2.0 million (2014: RM2.0 million) and other miscellaneous deposits of approximately RM15.1 million (2014: RM13.3 million).

The cash and cash equivalents are placed with licensed banks which are under common control by the Government of Malaysia (a party that has direct or indirect significant influence on the SC).

8. COMPENSATION FUND RESERVE

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

9. POST-EMPLOYMENT BENEFITS

	2015 RM′000	2014 RM'000
Net defined benefit liability	45,721	41,388
Expense recognised in profit or loss	4,851	4,756
Expense recognised in other comprehensive income	716	_
Benefits paid	(630)	(423)
Total employee benefit liabilities	50,658	45,721

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 RM646,000 in contributions to its defined benefit plans in 2016.

Movement in net defined benefit liability

Movement in het defined benefit liability	2015 RM′000	2014 RM'000
Net defined benefit liability at 1 January	45,721	41,388
Included in profit or loss Current service cost Interest cost	1,941 2,910 ————————————————————————————————————	1,862 2,894 ————————————————————————————————————
Included in other comprehensive income Actuarial (gain)/loss arising from: Demographic assumptions Financial assumptions Experience adjustments	(5,943) 4,948 1,711 —	- - - -
Other Benefits paid	(630)	(423)
Net defined benefit liability at 31 December	50,658	45,721

Defined benefit obligation Actuarial assumptions

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

	2015	2014
Discount rate	6.3%	7.0%
Medical cost inflation	5.0%	5.0%
Normal retirement age	56 years	56 years

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 56 is 29 (2014: 43) for males and females at the end of the reporting date.

At 31 December 2015, the weighted-average duration of the defined benefit obligation was 21.5 years (2014: 29.4 years).



Sensitivity analysis

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

	Defined benefit obliga		
	Increase RM'000	Decrease RM'000	
2015			
Discount rate (1% movement)	(8,814)	11,398	
Medical cost inflation rate (1% movement)	11,043	(8,713)	
Normal retirement age (+4 years movement)	(8,966)	*	
			
2014			
Discount rate (1% movement)	(9,556)	13,030	
Medical cost inflation rate (1% movement)	12,756	(9,510)	
Normal retirement age (+4 years movement)	(8,504)	*	
			
* Not applicable			
OTHER DAVABLES AND ACCRUALS			
OTHER PAYABLES AND ACCRUALS	2015	2014	
	2015	2014	

10.

RM'000	RM'000
42,601 6,645 1,231	40,400 4,345 1,231
50,477	45,976
	42,601 6,645 1,231

11. HUMAN CAPITAL DEVELOPMENT (HCD) FUND RESERVE

This represents an amount allocated from the accumulated surplus for the SC's long-term commitment to support the human capital development in the financial services industry. In 2014, RM0.6 million was charged to the statement of profit or loss and other comprehensive income.

12. STAFF COSTS

	RM'000	RM'000
Remuneration, bonus, staff medical, staff training and overtime Employees Provident Fund Post-employment benefits	122,660 17,315 4,851	116,384 17,166 4,756
	144,826	138,306

13. (DEFICIT)/SURPLUS BEFORE TAX

	Note	2015 RM'000	2014 RM'000
(Deficit)/Surplus before tax is arrived at after charging:			
Auditors' remuneration		100	100
Executive members' emoluments		4,469	4,118
Non-executive members' allowance		1,087	1,258
Rental expense:			
Property		2,293	2,194
Plant and equipment		493	350
Depreciation of property, plant and equipment	3	11,669	11,429
Loss on disposal of plant and equipment		_	39
and after crediting:			
Gain on disposal of plant and equipment		101	_
Reversal of impairment loss on receivable		_	2
Reversal of impairment loss on property		27	-

14. RELATED PARTIES

The Chairman of the SC is also the Chairman of Securities Industry Development Corporation (SIDC) which is a company limited by guarantee. For the financial year ended 31 December 2015, the SIDC paid management fee of RM501,600 (2014: RM266,400) to the SC, of which RM41,800 (2014: RM22,200) is still outstanding from SIDC. In addition, the SC had made a grant of RM3.0 million to SIDC in 2015 (2014: RM3.5 million).

15. CAPITAL COMMITMENTS

	2015 RM'000	2014 RM'000
Capital expenditure commitments		
Plant and equipment		
Approved but not contracted for:		
Within one year	12,210	9,920



16. FINANCIAL INSTRUMENTS

16.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R);
- (b) Held-to-maturity investments (HTM); and
- (c) Financial liabilities measured at amortised cost (FL).

	Carrying amount	L&R/ (FL)	нтм
2045	RM'000	RM'000	RM'000
2015			
Financial assets	10.705	10.705	
Long-term receivables Other investments	10,705	10,705	- 260 724
Trade and other receivables*	740,509 27,475	479,775	260,734
	· ·	27,475	_
Cash and cash equivalents	35,148	35,148	_
	813,837	553,103	260,734
Financial liabilities			
Other payables and accruals	(50,477)	(50,477)	-
2014			
Financial assets			
Long-term receivables	12,346	12,346	_
Other investments	736,471	447,574	288,897
Trade and other receivables*	25,610	25,610	, <u> </u>
Cash and cash equivalents	51,303	51,303	_
	825,730	536,833	288,897
Financial liabilities			
Other payables and accruals	(45,976)	(45,976)	_
Other payables and accidats	(45,570)	(43,370)	_
*Excludes prepayments			
• • •			

16.2 Gains arising from financial instruments

Gains on:	RM'000	RM'000
Held-to-maturity investments Loan and receivables	10,458 19,699	10,153 15,655
	30,157	25,808

16.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

16.4 Credit risk

Credit risk is the risk of a financial loss to the SC if a counterparty to a financial instrument fails to meet its contractual obligations. The SC has a formal credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Fixed deposits are placed with licensed banks and with a scheduled institution. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The ageing of receivables as at the end of the reporting year was:

Gross RM'000	Individual impairment RM'000	Net RM'000
37,803	-	37,803
_	-	-
_	-	_
-	-	-
3//	_	377
38,180	-	38,180
37,394	_	37,394
_	-	_
_	-	_
_	-	_
562	-	562
37,956	-	37,956
	37,803 - - 377 38,180 37,394 - - 562	Gross impairment RM'000 37,803

The net receivables that are past due, are not being impaired as these receivables are secured over residential properties with fair values exceeds its outstanding debts.

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

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The movements in the allowance for impairment losses of receivables during the financial year were:

	2015 RM'000	2014 RM'000
At 1 January	-	2
Impairment loss written off	_	_
Impairment loss reversed	-	(2)
At 31 December	-	

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

16.5 Liquidity risk

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

Maturity analysis

The table below summarises the maturity profile of the SC's financial liabilities as at the end of the reporting period based on undiscounted contractual cash flow.

	Carrying amount RM'000	Contractual cash flow RM'000	Under 1 year RM'000
2015			
Financial liabilities			
Other payables and accruals	50,477	50,477	50,477
2014			
Financial liabilities			
Other payables and accruals	45,976	45,976	45,976

16.6 Market risk

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

16.6.1 Interest rate risk

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

Fixed rate instruments	2015 RM'000	2014 RM'000
Financial assets	512,909	497,857

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.

16.7 Fair value information

In respect of cash and cash equivalents, trade and other receivables and other payables and accruals, the carrying amounts approximate fair value 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 at fai	instruments r value	not carried	
2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Non-current Financial assets Long-term receivables Malaysian Government Securities	-	-	10,705	10,705	10,705
and Government Guaranteed Bonds	-	260,888	_	260,888	260,734
	_	260,888	10,705	271,593	271,439



	Fair value	of financial at fai	instruments r value	not carried	
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2014					
Non-current Financial assets					
Long-term receivables Malaysian Government Securities	-	-	12,346	12,346	12,346
and Government Guaranteed Bonds	-	216,228	-	216,228	213,904
	-	216,228	12,346	228,574	226,250

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. (2014: 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.

17. TAX EXPENSE

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

18. 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. The 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.

Securities Commission Malaysia STATEMENT BY COMMISSION MEMBERS

In the opinion of the Commission Members, the financial statements set out on pages 129 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 at 31 December 2015 and of its financial performance and cash flows for the financial year then ended.

On behalf of the Commission Members:

Dato' Seri Ranjit Ajit Singh

Chairman

Dato' Gumuri Hussain Member

Kuala Lumpur

Date: 28 January 2016



Securities Commission Malaysia STATUTORY DECLARATION

I, Vignaswaran A/L Kandiah, the officer primarily responsible for the financial management of Securities Commission Malaysia, do solemnly and sincerely declare that the financial statements set out on pages 129 to 152 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the *Statutory Declarations Act*, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 28 January 2016

Vignaswaran A/L Kandiah

No. W 672
Name: SUNTHA AM RUTHRAM

28A Jalan Tun Muhammad Fuad 1 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No: 03-77338715 / 03-77258715 H/P: 016-6993625

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

Report on the Financial Statements

We have audited the financial statements of Securities Commission Malaysia (SC), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 129 to 152.

Commission Members' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the SC's preparation of the financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commission Members, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the SC as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Other Matters

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

anna

KPMG

Firm Number: AF 0758 Chartered Accountants

Petaling Jaya, Malaysia

Date: 28 January 2016

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Loh Kam Hian

Approval Number: 2941/09/16(J) Chartered Accountant

CORPORATE PROPOSALS

EQUITY

The SC received 12 equity applications in 2015 (as compared to 37 in 2014), of which six were for initial public offerings (IPOs) (as compared to 22 in 2014). A total of 20 equity applications were considered in 2015, as compared to 23 in the previous year (Table 1).

In 2015, the SC approved nine IPOs for the Main Market (as compared to 12 in 2014). The approved IPOs were expected to raise approximately RM4.55 billion in proceeds (Table 2), with an expected aggregate market capitalisation of RM13.38 billion.

There were 10 new listings in 2015 (as compared to 14 in 2014), comprising six listings on the Main Market and four listings on the ACE Market. The total amount of proceeds raised from the new listings in 2015 was RM3.88 billion (as compared to RM5.90 billion in 2014).

Notable listings in 2015, in terms of size, were Malakoff Corporation Bhd and Sunway Construction Group Bhd. Malakoff Corporation Bhd, an independent power producer which raised RM2.74 billion, was the biggest IPO in Malaysia and second biggest in ASEAN in 2015. Sunway Construction Group Bhd, a construction and civil works company, raised RM0.48 billion and ranked ninth among ASEAN biggest IPOs in 2015.

The SC registered a total of 52 equity prospectuses in 2015, comprising 10 prospectuses for IPOs, two prospectuses for reverse take-overs and 40 abridged prospectuses (Table 3). For abridged prospectuses

Table 1
Status of equity applications

Applications	2015	2014
Brought forward from the previous year	20	9
Received during the year	12	37
Total for consideration	32	46
Approved during the year	(14)	(20)
Not approved during the year	(4)	(1)
Returned during the year	(2)	(2)
Total considered during the year	(20)	(23)
Withdrawn during the year	(6)	(3)
Carried forward to the next year	6	20

registered, 36 were from corporations listed on the Main Market while the remaining four were from those listed on the ACE Market.

PRIVATE DEBT SECURITIES AND SUKUK

The Malaysian corporate bond market recorded total issuances of RM86.35 billion in 2015, which is slightly higher than the RM85.97 billion issued in 2014.

In 2015, the SC received a total of 61 applications for issuances of private debt securities (PDS) and sukuk (including lodgements under the Lodge and Launch



Table 2
Equity applications approved by type of proposals

	20	2015		2014		
Type of proposals	No. of proposals approved	Amount to be raised (RM million)	No. of proposals approved	Amount to be raised (RM million)		
IPO on Main Market: - Domestic companies - Foreign companies	8 1	4,484.56 65.14	12 -	3,996.76 –		
Subtotal	9	4,549.70	12	3,996.76		
Restructuring / Mergers and Acquisitions	3	-	3	-		
Transfer from ACE Market to Main Market	1	-	5	-		
Others*	1	-	-	-		
TOTAL	14	4,549.70	20	3,996.76		

Note

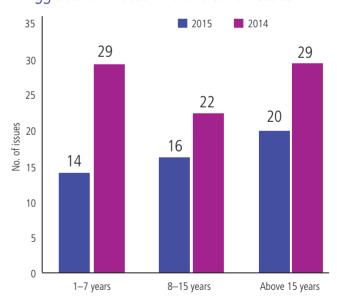
Table 3
Registration of equity prospectuses

3	I The second second				
	2015	2014			
Prospectus	12	14			
Abridged Prospectus	40	39			
TOTAL	52	53			

Framework which came into effect in June 2015), compared with 105 applications received in the previous year (Table 4). Ringgit-denominated PDS and sukuk issues continued to form the majority of the proposals approved and lodged with the SC with a total nominal value of RM118.46 billion, of which 52.02% were conventional PDS (Table 5).

The maturity profile of ringgit-denominated PDS and sukuk approved and lodged with the SC exhibited a downward trend with a 31.03% drop in the number of issues that have tenures of more than 15 years, including two issuances with perpetual maturities. There was also a 41.18% drop in the total number of ringgit-denominated PDS and sukuk with tenures ranging from one to 15 years (Chart 1).

Chart 1
Tenure of approved and lodged ringgit-denominated PDS and sukuk issues



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

^{*} Proposal for offering of securities approved for listing on a stock exchange outside Malaysia, to prescribed persons in Malaysia

Table 4
Number of PDS and sukuk applications and lodgements

(i) Lodgements ¹	2015			
Received during the year	23²			
(ii) Applications	2015	2014		
Brought forward from the previous year	6	4		
Received during the year	38	105		
Total for consideration	44	109		
Approved during the year	(42) ³	(97)4		
Not approved during the year	-	-		
Returned during the year	-	(1)		
Total considered during the year	(42)	(98)		
Withdrawn during the year	(1)	(5)		
Carried forward to the next year	1	6		

Note:

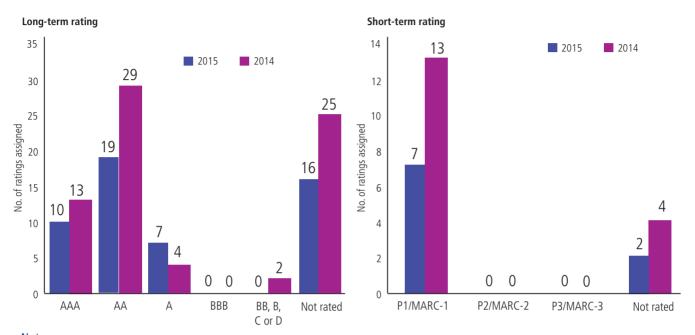
- Pursuant to the Lodge and Launch framework which came into effect in June 2015
- Comprising 19 ringgit-denominated and 4 foreign currency-denominated PDS and sukuk issues
- ³ Comprising 31 ringgit-denominated and 11 foreign currency-denominated PDS and sukuk issues
- ⁴ Comprising 80 ringgit-denominated and 17 foreign currency-denominated PDS and sukuk issues

Table 5
Approved and lodged ringgit-denominated PDS and sukuk issues

	2015			
Type of issues	No. of issues	Nominal Amount (RM million)	No. of issues	Nominal Amount (RM million)
Conventional PDS - Commercial papers/Medium-term notes - Bonds - Loan stocks	13 5 1	30,420.00 31,126.00 84.00	20 2 9	40,800.00 320.00 956.00
Subtotal	19	61,630.00	31	42,076.00
Sukuk - Islamic commercial papers/Islamic medium-term notes - Islamic bonds	21 4	46,310.00 2,024.00	46 1	75,495.00 575.00
Subtotal	25	48,334.00	47	76,070.00
Combination of conventional PDS and sukuk - Commercial papers/Medium-term notes	6	8,500.00	2	20,000.00
TOTAL	50	118,464.00	80	138,146.00

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Chart 2
Rating summary of approved and lodged ringgit-denominated PDS and sukuk issues



Note:

A PDS or sukuk issue may be assigned more than one 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)

A total of 43 ratings (based on initial rating) were assigned by credit rating agencies to ringgit-denominated PDS and sukuk issues approved and lodged with the SC. The number of unrated issues dropped by 37.93% (Chart 2).

There were 15 foreign currency-denominated PDS and sukuk approved and lodged with the SC, comprising four PDS and eight sukuk by foreign issuers, as well as two PDS and one sukuk by Malaysian issuers.

TAKE-OVERS AND MERGERS

The SC had considered a total of 79 applications relating to the *Malaysian Code on Take-overs and Mergers 2010* (TOM Code), representing a decrease of 33% as compared to 118 applications considered in 2014.

A total of 22 documents in relation to take-over offers (including by way of schemes) were cleared by the SC involving a total offer value of RM6.52 billion. The same number of offer documents was cleared in 2014 involving a total offer value of RM6.78 billion.

The largest offer for the year was the offer in IJM Land Bhd, effected by way of a members' scheme of arrangement under section 176 of *Companies Act 1965* which constituted RM1.98 billion in the offer value. Other notable offers in terms of value were the offers for Integrax Bhd, Perdana Petroleum Bhd and PJ Development Holdings Bhd with a total offer value of RM2.09 billion. In aggregate, the four offers represented 63% of total offer value in 2015.

The SC further cleared 28 independent advice circulars whereby 23 circulars were in relation to take-over offers and the remaining were in relation to other control

transactions including whitewash procedures from the mandatory offer obligation. The SC approved 12 applications for exemption from having to undertake a mandatory take-over offer and 17 applications for various matters including eligibility to act as independent adviser for take-over proposals, extension of time, rulings and other related decisions under the TOM Code (Table 6).

PROPERTY VALUATION

In 2015, the number of corporate proposals which involved the review of disclosures of property asset valuations was five, down by 37.50% when compared to eight corporate proposals in 2014. The total market value of the property assets and the number of valuation reports and certificates also declined by 42.59% and 41.07% respectively i.e. from RM4.25 billion in 2014 to RM2.44 billion in 2015 and 56 valuation reports and certificates in 2014 to 33 valuation reports and certificates in 2015. Of the five corporate proposals

Table 6
Applications considered under the
Malaysian Code on Take-overs and Mergers
2010

Type of applications/ documents cleared	2015	2014
Clearance of offer documents	22	22
Clearance of independent advice circulars	28	34
Applications for exemption from mandatory offer obligation	12	17
Other applications	17	45
TOTAL	79	118

which involved disclosure reviews, one was for IPO on the Main Market, one for IPO on the ACE Market, two for acquisitions by listed real estate investment trusts (REITs) and one for the restructuring of a listed corporation (Table 7).

Table 7
Valuation reviewed by type of proposals

	No. of corporate proposals (No. of reports)				Market value (RM million)	
Type of proposals	2	015	2	014	2015	2014
Initial public offering: – Main Market – ACE Market	1	(2) (5)	4 -	(43) -	36.32 44.34	1,019.64 –
Acquisition by REIT	2	(4)	2	(2)	842.00	818.00
Restructuring / mergers and acquisitions	1	(22)	2	(11)	1,521.05	2,412.00
TOTAL	5	(33)	8	(56)	2,443.71	4,249.64
Cases referred by Bursa Malaysia – Main market transactions – ACE market transactions	62 1	(121) (1)	52 –	(104)	17,195.66 12.00	24,958.00
TOTAL	63	(122)	52	(104)	17,207.66	24,958.00

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In terms of market value, the restructuring proposal of OSK Holdings Bhd had the largest property asset valuation with a total market value of RM1.52 billion followed by the acquisition by CapitaLand Malaysia Mall Trust (formerly known as Capitamalls Malaysia Trust) of Tropicana City Mall at RM540.00 million.

The number of referrals by Bursa Malaysia of valuation reports and certificates prepared in compliance with the Listing Requirements of Bursa Malaysia increased by 21.15%, from 52 in 2014 to 63 in 2015. A total of 122 valuation reports and certificates were

reviewed in 2015 involving a total market value of RM17.21 billion, as compared to 104 valuation reports and certificates reviewed in 2014 involving a total market value of RM24.96 billion.

Sizeable transactions for which the relevant valuation reports and certificates were reviewed were the proposed acquisitions of development lands by Sunsuria Bhd and Eco World Development Group Bhd, the proposed disposal of plantation assets by Golden Land Bhd and the proposed disposal of the entire business of Kian Joo Can Factory Bhd.

INVESTMENT MANAGEMENT

FUND MANAGEMENT

Total assets under management (AUM) of licensed fund management companies (FMCs) in Malaysia rose by 6.02% to RM667.88 billion as compared to RM629.98 billion in 2014. In 2015, top five FMCs contributed to 59.95% of AUM as compared to 62.34% in 2014 (Chart 1).

Source of funds under management were largely from unit trust funds, corporate bodies, EPF and wholesale funds (Table 1). The funds were allocated in various asset classes and locations, of which, investment inside Malaysia by FMCs amounted to RM539.07 billion, representing 80.71% of the total AUM as at end of 2015 (Chart 2). The bulk of investment was allocated in equities with 49.23% at end of 2015, as compared to 48.10% in 2014 (Chart 3). Similar trend was observed on assets allocation inside and outside Malaysia (Chart 4).

Chart 1
Assets managed by FMCs

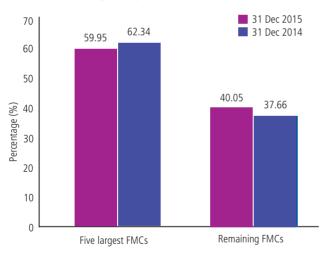


Chart 2
Assets invested inside and outside of Malaysia

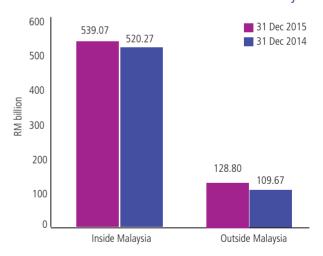




Table 1 Source of clients' funds under management

	2015	2014	
Source of funds#	(RM billion)	(RM billion)	
Unit trust funds*	346.41	343.02	
Corporate bodies	79.06	74.82	
Employees Provident Fund	97.80	87.05	
Wholesale funds	84.99	73.66	
Individual	9.45	8.48	
Private pension funds	4.15	3.54	
Charitable bodies	0.87	0.69	
Others	45.14	38.73	
TOTAL	667.88	629.98	

Note:

- Includes domestic and foreign source of funds Includes Islamic unit trust funds

Chart 3 Assets allocation

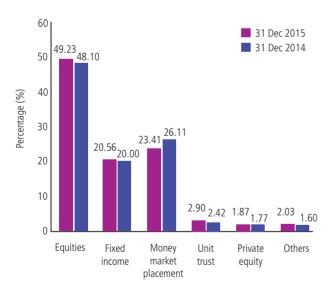
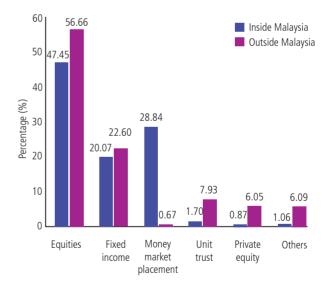


Chart 4 Assets allocation inside and outside of Malaysia as at 31 December 2015



COLLECTIVE INVESTMENT SCHEMES, PRIVATE RETIREMENT SCHEMES AND FOREIGN OUALIFYING CIS

In 2015, unit trust funds continued to make up the largest component of the Malaysian collective investment schemes (CIS) industry. A total net asset value (NAV) of RM346.58 billion was recorded as at 31 December 2015 for unit trust funds and this represents an increase of 1.04% from RM343.02 billion recorded as at 31 December 2014. These funds are operated and administered by 37 locally-incorporated unit trust management companies. The size of the unit trust industry is equivalent to 20.45% of Bursa Malaysia's market capitalisation as at 31 December 2015, as compared to 20.77% as at 31 December 2014 (Table 2).

During the year, a total of 38 new unit trust funds were launched while 21 funds were terminated and 17 funds matured, bringing the total number of unit trust funds available to investors to 612 as at 31 December 2015. Of this, 419 funds represented conventional unit trust funds while 193 were Shariah-compliant unit trust funds.

Total sales valued at RM138.47 billion was recorded in 2015 for unit trust funds. Institutional Unit Trust Advisers (IUTA) were the major distributors of units with sales amounting to RM61.57 billion (Table 3).

In the wholesale funds segment, 89 new funds were launched in 2015 for sophisticated investors while 26 funds were terminated or matured, raising the number of wholesale funds in the market from 230 as at 31 December 2014 to 293 as at 31 December 2015. Out of the 89 new wholesale funds launched, 40 funds came under the Lodge and Launch (LOLA) Framework which was implemented in June 2015. The total NAV of wholesale funds grew by 15.32% from RM73.30 billion as at 31 December 2014 to RM84.53 billion as at 31 December 2015.

Table 2
Overall status of unit trust industry

	31 Dec 2015	31 Dec 2014
No. of funds launched - Conventional - Shariah compliant	612 419 193	612 424 188
Units in circulation (billion units)	458.00	425.43
No. of accounts (million) ¹	18.70	17.99
Total NAV (RM billion) - Conventional - Shariah compliant	346.58 294.46 52.12	343.02 296.36 46.66
% of NAV to Bursa Malaysia market capitalisation ²	20.45	20.77

Note

¹ Including unitholders' accounts opened through IUTAs

Table 3
Distribution channels

	31 Dec 2015 (RM billion)	31 Dec 2014 (RM billion)
Institutional unit trust advisers	61.57	63.69
Management companies	48.60	55.49
Unit trust consultants	24.80	18.26
Corporate unit trust advisers	0.52	0.39
Others	2.98	3.59
TOTAL	138.47	141.42

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

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The total number of real estate investment trusts (REITs) listed on the Main Market of Bursa Malaysia increased to 17 as at 31 December 2015 with the listing of Al-Salam Real Estate Investment Trust on 29 September 2015. The total market capitalisation, including market capitalisation of a stapled group, of the REITs increased from RM35.67 billion as at 31 December 2014 to RM37.48 billion as at 31 December 2015 while the total asset size grew from RM41.75 billion to RM45.73 billion for the same period.

Two new Islamic exchange-traded funds (ETFs), namely MyETF MSCI SEA Islamic Dividend and MyETF Thomson Reuters Asia Pacific ex-Japan Islamic Agribusiness, were listed on 7 May 2015 and 3 December 2015 respectively, bringing the total to eight ETFs listed on the Main Market of Bursa Malaysia as at 31 December 2015. The total market capitalisation of ETFs grew from RM1.01 billion as at 31 December 2014 to RM1.71 billion as at 31 December 2015.

As at 31 December 2015, only one closed-end fund (CEF) was listed on the Main Market of Bursa Malaysia with a market capitalisation of RM322.00 million compared to a market capitalisation of RM326.20 million as at 31 December 2014.

For private retirement schemes (PRS), a total of 11 PRS comprising 50 funds were available to investors as at 31 December 2015, compared to 46 funds as at 31 December 2014. Four additional retirement funds were launched during the reporting period. The total NAV of RM1.17 billion as at 31 December 2015 represented an increase of 62.50% compared to a total NAV of RM0.72 billion as at 31 December 2014.

The MoU on Streamlined Authorisation Framework for Cross-Border Public Offers of ASEAN CIS requires a

home regulator to assess the suitability of a fund as a Qualifying CIS for offering in a host jurisdiction. In 2015, the SC assessed five unit trust funds as suitable to be Qualifying CIS. The SC also recognised one foreign Qualifying CIS for offering in Malaysia.

For the year under review, the SC considered a total of 775 applications relating to CIS, PRS and foreign Qualifying CIS, comprising applications to establish new funds, increase fund size and other ancillary matters (Table 4).

INVESTMENT PRODUCTS

Structured warrants

There were seven eligible issuers of structured warrants in 2015. The SC received and registered six base prospectuses and 10 supplementary prospectuses from these issuers in 2015 (Table 5).

A total of 652 term sheets relating to the offering of structured warrants were registered in 2015, representing an increase of 19% compared to 546 term sheets registered in 2014. The increase was attributable to the active issuance by issuers in meeting investor interest during the year. The year also saw a greater mix of underlying references of structured warrants, including 166 issuances of structured warrants based on indices compared to 24 in 2014 and 11 issuance of structured warrants based on ETFs compared to two in the previous year. In addition, issuance of structured warrants based on foreign underlying references increased from 34 in 2014 to 120 in 2015.

The registered term sheets in 2015 would allow the relevant structured warrants issuers to offer up to a total of 38.96 billion structured warrants.

Table 4
Applications relating to collective investment schemes, private retirement schemes and recognition of foreign Qualifying CIS

			Number of	applications		
Type of applications	Considered Approved		oved	Pending consideration		
,	2015	2014	2015	2014	As at 31 Dec 2015	As at 31 Dec 2014
Establishment of collective	91	91	91	91	7	58
investment schemes						
 Unit trust funds 	44	45	44	45	7	19
 Real estate investment trusts 	1	0	1	0	0	1
– Wholesale funds	45	45	45	45	0	37
 Exchange-traded funds 	1	1	1	1	0	1
Establishment of retirement funds	4	2	4	2	6	2
Recognition of foreign Qualifying CIS	1	0	1	0	0	0
Increase in fund size limit	4	4	4	4	0	1
 Unit trust funds 	0	3	0	3	0	0
 Real estate investment trusts 	2	1	2	1	0	1
 Exchange-traded funds 	2	0	2	0	0	0
Exemption/variation from guidelines	18	13	17	12	1	4
Registration of prospectus	234	187	234	187	12	25
Registration of deeds	338	155	338	155	11	24
Other applications	85	73	84	69	10	6
TOTAL	775	525	773	520	47	120

Table 5
Structured warrants considered

Structured warrants	2015	2014
No. of eligible issuers	7	7
Base prospectuses registered	6*	6**
Supplementary prospectuses registered	10	13
Term sheets registered	652	546
Issue size (billion warrants)	38.96	37.21

Note:

- * One issuer did not renew its base prospectus which expired in 2015
- ** One issuer did not renew its base prospectus which expired in 2014



Structured products

Ten issuers applied for/lodged 16 new structured product programmes in 2015. Seven of these 16 programmes were authorised by the SC prior to the introduction of the LOLA Framework for unlisted capital market

products in June 2015 and nine programmes were lodged with the SC under this framework. These programmes comprised a variety of underlying references and had an aggregate size of RM80.0 billion with each programme typically having a limit size of up to RM5.0 billion (Table 6).

Table 6
Structured product programmes considered

Structured products	2015		2014	
No. of issuers applied for new programmes	10		8	
No. of new programmes authorised and / or lodged	No. of programmes	Size (RM billion)	No. of programmes	Size (RM billion)
Principle - Conventional - Islamic	15 1	75 5	14 –	70 –
TOTAL	16	80	14	70

ISLAMIC CAPITAL MARKET

SUKUK

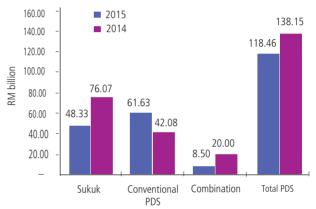
In 2015, the SC approved and received lodgment of 50 PDS issues amounting to RM118.46 billion, of which 25 issues were sukuk valued at RM48.33 billion. The sukuk value represented 40.80% of the total new PDS issues approved (Chart 1).

During the year, the SC approved a proposal for the issuance of the first SRI sukuk in Malaysia. The issuer is Khazanah Nasional Bhd with RM1 billion in approval size. The year also saw approvals of sukuk issuance by a foreign issuer and two foreign currency-denominated sukuk issuances. The sukuk issuers were KT Kira Sertifikalari Varlik Kiralama (Turkey) with total approved size of RM2 billion, Tulip Maple Bhd (US\$750 million) and IDB Trust Services Limited (US\$15 billion).

In terms of the underlying Shariah principle, sukuk *murabahah* led the Malaysian sukuk market this year based on approval size, representing RM32.1 billion or 66.42% of the total size of sukuk approved (Chart 2).

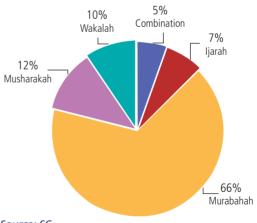
In 2015, corporate sukuk issuances represented 66.67% (2014: 76.08%) of total PDS issuances while corporate sukuk outstanding accounted for 71.65% (2014: 70.43%) of total PDS outstanding. Overall, sukuk issuances by Government and corporates in 2015 represented 43.57% (2014: 53.38%) of total bond issuances whereas total sukuk outstanding represented 54.05% (2014: 51.93%) of total bonds outstanding (Table 1).

Chart 1
Sukuk approved by/lodged with the SC



Source: SC

Chart 2
Size of sukuk approved in 2015
by Shariah principle



Source: SC

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SHARIAH-COMPLIANT SECURITIES

The SC released the updated list of Shariah-compliant securities approved by its Shariah Advisory Council (SAC) on 28 May and 27 November 2015 respectively.

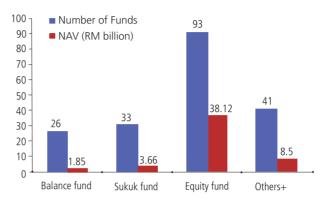
The updated list which took effect on 27 November 2015 featured a total of 667 Shariah-compliant securities. The list included 35 newly-classified Shariah-compliant securities and excluded 39 from the previous list issued in May 2015.

As at end December, these securities constituted 73.86% of the 903 listed securities on Bursa Malaysia. The market capitalisation of Shariah-compliant securities stood at RM1.09 trillion or 64.09% of the total market capitalisation, an increase of 7.32% as compared to end 2014 (Table 3).

ISLAMIC UNIT TRUST FUNDS

As at end 2015, the number of funds was 193 funds compared to 188 funds as at end 2014. The NAV of these funds saw a 11.70% increase from RM46.66 billion in 2014 to RM52.12 billion in 2015. By category, equity funds still dominated the market with

Chart 3
Shariah-compliant unit trust fund by category



Note

+ Including feeder funds, fixed income funds, money market funds and mixed asset funds.

Source: SC

93 funds. This was followed by 33 sukuk funds and 26 balanced funds while the remainder of 41 comprised feeder funds, fixed income funds, money market funds and mixed asset funds (Chart 3).

KEY STATISTICS

Table 1
Government and corporate sukuk

Total issuance (RM billion)	2015	2014
Sukuk issuance	117.70	262.76
Total bonds issuance	270.15	492.23
% of sukuk to total bonds	43.57	53.38
Total sukuk outstanding (RM billion)	2015	2014
Outstanding sukuk	607.93	576.31
Outstanding bonds	1,124.84	1,109.71

Note:

Including both short and long-term issuances

Source: SC

Table 2 Corporate sukuk

Total issuance (RM billion)	2015	2014
Sukuk issuance	57.57	65.43
Total PDS issuance	86.35	85.97
% of sukuk to total PDS	66.67	76.08
Total sukuk outstanding (RM billion)	2015	2014
Outstanding sukuk	361.33	325.91
Outstanding PDS	504.33	462.76
% of sukuk to outstanding	71.65	70.43

Note:

Long-term issuances only

Source: SC

Table 3
Shariah-compliant securities

	2015	2014
Number of securities		
Shariah-compliant securities	667	673
Total listed securities	903	906
% of Shariah-compliant to total listed securities	73.86	74.28
Market capitalisation (RM billion	1)	
Shariah-compliant securities	1,086.18	1,012.14
Total listed securities	1,694.78	1,651.17
% of Shariah-compliant to total listed securities	64.09	61.30

Source: Bursa Malaysia

Table 4
Islamic assets under management (AUM)

	2015	2014
Islamic AUM (RM billion)	132.38	110.6
Total Industry (RM billion)	667.88	629.98
% of Islamic AUM to total industry	19.82	17.56

Source: SC

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Table 5
Islamic unit trust funds

	2015	2014	
No. of launched funds			
Islamic	193	188	
Total industry	612	612	
Units in circulation (billion units)			
Islamic	107.47	94.64	
Total industry	458.0	425.43	
NAV (RM billion)			
Islamic	52.12	46.66	
Total industry	346.58	343.02	
% of Islamic to total industry	15.04	13.60	

Source: SC

Table 6
Islamic wholesale funds

	2015	2014	
Number of launched funds			
Islamic	93	69	
Total industry	293	230	
Units in circulation (billion units)			
Islamic	31.03	21.65	
Total industry	89.29	73.43	
NAV (RM billion)			
Islamic	31.66	23.45	
Total industry	84.53	73.30	
% of Islamic to total industry	37.45	31.99	

Source: SC

Table 7
Islamic private retirement schemes

	2015	2014	
Number of launched funds			
Islamic	20	18	
Total industry	50	46	
Units in circulation (million units)			
Islamic	878.88	539.98	
Total industry	2,893.14	1,919.26	
NAV (RM million)			
Islamic	377.91	207.50	
Total industry	1,171.97	716.05	
% of Islamic to total industry	32.25	28.98	

Source: SC

Table 8
Islamic exchange-traded funds

	2015	2014	
Islamic ETFs	4	2	
Total industry	8	6	
Market capitalisation (RM billion)			
Islamic ETFs	0.36	0.31	
Total industry	1.71	1.01	
% of Islamic ETFs to total industry	21.05	30.69	

Source: SC

Table 9
Islamic real estate investment trusts

	2015	2014	
Islamic REITs	4	3	
Total industry	17	16	
Market capitalisation (RM billion)			
Islamic REITs	16.11	15.06	
Total industry	37.48	35.67	
% of Islamic REITs to total industry	42.98	42.22	

Source: SC

VENTURE CAPITAL AND PRIVATE EQUITY INDUSTRY

The total number of registered corporations stood at 121 as at 31 December 2015 (Table 1). Over the course of 2015, three companies were deregistered and 12 new registrations were approved. With the *VC/PE Guidelines* in effect in 2015, two additional types of registered corporations were introduced: PE Management Corporations (PEMC) and PE Corporations (PEC). Two corporations were registered as PEMCs as at end 2015: DWA Private Equity Sdn Bhd and Maybank Private Equity Sdn Bhd with the latter completed its conversion from VCMC.

As of end 2015, the number of VC & PE professionals employed in the industry with at least four years of experience stood at 229.

As compared to the previous year, the total committed funds as at end of 2015 stood at RM7.15 billion which represented an increase of 15.18% year-on-year (Table 2).

At the end of the year under review, the total investments decreased by 31.58% to RM2.22 billion from RM3.25 billion as at the end of 2014. Investments made in 2015 stood at RM365 million as compared to RM318 million in 2014 representing an increase of 14.78% year-on-year. A total of 74 investee companies received funding, the same figure recorded in 2014.

As for divestments, there was a decrease of 3.33% from RM421 million in 2014 to RM407 million in 2015. In this regard, 38 investee companies were divested in 2015 as compared to 59 companies in 2014. Divestments recorded during the year were mainly through trade sales and IPOs or sale to public markets.

Table 1
Statistics of industry participants

	31 Dec 2015	31 Dec 2014
Number of registered corporations	121	112
Number of registered VCMCs & VCCs	119	112
Number of registered PEMCs & PECs	2	N/A²
Number of investee companies	220	376
Number of VC & PE professionals ¹	229	111

Note

- 1 Professionals with more than four years of experience
- Not available as these two new classes of registered corporation were only introduced in 2015

Table 2 Industry key statistics Figures in RM millions

	31 Dec 2015	31 Dec 2014
Total committed funds under management [1]	7,154	6,211
Total drawn capital [2]	3,209	N/A³
Estimated capital available for investment [3]=[1]-[2]	3,945	N/A³
Total investment as at end of the period	2,221	3,246
	During 2015	During 2014
Investments in investee companies	365	318
Divestments	407	421

³ Not available as these figures were not reported prior to 2015

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Public funds remain the largest source of capital for the industry with sovereign wealth funds and government investment companies making up 49.76% while government agencies contributed 37.98%. Private sector contribution to the industry were led by corporate investors (6.43%) followed by foreign investors (1.97%) and asset managers (1.45%).

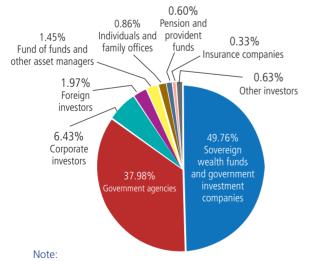
Top three registered corporations by amount of investor commitments as at end 2015 were Xeraya Capital Sdn Bhd, Malaysian Life Sciences Capital Fund Management Ltd and Malaysian Venture Capital Management Bhd.

Investee companies at the early-stage and growth stages received the bulk of the funding in 2015 where a total of 56 investee companies received funding amounting to RM320 million, representing 87.48% of total investments made during the year (Table 3).

Table 3 Investments during 2015

Business Stage	New investments (RM '000)	% of total	No. of companies	Average deal size (RM '000)
Seed	9,705	2.66	6	1,618
Start-up	28,024	7.67	11	2,548
Early stage	234,034	64.07	34	6,883
Growth	85,517	23.41	22	3,887
Turnaround/Restructuring	8,000	2.19	1	8,000
TOTAL	365,280	100.00	74	4,936

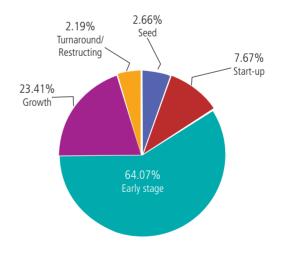
Chart 1 Sources of funds (2015: RM7.15 billion)



Government agencies: Ministries and agencies (other than government investment companies) under them. Includes Minister of Finance Inc. and Lembaga Tabung Haji.

Sovereign wealth funds and government investment companies: Includes statutory and incorporated bodies established for the purpose of managing investments of public funds. E.g. Khazanah Nasional, MAVCAP, Ekuinas.

Chart 2 Investments by financing stage (2015: RM365 million)



Investments into seed and start-up stages collectively stood at 10.33% of total investments made during the year. These were channeled into 17 investee companies compared to last year where 7% of total investments were made into 14 investee companies.

Investments in 2015 showed a concentration towards the life sciences sector where 48.48% of investments during the year were made in this sector, an increase of 14.26 percentage points (ppt) from 2014 (Chart 3). Manufacturing as well as IT and Communication saw decrease in share of investments by 19.65ppt and 12.72ppt respectively.

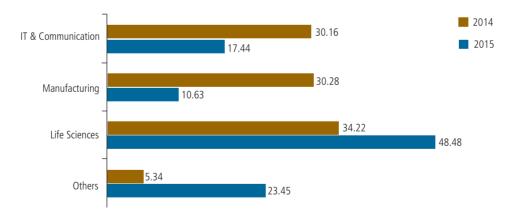
Other sectors recorded a share of 23.45%, an increase of 18.11ppt from 2014. These sectors include investments in wholesale and retail trading, electricity and power generation, education, as well as media production.

Divestments were mainly in investee companies in early to growth stages. Exits at these stages amounted to approximately RM206 million, representing 50.58% of total divestments during the year. (Table 4)

Table 4
Divestments in 2015

Business stage	Divestment (RM '000)	% of total	No. of companies
Seed	5,611	1.38	3
Start-up	713	0.19	2
Early stage	112,092	27.57	8
Growth	93,547	23.01	10
Bridge/ Mezzanine/ Pre-IPO	10,213	2.51	7
Listing	4,478	1.10	4
Buyout	179,855	44.24	4
TOTAL	406,509	100.00	38

Chart 3 Investments during year, percentage by sectors





AUTHORISATION AND LICENSING

The number of licensed intermediaries including individual licensees stood at 234 compared with 240 last year. The number of licensed representatives remained relatively unchanged at 9,768 compared with 9,770 last year. During the year, 959 new licences were issued to CMSRLs to undertake various regulated activities. It was noted that advisory, including financial planning, and fund management continued to attract new entrants. The SC also approved the registration of 52 Trading and Introducing Representatives, resulting in 243 registered representatives as at the end of 2015.

Five new licences were issued to companies to undertake fund management, corporate finance advisory and financial planning activities. Following the introduction of a boutique fund management framework, MTC Advisors Sdn Bhd was issued the first boutique fund management licence. In respect of cessation of activities, three CMSLs were surrendered due to consolidation exercises. One licence was also revoked as a result of non-compliance with licensing requirements.

KEY STATISTICS

Table 1
Capital Markets Services Licence holders

As of 31 December 2015, there were 234 Capital Markets Services Licence (CMSL) holders carrying on various regulated activities as defined under Schedule 2 of the CMSA. The entities involved are as follows:

By core activity	2015	2014
Dealing in securities ¹	38	38
Dealing in derivatives	9	11
Fund management	90	92
Advising on corporate finance	44	43
Investment advice	18	19
Investment advice (individual)	1	1
Financial planning	28	28
Financial planning (individual)	6	8
	234	240

Note:

include six CMSLs for dealing in securities restricted to unit trust

By regulated activity	2015	2014
Dealing in securities		
Investment banks	10	10
Universal broker	1	1
1+1 stockbroking companies	12	12
Special scheme foreign stockbroking companies	7	7
Issuing houses	2	2
	32	32
Dealing in derivatives		
Investment banks	4	3
1+1 stockbroking companies	3	3
Special scheme foreign stockbroking companies	2	2
Others	9	11
	18	19



Table 1 (continued)
Capital Markets Services Licence holders

und management ortfolio management ovestment bank Init trust management companies pecial scheme foreign fund managers Ilamic fund managers outique fund manager others usset management eal estate investment trusts udvising on corporate finance	1 26 5 20 1 22	1 27 5 20 -
Init trust management companies pecial scheme foreign fund managers lamic fund managers outique fund manager others asset management eal estate investment trusts	26 5 20 1 22	27 5 20 -
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lamic fund managers outique fund manager others asset management eal estate investment trusts	20 1 22	20
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dvising on corporate finance	. •	16
dvising on corporate finance	91	93
ovestment banks	10	10
+1 stockbroking companies	5	5
pecial scheme foreign stockbroking companies	6	6
tandalone/boutique corporate finance companies	45	44
	66	65
nvestment advice		
vestment banks	8	7
+1 stockbroking companies	8	8
pecial scheme foreign stockbroking companies	7	7
nit trust management companies	2	2
tandalone/boutique investment advice companies	24	24
	49	48
inancial planning		
nit trust management companies	3	3
orporate unit trust advisers	9	9
tandalone/boutique financial planning companies	25	27
	25	

Table 1 (continued)
Capital Markets Services Licence holders

By regulated activity	2015	2014
Dealing in securities restricted to unit trusts		
Unit trust management companies	32	33
Islamic fund managers	6	5
Corporate unit trust advisers	9	9
Other	1	1
	48	48
Dealing in private retirement schemes		
Investment bank	1	1
Unit trust management companies	9	8
Islamic fund manager	1	1
Corporate private retirement scheme advisers	9	9
Others	2	2
	22	21
GRAND TOTAL	363	365

Table 2
Capital Markets Services Representative's Licence Holders

By core activity	2015	2014
Dealing in securities	6,757	6,807
Dealing in derivatives	612	751
Fund management	812	760
Advising on corporate finance	759	703
Investment advice	261	249
Financial planning	567	500
TOTAL	9,768	9,770



Table 3
Application for new company licences

Regulated activities	Deali secu	ng in rities		ng in atives	Fu manag	nd Jement		orate	Inves ^a		Fina plan	ncial ning
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Issued	_	-	_	_	1	4	3	2	_	_	1	1

Table 4
Application for new representative's licences

Regulated activities		ng in rities		ng in atives	7	nd Jement	corp	ing on orate ince	Invest adv		Fina plan	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Issued	403	447	72	85	145	129	162	142	68	53	109	95
Withdrawn*	55	53	13	12	16	12	24	11	15	4	80	46
Returned*	274	288	48	42	128	86	85	73	43	39	130	108

Note:

Table 5
Cessation of company/individual licences

Regulated activities	Deali secu	ng in rities	Deali deriva	ng in atives		nd Jement	corp	ing on orate ance	Inves	tment /ice	Fina plan		Fina plan (indiv	ning
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Ceased	-	1	2	-	2	6	2	2	1	1	1	2	2	-
Revoked	-	-	-	-	1	-	-	-	-	-	-	-	-	-
Suspended	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 6
Cessation of representative's licences

Regulated activities		ng in rities		ng in atives	Fu manag	nd ement	corp	ing on orate ince	Invest adv		Fina plan	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Ceased*	520	387	131	123	96	75	98	105	55	50	40	32
Revoked	5	-	-	-	-	_	1	-	-	-	-	_
Suspended	-	6	-	-	-	-	-	-	-	-	-	-

Note:

^{*} By regulated activities.

^{*} By regulated activities.

ENFORCEMENT

During the year, a significant proportion of investigative resources was devoted to working on cases concerning possible insider trading (Chart 1). Out of the 58 active investigations as at 31 December 2015, 43 cases related to insider trading offences.

A total of 22 referrals were received in 2015 on possible violations of securities laws. Corporate governance transgressions formed the majority of referrals this

year at 41%. These cases were mainly in relation to acts by directors of PLCs which may have been done with the intention of causing wrongful loss to listed companies. This breaks away from the trend of previous years where the majority of referrals were made up mainly of insider trading offences. In the current year, referrals on possible insider trading made up 27% of total referrals (Chart 2).

Chart 1
Active investigation by nature of offences

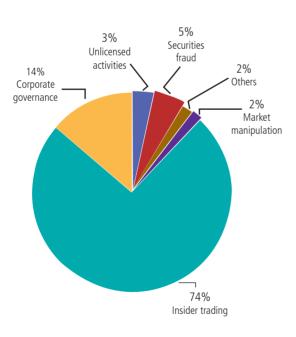
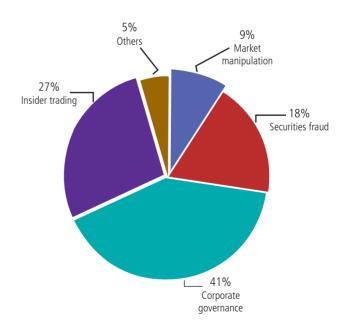


Chart 2
Referrals received in 2015 by nature of offence



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Investigation powers provided under *Securities Commission Act 1993* (SCA) are exercised to obtain both oral and documentary evidence from various sources.

During the year, formal witness statements were recorded from 382 individuals to assist in gathering information for ongoing investigations. Almost 80% of these individuals were professionals who are corporate advisors, accountants, lawyers, company secretaries, as well as persons licensed by the SC, securities account holders, and directors and senior management of PLCs (Chart 3).

We also exercised our investigation powers to search 15 business premises in 2015 to gather relevant information and documents. The majority of these business premises searched by the SC's Investigating Officers were linked to investigations into suspected wrongdoing at four PLCs.

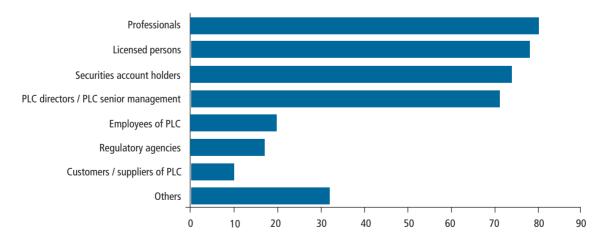
Given the increase in cross-border financial transactions, international co-operation continues to be critical in ensuring the success and effectiveness of our enforcement efforts. As a signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU) since 2007, the SC is able to obtain valuable and timely assistance from foreign securities regulators to facilitate

the gathering of foreign evidence for our ongoing investigations. Investigation assistance is normally sought for the tracing of monies and assets relating to banking and securities transactions out of our jurisdiction as well as information relating to foreign individuals and entities. In 2015, the SC made 22 requests for investigation assistance from securities regulators in seven countries (Table 1).

Table 1
Foreign assistance sought by SC in 2015 by iurisdiction

Jurisdictions	No. of requests
Singapore	15
Hong Kong	2
Australia	1
British Virgin Islands	1
Indonesia	1
United Arab Emirates	1
US	1
TOTAL	22

Chart 3
Witness statements recorded in 2015 by type of witness



We have also similarly extended investigation assistance to foreign securities regulators. During the year, we received 10 requests from six jurisdictions for investigation assistance. The assistance we provided includes the recording of witness statements as well as obtaining documents relating to securities transactions and related banking records as well as information on beneficial ownership of companies.

Administrative actions

In 2015, a total of 41 administrative actions were taken by the SC for various misconducts, breaches of securities laws such as furnishing of false or misleading statements to the SC, breaches of licensing conditions, failure to comply with approved accounting standards in the preparation of audited financial statements and late submission of documents under the Lodge and Launch (LOLA) Framework.

Sanctions imposed on the parties in breach comprised reprimands, revocation and restriction of licences and imposition of penalties and directives (Table 2).

During the year, a total of RM1.04 million in penalties were imposed against the following parties:

- The board of directors of a PLC for furnishing false or misleading statements in relation to its audited financial statements;
- Seven individual directors of a PLC for their respective failure to comply with approved accounting standards in preparing the PLC's audited financial statements:
- Three licensed intermediaries for breaching provisions in the *Licensing Handbook* and the *Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries*; and
- Four licensed intermediaries for delays in submitting documents under the LOLA Framework.

Table 2
Administrative actions taken in 2015 by types of sanction and parties in breach

Parties in breach	Types of sanction									
	Directive	Reprimand	Penalty	Restriction / suspension / revocation of licence						
Licensed persons	4	3	7	8						
Public-listed companies (PLC)	2	2	-	-						
Directors of PLC	-	7	8	-						
TOTAL	6	12	15	8						

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Infringement notices

Apart from administrative actions, the SC has utilised other forms of non-statutory enforcement tools in its monitoring, gatekeeping and supervisory functions.

Infringement notices are issued where breaches of securities laws detected do not warrant the initiation of a formal enforcement action or imposition of administrative action.

Infringement notices issued by the SC include the following:

- Supervisory letters issued in the discharge of the SC's supervisory function.
- 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; and
- Non-compliance letter issued pursuant to the discharge of the SC's gatekeeping function for minor breaches.

In 2015, 72 infringement notices were issued by the SC as detailed in Table 3.

Table 3 Infringement notices issued in 2015

Type of Infringement notices	Total
Supervisory letters	28
Warning letters	27
Non-compliance letters	17
TOTAL	72

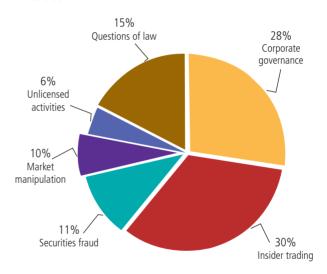
Ongoing court cases for 2015

In 2015, the SC had a total of 53 ongoing cases in the Sessions Court, High Court, Court of Appeal and

Table 4
Cases currently pending in courts

Sessions Court	22 cases
High Court (Criminal)	14 cases
High Court (Civil)	7 cases
Court of Appeal	8 cases
Federal Court	2 cases
TOTAL	53 cases

Chart 4
Ongoing court cases for 2015 by nature of cases



Federal Court (Table 4). Of these cases, 28% relate to corporate governance breaches such as financial mis-statements and disclosure offences while another 30% of the cases relate to insider trading. The year 2015 also saw an increase in cases heard in the superior courts which involved questions of law such as constitutional issues and interlocutory applications, making up 15% of the total ongoing cases. Cases relating to unlicensed activities, market manipulation and securities fraud made up the remaining 27% of the total number of cases (Chart 4).

Details of criminal prosecution in 2015

In 2015, the SC charged a total of 17 individuals in the Sessions Court. Of this number, 16 individuals faced

charges of committing insider trading while one other individual was charged for furnishing a false statement to Bursa Malaysia Securities Bhd (Bursa Malaysia) (Table 5).

Table 5
Details of criminal prosecution in 2015

No.	Nature of offence	Offender(s)	Facts of charge(s)	Date charged	
	CRIMINAL PROSECUTION INITIATED – PERSONS CHARGED				
1.	1. Insider trading	Lei Lin Thai	Lei was charged with 53 counts of insider trading under section 188(2)(a) of the <i>Capital Markets & Services Act 2007</i> (CMSA). He is alleged to have acquired 2,766,600 TH Group Bhd (TH Group) shares between 5 June 2008 and 22 September 2008 while in possession of material non-public information relating to the proposed privatisation of TH Group via a Selective Capital Repayment exercise.	29 January 2015	
		Chung Yin Mui	Chung was charged for abetting Lei Lin Thai in acquiring 557,700 TH Group shares between 5 June 2008 and 5 August 2008 while in possession of material non-public information relating to the proposed privatization of TH Group via a Selective Capital Repayment exercise.	29 January 2015	
		Ng Lai Sim	Ng was charged for abetting Lei Lin Thai in acquiring 740,000 TH Group shares between 18 June 2008 and 24 July 2008 while in possession of material non-public information relating to the proposed privatisation of TH Group via a Selective Capital Repayment exercise.	29 January 2015	
		Wong Joon Mooi	Wong was charged for abetting Lei Lin Thai in acquiring 890,000 TH Group shares between 1 August 2008 and 11 September 2008 while in possession of material non-public information relating to the proposed privatisation of TH Group via a Selective Capital Repayment exercise.	29 January 2015	
		Lau Sin Ling	Lau was charged for abetting Lei Lin Thai in acquiring 578,900 TH Group shares between 15 September 2008 and 22 September 2008 while in possession of material non-public information relating to the proposed privatisation of TH Group via a Selective Capital Repayment exercise.	29 January 2015	
2.	Insider trading	Ang Pok Hong	Ang was charged with 4 counts of insider trading under section 188(2)(a) of the CMSA. She is alleged to have acquired 204,000 TH Group Bhd (TH Group) shares between 22 September 2008 and 25 September 2008 while in possession of material non-public information relating to the proposed privatisation of TH Group via a Selective Capital Repayment exercise.	5 February 2015	
		Wong Soon Soon	Wong was charged for abetting Ang Pok Hong in acquiring 154,000 TH Group shares between 23 September 2008 and 25 September 2008 while in possession of material non-public information relating to the proposed privatisation of TH Group via a Selective Capital Repayment exercise.	5 February 2015	



Table 5 (continued) Details of criminal prosecution in 2015

No.	Nature of offence	Offender(s)	Facts of charge(s)	Date charged		
CRIM	RIMINAL PROSECUTION INITIATED – PERSONS CHARGED					
3.	Insider trading	Ramesh a/l Rajaratnam	Ramesh was charged with 3 counts of insider trading under section 188(2)(a) of the CMSA. He is alleged to have disposed 10,200,800 Malaysian Merchant Marine Bhd (MMM) shares on 11 January 2010, 19 February 2010 and 22 February 2010 while in possession of material non-public information relating to the proposed downgrade by Malaysian Rating Corporation Bhd (MARC) of its credit rating on MMM's RM120 million <i>Al-Bai' Bithaman Ajil</i> Islamic Debt Securities (BaIDS) from the category of investment grade to non-investment grade and the classification of MMM as a PN17 company.	29 April 2015		
4.	Furnishing a false statement to Bursa Malaysia Securities Bhd	Alan Rajendram a/l Jeya Rajendram	Alan Rajendram was charged with 1 count of furnishing a false statement to Bursa Malaysia under section 369(b)(B) of the CMSA. The false statement was alleged to have been made in an announcement on 29 December 2009 that Linear's wholly owned subsidiary, LCI Global Sdn Bhd, had accepted a RM1.6 billion construction project awarded by Global Investment Group (GIG), a Seychelles incorporated company, to design and construct a district cooling plant of 350,000 RT (refrigeration tonnes) in the district of Manjung, Perak, for what was termed the 'King Dome Project'.	9 July 2015		
5.	5. Insider trading	Amran Awaluddin	Amran was charged with 7 counts of insider trading under section 89E(2)(a) of the Securities Industry Act 1983 (SIA). He is alleged to have acquired 309,100 Ranhill Power Bhd (RPB) shares between 27 July 2007 and 11 September 2007 while in possession of material non-public information relating to the proposed privatisation and delisting of RPB.	31 July 2015		
		Nooralina Mohd Shah	Nooralina was charged for abetting Amran Awaluddin in acquiring 309,100 RPB shares between 27 July 2007 and 11 September 2007 while in possession of material non-public information relating to the proposed privatisation and delisting of RPB.	31 July 2015		
6.	5. Insider trading	Lim Kim Chuan	Lim was charged with 11 counts of insider trading under section 188(2)(a) of the CMSA. He is alleged to have acquired 398,000 M3nergy Bhd (M3nergy) shares between 6 August 2008 and 11 September 2008 while in possession of material non-public information relating to the Conditional Voluntary Take-Over Offer by Melewar Equities (BVI) Limited to acquire M3nergy shares.	24 November 2015		
		Tay Hup Choon	Tay was charged for abetting Lim Kim Chuan in acquiring 305,000 M3nergy shares between 6 August 2008 and 11 September 2008 while in possession of material non-public information relating to the Conditional Voluntary Take-over Offer by BVI Limited to acquire M3nergy shares.	24 November 2015		
		Theng Boon Cheng @ Tan Boon Cheng	Theng was charged for abetting Lim Kim Chuan in acquiring 398,000 M3nergy shares between 6 August 2008 and 11 September 2008 while in possession of material non-public information relating to the Conditional Voluntary Take-over Offer by BVI Limited to acquire M3nergy shares.	24 November 2015		

Table 5 (continued) Details of criminal prosecution in 2015

No.	Nature of offence	Offender(s)	Facts of charge(s)	Date charged	
CRIN	RIMINAL PROSECUTION INITIATED – PERSONS CHARGED				
7.	Chan Sze Yen	Tan Swee Hock	Tan Swee Hock was charged with 28 counts of insider trading under section 188(2)(a) of the CMSA. He is alleged to have acquired 632,700 Transocean Holdings Bhd (THB) shares between 20 August 2009 and 6 November 2009 while in possession of material non-public information relating to the proposed Take-over Offer by Kumpulan Kenderaan Malaysia Bhd of THB shares.	8 December 2015	
		Chan Sze Yeng	Chan Sze Yeng was charged for abetting Tan Swee Hock in acquiring 379,100 THB shares between 9 September 2009 and 6 November 2009 while in possession of material non-public information relating to the proposed Take-over Offer by Kumpulan Kenderaan Malaysia Bhd of THB shares.	8 December 2015	
		Cheng Seng Chow	Cheng Seng Chow was charged for abetting Tan Swee Hock in acquiring 379,100 THB shares between 9 September 2009 and 6 November 2009 while in possession of material non-public information relating to the proposed Take-over Offer by Kumpulan Kenderaan Malaysia Bhd of THB shares.	8 December 2015	

Outcome of criminal trials and appeals in 2015

In 2015, a total of eight individuals were sentenced to imprisonment terms for various breaches of the securities laws. These would include sentences which were meted

out both following trials at the Sessions Court as well as by the High Court and Court of Appeal upon appeals. This was in addition to the imposition of fines against these individuals. One other individual was fined a total of RM600,000 after pleading guilty to three charges under section 32(6) of the SCA (Table 6).



Table 6
Outcome of criminal trials and appeals in 2015

	Nature of		
No.	offence	Offender(s)	Description
OUT	COME OF CRIMINA	AL TRIALS AND APP	EALS – PERSONS FINED AND JAILED
1.	Submission of false financial results to the stock exchange Issuing a company prospectus containing false information	 Jimmy Tok Soon Guan Mok Chin Fan Cheong Kok Yai Normah Sapar 	Jimmy, Mok and Cheong, directors of Inix Technologies Holdings Bhd (Inix), were charged on 23 September 2010 for knowingly authorising the furnishing of false statements relating to the revenue of Inix to Bursa Malaysia. The charges under section 1228(b)(bb) of the SIA were in relation to false revenue in Inix's four quarterly reports for the quarters ending 31 October 2005, 31 January 2006, 30 April 2006 and 31 July 2006. Jimmy, Mok and Cheong were also charged under section 55(1)(a) of the SCA for causing the issuance of Inix's prospectus which contained a revenue amount that was false. Normah, a senior account executive of Inix, was charged for abetting Jimmy in committing the said offences. On 29 September 2011, Mok, Cheong and Normah pleaded guilty to all the offences charged. Jimmy pleaded guilty to all the offences on 13 October 2011. They were sentenced as follows: • Mok and Cheong were each fined RM125,000 (in default of payment, 1 year's imprisonment) for the offence under section 55 of the SCA and fined RM50,000 (in default of payment, 6 months' imprisonment) for each of the 4 offences under section 122B of the SIA; • Normah was fined RM150,000 (in default of payment, 1 year's imprisonment) for the offence under section 55 of the SCA and fined RM50,000 (in default of payment, 6 months' imprisonment) for each of the 4 offences under section 122B of the SIA; • Jimmy was fined RM400,000 (in default of payment, 2 years' imprisonment) for the offence under section 55 of the SCA. For the charges under section 122B of the SIA, he was fined RM20,000 (in default of payment, 18 months' imprisonment) for the first and second charges respectively and RM150,000 (in default of payment, 1 year's imprisonment) for the third and fourth charges respectively. The Prosecution appealed against the sentences imposed by the Sessions Court. The High Court affirmed the decision of the Sessions Court on 9 July 2013. The Prosecution appealed against the sentences imposed by the Sessions Court on all 4 individuals. Jimm

Table 6 (continued)

Outcome of criminal trials and appeals in 2015

No.	Nature of offence	Offender(s)	Description
OUT	COME OF CRIMINA	L TRIALS AND APP	EALS – PERSONS FINED AND JAILED
			Mok, Cheong and Normah were sentenced to:
			 6 months' imprisonment for each of the 4 charges under section 122B of the SIA (to be served concurrently); and 6 months' imprisonment for the charge under section 55 of the SCA.
2.	Fraud on a PLC Criminal breach of	Ngu Tieng UngWong Jit Kiang	Ngu, a director of Pancaran Ikrab Bhd (PIB), was charged on 5 May 2005 with 2 counts under section 87A(b) of the SIA for engaging in an act that operated as a fraud on PIB by utilising RM15.5 million of PIB's funds to purchase PIB shares.
	trust	j j	Ngu was also charged with one count of committing criminal breach of trust under section 409 of the <i>Penal Code</i> in respect of RM21.5 million of PIB's funds.
			Further, an alternative charge of committing criminal breach of trust under section 409 of the <i>Penal Code</i> involving RM37 million of PIB's funds was also preferred against Ngu.
			Wong was charged for abetting Ngu in the commission of the said offences.
			In October 2010, Ngu pleaded guilty to the 2 principal charges under the SIA and was sentenced to 1 day imprisonment and RM1 million fine for each charge. In August 2011 upon the SC's appeal against the sentence, the High Court set aside the conviction and sentence, on the ground that the plea was qualified and remitted the matter for a re-trial to the Sessions Court. The re-trial against Ngu commenced in January 2012. In August 2013, the Sessions Court ordered Ngu to enter his defence on the alternative charge of committing criminal breach of trust of RM37 million of PIB's funds.
			On 11 September 2015, the Sessions Court convicted Ngu of criminal breach of trust under section 409 of the <i>Penal Code</i> . Ngu was sentenced to 6 years' imprisonment and RM1 million fine, in default of payment, 2 years' imprisonment.
			Ngu has since filed an appeal to the High Court against his conviction and sentence. The Prosecution has also filed an appeal against Ngu's sentence.
			Wong Jit Kiang failed to attend court since 23 March 2009 and on 24 March 2010, the Sessions Court granted a discharge not amounting to an acquittal against him. A warrant of arrest is still pending against Wong.
3.	Knowingly authorising the furnishing of misleading statements to the stock exchange	Chin Keem FeungShukri Sheikh Abdul Tawab	On 14 November 2007, Chin and Shukri, former independent non-executive directors of Transmile Group Bhd (TGB) and also former members of TGB's Audit Committee, were both charged for knowingly authorising the furnishing of a misleading statement to Bursa Malaysia under section 122 B(b)(bb) of the SIA. The misleading statement was in relation to TGB's revenue which was contained in TGB's Quarterly Report On Unaudited Consolidated Results for the Financial Year Ended 31 December 2006.
			On 28 October 2011, the Sessions Court found Chin and Shukri guilty and they were both sentenced to 1 year imprisonment and a fine of RM300,000 (in default of payment, 6 months' imprisonment).
			On 17 September 2015, the High Court affirmed the decision of the Sessions Court and dismissed the appeal by both Chin and Shukri.
			Both Chin and Shukri have filed an appeal to the Court of Appeal against their conviction and sentence.



Table 6 (continued)

Outcome of criminal trials and appeals in 2015

No.	Nature of offence	Offender(s)	Description		
OUT	OUTCOME OF CRIMINAL TRIALS AND APPEALS – PERSONS FINED AND JAILED				
4.	Criminal breach of trust Breach of the SC's approval condition		Tan Hooi Chong was charged on 16 September 2004 for criminal breach of trust under section 409 of the <i>Penal Code</i> in relation to the misappropriation of the rights issue proceeds of Kiara Emas Asia Industries Bhd (KEAIB) amounting to RM16,937,739.20 on 3 occasions, between 16 to 31 December 1996. In the alternative, he was also charged with 3 charges under section 32(6) of the SCA for abetting KEAIB in contravening a condition imposed by the SC in its letter of approval dated 14 November 1996, in relation to the utilisation of KEAIB's rights issue proceeds. On 10 November 2009, he pleaded guilty to the 3 alternative charges and was sentenced to a fine of RM200,000 for each charge, cumulatively RM600,000. This led to both parties filling an appeal to the High Court. The SC had appealed on the basis of inadequacy of sentence while Tan appealed on the basis of the sentence being excessive. Following an application made by Tan at the High Court, it was ordered that the case be re-tried at the Sessions Court on the ground that Tan's plea was qualified. Dissatisfied by the High Court decision, Tan lodged an appeal to the Court of Appeal. However, on 21 April 2015, the Court of Appeal affirmed the decision of the High Court and ordered the case to be remitted to the Sessions Court for re-trial. On 2 October 2015, Tan Hooi Choong pleaded guilty to the 3 alternative charges and the Sessions Court sentenced him to a fine of RM200,000 for each alternative charge, cumulatively RM600,000 (in default 6 months' imprisonment for each charge).		
5.	Abetting United U-Li Corporation Bhd (U-Li) in knowingly permitting the making of a misleading statement to the stock exchange	Yue Chi Kin	Yue was charged on 28 April 2009 for abetting U-Li who had knowingly permitted the making of a misleading statement to Bursa Malaysia relating to the affairs of U-Li contained in page 15 of U-Li's Annual Report and Financial Statements for the financial year ended 31 December 2004, an offence under section 122(B)(b) (bb) read together with section 122(C)(c) of the SIA. Yue was at the material time, the audit partner of Messrs Roger Yue, Tan & Associates which audited U-Li's financial results for its financial year ended 31 December 2004. On 21 October 2015, the Sessions Court found Yue guilty and sentenced him to 1 year imprisonment and a fine of RM400,000 (in default of payment, 6 months' imprisonment). Yue has filed an appeal to the High Court.		

Civil enforcement actions and regulatory settlements in 2015

The SC instituted civil enforcement action against five individuals in 2015 for insider trading breaches. Six individuals also entered into regulatory settlements

with the SC during the course of the year for breaches relating to insider trading. The settlement amount recovered from the six individuals amounted to a sum of RM3,083,666.70. Further details are set out in Tables 7 and 8.

Table 7
Civil enforcement actions in 2015

No.	Nature of offence	Offender(s)	Description
1.	Insider trading	Goh Chin Liong Leong Ah Chai	 On 26 May 2015, the SC filed a civil suit against Goh Chin Liong and Leong Ah Chai. The SC is seeking, among others: A declaration that Goh Ching Liong had communicated material non-public information relating to the cancellation of a contract for the proposed construction of the Nad Al Sheba Dubai Racecourse in the Emirate of Dubai, United Arab Emirates (UAE) which was awarded to a joint-venture company set up by WCT Bhd (WCT) and one Arabtec Construction L.L.C. to Leong Ah Chai who had thereafter disposed of the said WCT Bhd shares between 2 January 2009 and 5 January 2009; A declaration that Leong Ah Chai had engaged in insider trading in respect of WCT shares between 2 January 2009 and 5 January 2009; A payment of the sum of RM2,542,184.70 from each of the defendants, which is equivalent to 3 times the amount of RM847,394.90 being the difference between the price at which the shares had been disposed of by Leong Ah Chai and the price at which the shares would have been likely to have been disposed of at the time of the disposal, if the material non-public information had been generally available; Civil penalty of RM1,000,000 against Goh Chin Liong for the breach of section 188(3) of the CMSA; Civil penalty of RM1,000,000 against Leong Ah Chai for the breach of section 188(2) of the CMSA; An order that each of the defendants be barred from being a director of any PLC for a period of 5 years; Interest; Costs.
			C030.



Table 7 (continued) Civil enforcement actions in 2015

No.	Nature of offence	Offender(s)	Description
2.	Insider trading	Chan Soon Huat	 On 27 May 2015, the SC filed a civil suit against Chan Soon Huat. The SC is seeking, among others: A declaration that Chan Soon Huat had engaged in insider trading in respect of WCT Bhd (WCT) shares between 30 December 2008 and 5 January 2009 while in possession of material non-public information relating to the cancellation of a contract for the proposed construction of the Nad Al Sheba Dubai Racecourse in the Emirate of Dubai, UAE which was awarded to a joint-venture company set up by WCT and one Arabtec Construction L.L.C.; A payment of the sum of RM3,238,760.55 which is equivalent to 3 times the amount of RM1,079,586.85 being the difference between the price at which the shares had been disposed of by Chan Soon Huat and the price at which the shares would have been likely to have been disposed of at the time of the disposal, if the material non-public information had been generally available; Civil penalty of RM1,000,000 for the breach of section 188(2) of the CMSA; An order that Chan Soon Huat be barred from being a director of any PLC for a period of 5 years; Interest; Costs.
3.	Insider trading	 Teng Choon Kwang Tan Boon Hwa 	 On 30 December 2015, the SC filed a civil suit against Teng Choon Kwang and Tan Boon Hwa. The SC is seeking, among others: A declaration that Teng Choon Kwang and Tan Boon Hwa had engaged in insider trading in respect of Inti Universal Holdings Bhd shares between 13 September 2007 and 18 September 2007 while in possession of material non-public information relating to a proposal from Laureate Education, Inc. to acquire the controlling interest in Inti from Inti's major shareholder, Inti Supreme Holdings Sdn Bhd. Laureate's proposed offer for the acquisition amounted to RM126.6 million which translated to a price of RM1.20 per Inti share; A payment of the sum of RM293,502.00 which is equivalent to 3 times the amount of RM97,834.00 being the difference between the price at which the shares had been acquired by Teng and Tan and the price at which the shares would have been likely to have been acquired at the time of the acquisition, if the material non-public information had been generally available; Civil penalty of RM1,000,000 for the breach of section 89E(2) of the SIA; An order that Teng and Tan be barred from being a director of any PLC for a period of 5 years; Interest; Costs.

Table 8
Regulatory settlements in 2015

No.	Nature of offence	Parties involved	Brief facts of the case
1.	Insider trading	Puan Chan Cheong	On 16 February 2015, Puan Chan Cheong entered into a settlement with the SC in the sum of RM475,531.92 when he agreed without admission or denial of liability, to settle a claim that the SC was proposing to institute against him for insider trading in the shares of Inti Universal Holdings Bhd (Inti) on 18 and 19 September 2007, contrary to section 89E(2) of the SIA. The material non-public information was in relation to a notice that was served to Inti by its controlling shareholders, Inti Supreme Holdings Sdn Bhd (Inti Supreme) on 18 September 2007 that Inti Supreme had received a proposal from Laureate Education, Inc. to acquire the controlling interest in Inti for an aggregate purchase consideration of RM126.6 million which translated to RM1.20 per Inti share, which was subsequently set out in an announcement made by Inti to Bursa Malaysia on 19 September 2007. The settlement was reached following a letter of demand sent by the SC pursuant to its civil enforcement powers under the securities laws, where the sum Puan was required to disgorge was equivalent to 3 times the difference between the price at which the shares were acquired and the price at which the shares would have been likely to have been acquired at the time of the acquisition, if the information had been generally available. The monies recovered will be applied in accordance with section 90A(7) of the SIA.
2.	Insider trading	 Puan Chan Cheong Loo Poh Keng 	On 16 February 2015, Puan Chan Cheong and Loo Poh Keng entered into a settlement with the SC in the sum of RM302,727 when they agreed without admission or denial of liability, to settle a claim that the SC was proposing to institute against them for insider trading in the shares of Inti on 19 September 2007, contrary to section 89E(2) of the SIA. The material non-public information was in relation to a notice that was served to Inti by its controlling shareholders, Inti Supreme on 18 September 2007 that Inti Supreme had received a proposal from Laureate Education, Inc. to acquire the controlling interest in Inti for an aggregate purchase consideration of RM126.6 million which translated to RM1.20 per Inti share, which was subsequently set out in an announcement made by Inti to Bursa Malaysia on 19 September 2007. The settlement was reached following letters of demand sent by the SC pursuant to its civil enforcement powers under the securities laws, where the sum Puan and Loo were required to disgorge was equivalent to 3 times the difference between the price at which the shares were acquired and the price at which the shares would have been likely to have been acquired at the time of the acquisition, if the information had been generally available. The monies recovered will be applied in accordance with section 90A(7) of the SIA.
3.	Insider trading	Puan Kam Fook	On 16 February 2015, Puan Kam Fook (Puan KF) entered into a settlement with the SC in the sum of RM218,520 when he agreed without admission or denial of liability, to settle a claim that the SC was proposing to institute against him for insider trading in the shares of Inti on 17 and 19 September 2007, contrary to section 89E(2) of the SIA. The material non-public information was in relation to a notice that was served to Inti by its controlling shareholders, Inti Supreme on 18 September 2007 that Inti Supreme had received a proposal from Laureate Education, Inc. to acquire the controlling interest in Inti for an aggregate purchase consideration of RM126.6 million which translated to RM1.20 per Inti share, which was subsequently set out in an announcement made by Inti to Bursa Malaysia on 19 September 2007.



Table 8 (continued) Regulatory settlements in 2015

No.	Nature of offence	Parties involved	Brief facts of the case
			The settlement above was reached following a letter of demand sent by the SC pursuant to its civil enforcement powers under the securities laws, where the sum Puan KF was required to disgorge was equivalent to 3 times the difference between the price at which the shares were acquired and the price at which the shares would have been likely to have been acquired at the time of the acquisition, if the information had been generally available. The monies recovered will be applied in accordance with section 90A(7) of the SIA.
4.	Insider Trading	Pang Soo Ling	On 23 March 2015, Pang Soo Ling entered into a settlement with the SC in the sum of RM71,224.50 when she agreed without admission or denial of liability, to settle a claim that the SC was proposing to institute against her for insider trading in the shares of Putrajaya Perdana Bhd between 12 July 2007 to 8 August 2007, contrary to section 89E(2) of the SIA. The material non-public information related to the disposal of shares in Putrajaya Perdana Bhd (PPB) held by Eastern & Oriental Bhd (E&O) and its wholly-owned subsidiaries, namely Dynamic Degree Sdn Bhd and Matrix Promenade Sdn Bhd to Swan Symphony Sdn Bhd (SSSB) at RM2.90 per PPB share, as set out in the announcement made by E&O to Bursa Malaysia on 8 August 2007. It was also stated in the announcement that SSSB was required to fulfil its obligations under the SCA and the <i>Malaysian Code on Take-overs and Mergers</i> 1998 (TOM Code) by extending a general offer for all securities in PPB which SSSB and any parties acting in concert did not already own on the date of the completion of the sale and purchase of PPB shares. The settlement was reached following a letter of demand sent by the SC pursuant to its civil enforcement powers under the securities laws, where the sum Pang was required to disgorge was equivalent to 3 times the difference between the price at which the shares were acquired and the price at which the shares would have been likely to have been acquired at the time of the acquisition, if the information had been generally available. The monies recovered will be applied in accordance with section 90A(7) of the SIA.
5.	Insider Trading	Sip Way Keong	On 23 March 2015, Sip Way Keong entered into a settlement with the SC in the sum of RM71,224.50 when he agreed without admission or denial of liability, to settle a claim that the SC was proposing to institute against him for communicating material non-public information, contrary to section 89E(3) of the SIA, to his wife, Pang Soo Ling, who then traded in the shares of PPB between 12 July 2007 to 8 August 2007. The information related to the disposal of shares in PPB held by E&O and its wholly-owned subsidiaries, namely Dynamic Degree Sdn Bhd and Matrix Promenade Sdn Bhd to SSSB at RM2.90 per PPB share, as set out in the announcement made by E&O to Bursa Malaysia on 8 August 2007. It was also stated in the announcement that SSSB was required to fulfil its obligations under then SCA and the TOM Code by extending a general offer for all securities in PPB which SSSB and any parties acting in concert did not already own on the date of the completion of the sale and purchase of PPB shares. The settlement was reached following a letter of demand sent by the SC pursuant to its civil enforcement powers under the securities laws, where the sum Sip was required to disgorge was equivalent to 3 times the difference between the price at which Pang acquired the shares and the price at which the shares would have been likely to have been acquired at the time of the acquisition, if the information had been generally available. The monies recovered will be applied in accordance with section 90A(7) of the SIA. Sip was at the material time the Director of Corporate Finance of Amlnvestment Bank Bhd.

Table 8 (continued) Regulatory settlements in 2015

	Nature of		
No.	offence	Parties involved	Brief facts of the case
6.	Insider trading	Chan Chee Beng	On 15 December 2015, Chan Chee Beng entered into a settlement with the SC in the sum of RM1,944,438.78 when he agreed without admission or denial of liability, to settle a claim that the SC was proposing to institute against him for communicating material non-public information contrary to section 89E(3) of the SIA to his late wife Yeoh Phaik Choo who then traded in the call warrants of Maxis Communications Bhd (Maxis) between 23 April 2007 and 27 April 2007. The information related to the notification from Usaha Tegas Sdn Bhd (UTSB), a substantial shareholder of Maxis that UTSB and its affiliates intended to launch a voluntary general offer through a special purpose vehicle for all the ordinary shares of Maxis, as set out in an announcement made by Maxis to Bursa Malaysia on 30 April 2007.
			Following this announcement, Maxis further announced on 3 May 2007, the details of the conditional take-over offer including the offer price of RM15.60 for each offer share. The settlement was reached following a letter of demand sent by the SC pursuant to its civil enforcement powers under the securities laws. Under the settlement, the sum Chan was required to disgorge was equivalent to 1.5 times the difference between the price at which Yeoh acquired the call warrants and the price at which the call warrants would have been likely to have been acquired at the time of the acquisition, if the information had been generally available. The monies recovered will be applied in accordance with section 90A(7) of the SIA. Chan at the material time was an executive director of UTSB as well as a non-executive director of Maxis.



INVESTOR EDUCATION PROGRAMMES

InvestSmart[™]

6,400 visitors 14,335 engagements with various exhibitors

9–11 October 2015

InvestSmart[™] Fest 2015 Mid Valley Exhibition Centre, Kuala Lumpur

DESCRIPTION

The annual retail investor event, InvestSmart™ Fest held for the second year, gathered capital market industry members, associations, institutions and government agencies under one roof to raise awareness on wise investing in the capital market.

Apart from talks, other interactive activities such as guizzes and fun games were organised for families with young children.





PROGRAMME

21–22 March 2015

InvestSmart[™] Mini Fest 1,000 visitors

DESCRIPTION

The InvestSmart™ Mini Fest is a smaller-scale event to the InvestSmart™ Fest. It allowed one-on-one engagement and useful insights on the investing patterns of the local community.

Eight exhibitors comprising associations and industry members set up their booths and organised games to engage the public.

PROGRAMME 280 students
20 November 2015 InvestSmartTM **Engagement**

UITM, Kota Semarahan, Sarawak

DESCRIPTION

InvestSmart[™] engagement and talk for UITM students.

SC in the Community

PROGRAMMES

MOF's Mobile CTC

7 February 2015 Permatang Pauh, Penang

2,500 visitors

14 February 2015 Simpang Empat, Perlis 2,500 visitors

22 August 2015 Tampin, Negeri Sembilan

2,000 visitors

5 September 2015 Bertam, Penang

2,500 visitors

17 October 2015
Dabong, Kelantan

2,500 visitors

DESCRIPTION

Continuing from 2014, the SC once again collaborated in roadshows with participating government agencies through the MOF's Mobile CTC programme.

Talks and engagement sessions with the mainly rural community served as platforms to provide information on the capital market, raising awareness on smart investing and warning against investing in unlicensed investment schemes.

PROGRAMMES

InvestSmart™ Kiosk

14 June 2015 UTC, Johor Bahru 497 visitors

7 July 2015 UTC Pudu, KL 302 visitors

1 August 2015 UTC Kuching, Sarawak 472 visitors

8 August 2015 UTC Kuantan, Pahang 530 visitors

15 September 2015 UTC Kota Kinabalu 380 visitors

31 October 2015 UTC Alor Star, Kedah 481 visitors

DESCRIPTION

The SC extended its efforts to reach the public in urban areas through the setting-up of InvestSmart™ Kiosks at Urban Transformation Centres (UTC). Collaterals, starter kits and various brochures on the capital market were distributed as the InvestSmart™ team engaged with the public and sought feedback on their investment experiences.



EdgeWiz Campus Investment Challenge (ECIC), Roadshow and Investment Talks

DESCRIPTION	NO OF INDIVIDUALS REACHED
InvestSmart and the Edge Education Foundation launched ECIC, an online stock-trading competition on 30 March 2015.	
The ECIC received great response with entries of 5,586 (students) and 364 (teams) from 64 colleges and universities.	
In conjunction with the competition, talks were conducted.	
HELP University, Pusat Bandar Damansara 11 February 2015	250 students, 1 talk
KDU University College, Shah Alam March 2015	100 students, 1 talk
 University of Nottingham Malaysia Campus, Semenyih 4 March 2015 	150 students, 1 talk
INTI International College (INTI IC), Subang Jaya 4 March 2015	100 students, 1 talk
KBU International College, Bandar Utama March 2015	120 students, 1 talk
 Tunku Abdul Rahman University College (TAR UC), Setapak 19 March 2015 	100 students, 1 talk
 Universiti Sains Malaysia, Penang 24 March 2015 	100 students, 1 talk
INTI IC, Penang 24 March 2015	150 students, 1 talk
• TAR UC, Penang 25 March 2015	100 students, 1 talk
DISTED, Penang 26 March 2015	100 students, 1 talk

Investor Education Events

DESCRIPTION	NO OF INDIVIDUALS REACHED
Minggu Saham Amanah Malaysia (MSAM) Sibu, Sarawak 18–27 April 2015	 2 talks for the general investing public: 160 attendees. 4,239 visitors to InvestSmart™ booth
The SC's participation in Permodalan Nasional Bhd's (PNB) annual MSAM event supports MSAM's objective of raising awareness on the importance of investing for the future.	319,000 visitors to MSAM
Ministry of Finance Open Day Putrajaya, Wilayah Persekutuan 2 December 2015	845 visitors
The InvestSmart [™] team set-up an exhibition booth at the Ministry of Finance Open Day to engage with the public and distribute collaterals on the capital market.	

Conferences

DESCRIPTION

IFIE-IOSCO Global Investor Education Conference 2015

Kuala Lumpur 18–20 May 2015

The International Forum for Investor Education (IFIE) and IOSCO chose SC to host its seventh IFIE-IOSCO Global Investor Education Conference. Global experts gathered to focus on best strategies for investor engagement in order to build financial capability.

Malaysia-OECD High-level Global Symposium on Financial Well-being

Kuala Lumpur

29 September - 1 October 2015

The SC's expertise in the capital market was tapped during the 3-day event which was organised by the OECD and BNM. Executive Director, Corporate Resources joined international regulators to speak on 'Integrated Financial Education and Consumer Protection Strategies to Promote Financial Well-being: A Policymaker Perspective'.

Conference on Strengthening Financial Resilience of Malaysia Consumers

Kuala Lumpur

26 November 2015

The InvestSmart[™] team set-up a booth where they presented information on long-term investment aligned to the theme 'Strengthening Financial Resilience of Malaysian Consumers'. The conference was jointly organised by the Federation of Malaysian Consumers Associations (FOMCA), ERA Consumer Malaysia and BNM.

Malaysia Retail Investment Conference 2015: Unit Trust

Kuala Lumpur 28 November 2015

InvestSmart[™] co-partnered with the Chartered Financial Analyst (CFA) Society Malaysia to organise this conference for retail investors. This public forum which attracted 600 participants was officiated by the Deputy Minister of Finance, Datuk Chua Tee Yong.



PUBLICATIONS

GUIDELINES AND CODES

Guidelines on Recognised Self-regulatory Organisation Issued 5 January 2015

Guidelines on Regulation of Markets under Section 34 of the Capital Markets and Services Act 2007 Issued 10 February 2015

Licensing Handbook
Revised
26 February and 8 July 2015

Guidelines on the Registration of Venture Capital and Private Equity Corporations and Management Corporations Issued 9 March 2015

Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework and Lodgement Kit Issued 9 March 2015 Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework Issued 9 March 2015 Updated/Effective 15 June 2015

Guidelines on Issuance of Private Debt Securities and Sukuk to Retail Investors Issued 15 June 2015

Guidelines for the Offering, Marketing and Distribution of Foreign Funds Revised 15 June 2015

Guidelines for Registered Person (Registered Representative) Revised 8 July 2015

Prospectus Guidelines Updated 31 July 2015

Guidelines on Recognised Markets Issued/Effective 11 December 2015

BOOKS, REPORTS AND CONSULTATION PAPERS

Securities Commission Annual Report 2014 Laporan Tahunan 2014 Suruhanjaya Sekuriti Malaysia Issued 5 March 2015

Harnessing Waqf into a Bankable Social Financing and Investment Asset Class: Proceedings of the SC-OCIS Roundtable 2014 Issued

14 March 2015

26 May 2015

Islamic Capital Markets: Principles and Practices (A joint publication with the International Shari'ah Research Academy for Islamic Finance)
Issued

Audit Oversight Board Annual Report 2014 / Laporan Tahunan 2014 Lembaga Pemantauan Audit Issued 2 June 2015

ASEAN Common Prospectus Handbook Issued 2 September 2015

Consultation Paper – Proposed Policy for the Admission of Mineral or Oil and Gas Exploration or Extraction Corporations or Assets to the Main Market of Bursa Malaysia Securities Bhd Issued 15 October 2015

BOOKLETS, BULLETINS AND PAMPHLETS

The Reporter
Issued
January and December 2015

Malaysian ICM
Issued
February and September 2015

Securities Commission Malaysia Regulatory Philosophy Issued March 2015

List of Shariah-compliant Securities by the Shariah Advisory Council of the Securities Commission Malaysia/ Senarai Sekuriti Patuh Syariah oleh Majlis Penasihat Syariah Suruhanjaya Sekuriti Malaysia Issued 28 May and 27 November 2015

Resolutions of the Shariah Advisory Council of the Securities Commission Malaysia, 2012-2014 Issued December 2015

WEBSITES

www.sc.com.my

www.investsmart.my

www.worldcapitalmarketsymposium.org

2015 AT A GLANCE

SC charges Group MD of TH Group and four others for insider trading

> Datuk Chua Tee Yong, **Deputy Finance** Minister, working visit to SC

SC Kelantan 9 Flood Relief





EdgeWiz Campus Investment Challenge 30 2015 launched in collaboration with The Edge and SC

> 6th SC-OCIS 2015 Roundtable Meeting on 'Seeking Sustainability: Role of Islamic Finance in the Transformational Change'



JANUARY

FEBRUARY

SC charges two more individuals for insider trading of TH Group Bhd shares

SC releases new guidelines to facilitate equity crowdfunding

MARCH

13-15

SC Annual Report

2014 released

SC hosts ASEAN Capital Market Forum (ACMF) Meetings and Signing of MoU between Malaysia, Singapore and Thailand on the Streamlined Review Framework for the applications to offer or list securities in

ASEAN

Former CEO of Inix Technologies jailed for submitting false statements

APRIL

SC charges Former **Executive Deputy** Chairman of Malaysian Merchant Marine (MMM) with insider trading

New crowdfunding guidelines

2015 IFIE-IOSCO GLOBAL INVESTOR EDUCATION CONFERENCE KUALA LUMPUR, MALAYSIA 18 - 20 MAY 2015

ISRA and SC launch Joint Publication on 'Islamic Capital Markets: Principles and Practices'



SC hosts
IFIE-IOSCO
Global Investor
Education
Conference

Annual AOB conversation engagement with audit committees

Staff and Industry Hari Raya gathering and SC Merdeka Leadership Series with Tan Sri Nor Yakcop

SC charges two individuals for insider trading of Ranhill Power Bhd Shares

SC charges former director of Linear Corporation Bhd

SC introduces measure to enhance competitiveness of fund management industry

SC revokes
licence of Lim
Chin Wat for
manipulative
securities dealing



SC liberalises fund management rules

Move to encourage the setting up of boutique fund management firms

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AUGUST

SC files suit against three individuals for insider trading

AOB Annual Report 2014 released

SC revokes licences of two individuals

Six equity crowdfunding platforms register with SC – Greater inclusivity in marketbased financing

SC introduces major reform in approval regime with Lodge and Launch Framework (LOLA) SC starts reform in product approval regime

Commission (SC) yesterda brought into effect the Lodg and Launch framework fo wholesale products and th "Guidelines on Unlisted Capita Market Products" issued of March 9.

commission funds and product approval regime, the SC sald in statement yesterday. It added that the framewor was intended to shorten time-to market by enabling wholesal products to be launched once the

with the commission system.

Currently, the approval time frame is between 14 and 21 days,

Wholesale products that ar

clude wholesale funds, structured products, bonds, sukuk and asset-backed securities," is sald.

The SC said the introduction of this framework was in time with its new regularory philosophy, which advocated proportionality or regulation and recognised the maturity of the Malaysian capital market and the sophistication of investors within the wholesale

market. With the liberalisation, SC said it would increase its focus on conduct regulation and product arrestitutes to ensure that all who are involved in the whole-sale market discharged than dulingence and disclosure obligations as well as upshold the other object of fair treatment of its

SC organises series of Industry dialogues with stakeholders

3-7









Amendments to securities laws come into force

> High Court affirms conviction on misleading disclosures by former independent non-executive directors of Transmile Group Bhd

SC issues Capital Markets and Services (Amendment) Act 2015



Audit Partner Jailed One Year, Fined RM400,000 for Misleading Disclosure of Financial

InvestSmart Fest 2015, Mid Valley **Exhibition Centre**

Information

Datuk Johari Abdul Ghani, Deputy Finance Minister, working visit to SC



suit againts two individuals for insider trading SC revokes

licences of Mercury Asset Management Sdn Bhd and trader for breach of licensing conditions

SC charges director of Transocean Holdings Bhd and two individuals for insider trading offences

SC and KWAP, jointly host the 41st MOF Games

SC charges

former CEO of Melewar Industrial 24 Group Bhd for insider trading

offences

SEPTEMBER

OCTOBER

NOVEMBER



Former Managing Director of Pancaran Ikrab Bhd jailed six years, fined RM1 million

SC starts process of restituting victims of illegal futures trading scheme

SC launches aFINity@SC

> World Capital Markets Symposium themed 'Markets and Technology: Driving future Growth through Innovation' in Kuala Lumpur

SC hosts ACMF meeting in Kuala Lumpur - Finalisation of ACMF Action Plan for 2016-2020





BNM and SC welcome The People's Bank of China's announcement to grant Renminbi Qualified Foreign Institutional Investor (RQFII) quota to Malaysia

SC Charity Jogathon 2015, 14 'Run With Me, Run for Funds⁴

SC Annual Dinner 'Broadway meets Wall Street'

Audit Oversight **Board** revokes registration of auditor for the first time

Audit board revokes auditor's registration for the first time

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ACRONYMS AND ABBREVIATIONS

ABMP Advanced Business Management Programme
ACCA Association of Chartered Certified Accountants

ACMF ASEAN Capital Markets Forum
ADB Asian Development Bank
AEC ASEAN Economic Community

AFAS ASEAN Framework Agreement on Services
AFMM ASEAN Finance Ministers' Meeting
A-MDP ACMF Market Development Plan

AML/CFT Anti-Money Laundering and Counter Financing of Terrorism

AML/CFT/PF Anti-money laundering, countering financing of terrorism and proliferation

financing

AOB Audit Oversight Board

APG Asia/Pacific Group on Money Laundering

ARF ASEAN Regional Forum

ARMS Asia-Pacific Regulators Dialogue on Market Surveillance

AUM Assets under management

BFMC Boutique fund management company

BNM Bank Negara Malaysia
Bursa Malaysia Bursa Malaysia Securities Bhd
CAR Capital adequacy ratio
CEF Closed-end fund
CEO Chief Executive Officer
CIS Collective Investment Schemes

CM² Capital Markets Malaysia
CMC Capital Market Compensation Fund Corporation

CMDF Capital Market Development Fund
CMDP Capital Market Director Programme
CMP2 Capital Market Masterplan 2
CMSA

CMSA Capital Markets & Services Act 2007
CMSL Capital Markets Services Licence

CMSRL Capital Markets Services Representative's Licence

ComEt Compliance and Ethics Committee
CPA Certified Public Accountant
CPE Continuing Professional Education
CTC Community Transformation Centre

ECB European Central Bank
ECF Equity crowdfunding

ECF Guidelines Guidelines on Regulation of Markets under Section 34 of the Capital Markets and

Services Act 2007



ECIC EdgeWiz Campus Investment Challenge

EMF Equity Margining Framework
EMP Emerging Markets Programme
EPF Employees Provident Fund

ESG Environmental, Social and Governance

ETF Exchange-traded fund FATF Financial Action Task Force

FBMKLCI FTSE Bursa Malaysia Kuala Lumpur Composite Index

FCPO Crude palm oil futures

FGLD Field Gradient Lattice Detector

FIMM Federation of Investment Managers Malaysia

FinTech Financial technology

FKLI Futures Kuala Lumpur Index

FRESH Financial Reports Electronic Submission Hub

FSAP Financial Sector Assessment Program

FSB Financial Stability Board

G20 Group of 20

GDP Gross domestic product
GEM Growth and Emerging Markets
HCD Human Capital Development

IAC Investor Affairs and Complaints Department

ICAEW Institute of Chartered Accountants in England and Wales

ICD Internal Compliance Department

ICM Islamic capital market

IFIE International Forum for Investor Education

IMD International Institute for Management Development

IMP Islamic Markets Programme

INCEIF International Centre for Education in Islamic Finance
IOSCO International Organization of Securities Commissions

IP Internal protocol
IPO Initial public offering

ISIS Institute of Strategic and International Studies Malaysia

KWAP Retirement Fund (Incorpororated)
LDP Leadership Development Programme
LOLA Lodge and Launch Framework
MAS Monetary Authority of Singapore
MDeC Multimedia Development Corporation

MEE Mutual Evaluation Exercise
MER Mutual Evaluation Report

MFRS Malaysian Financial Reporting Standard MGS Malaysian Government Securities

MMoU Multilateral Memorandum of understanding

MoU Memorandum of understanding

MoF Ministry of Finance

MOG Mineral, oil and gas

MVCDC Malaysian Venture Capital and Private Equity Development Council

NAV Net asset value NEON Network organiser

OCIS Oxford Centre for Islamic Studies

OECD Organisation for Economic Co-operation and Development

OIC Organisation of Islamic Cooperation

PBoC People's Bank of China
PDS Private debt securities

PE Private equity

PID Public-interest director
PIE Public-interest entities
PLC Public-listed company
PPA Private Pension Administrator
PRS Private retirement scheme

PROFOUND Financial Scheme for Continuous Professional Development

P2P Peer-to-peer

QCIS

REIT

Real estate investment trust

RWCR

Risk-weighted capital ratio

SAC

Shariah Advisory Council

SC

Securities Commission Malaysia

SCA

Securities Commission Act 1993

SCMA Securities Commission Malaysia Act 1993 SCxSC SC's Synergy and Crowdfunding Forum

SHF Shareholders' Funds
SIA Securities Industry Act 1983

SIDC Securities Industry Development Corporation
SIDREC Securities Industry Dispute Resolution Center

SME Small-and-medium enterprises

SRI Sustainable and Responsible Investment

SRO Self-regulatory organisation

SROC Systemic Risk Oversight Committee

TOM Code Malaysian Code on Take-overs and Mergers 2010
TPPA Trans-Pacific Economic Partnership Agreement

UAE United Arab Emirates
US Fed US Federal Reserve

UTC Urban Transformation Centre

VC Venture capital

VC/PE Guidelines Guidelines on Registration of Venture Capital and Private Equity Corporations and

Management Corporations

WCMS World Capital Markets Symposium
WIEF World Islamic Economic Forum