

## STATEMENT ON GOVERNANCE

The Securities Commission Malaysia (SC) is a statutory body established under the *Securities Commission Malaysia Act 1993* (SCMA) to regulate and develop the Malaysian capital market. The SC's mission is to promote and maintain fair, efficient, and transparent securities and derivatives markets and to facilitate the orderly development of an innovative and competitive capital market. It is committed to ensure investor protection, fair and orderly markets, and monitor, mitigate and manage systemic risks arising from the capital market. The SC's responsibilities, powers and authorities are clearly defined and transparently set out in securities laws, namely the SCMA, CMSA and *Securities Industry (Central Depositories) Act 1991* (SICDA).

### ABOUT THE COMMISSION

#### Board Members

The Board is responsible for the overall governance of the Commission. The Minister of Finance appoints Board members. The Board comprises a Chairman, a Deputy Chief Executive and seven other members who may include persons representing the government and private sector. The Chairman is entrusted with the day-to-day administration of the SC as provided by section 4B(1) of the SCMA.

Datuk Syed Zaid Albar assumed the position of Chairman on 1 November 2018 until 31 May 2022. Succeeding him, Dato' Seri Dr. Awang Adek Hussin was appointed as the Chairman effective 1 June 2022. A profile of Board members is featured on pages 100 to 101 and their involvement in the various committees established by the Board is provided on page 109.

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

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

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

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

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

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

#### Functions of the Commission

The functions of the Commission are the following:

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

- Supervise and monitor the activities of any exchange holding company, stock exchange, derivatives exchange clearing house and central depository;
- Take all reasonable measures to maintain the confidence of investors in the capital market by ensuring adequate protection for such investors;
- Promote and encourage proper conduct among participating organisations, participants, affiliates, depository participants and all licensed or registered persons of an exchange, clearing house and central depository, as the case may be;
- Suppress illegal, dishonourable and improper practices in the capital market, and in the provision of investment advice or other services relating to the capital market;
- Consider and make recommendations for the reform of the securities laws;
- Encourage and promote the development of the capital market in Malaysia including research and training in connection thereto;
- Encourage and promote self-regulation by professional associations or market institutions in the capital market;
- License, register, authorise, approve and supervise all persons engaging in regulated activities or providing capital market services as may be provided for under the securities laws;
- Promote and maintain the integrity of all licensed persons, registered persons, approved persons and participants in the capital market;
- Register or recognise all auditors of public-interest entities (PIEs) or schedule funds, and to exercise oversight over any person who prepares a report in relation to financial information of PIEs or schedule funds, in relation to capital market activities;
- Promote confidence in the quality and reliability of audited financial statements in Malaysia, and to promote and develop an effective and robust audit oversight framework in Malaysia;
- Take all reasonable measures to monitor, mitigate and manage systemic risks arising from the capital market;
- Promote and regulate corporate governance and approved accounting standards of listed corporations; and
- Set and approve standards for professional qualification for the capital market.

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

## Board Meetings

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

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

**TABLE 1**  
Attendance at Board meetings

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

<sup>1</sup> Resigned from the Board on 31 May 2022.

<sup>2</sup> Appointed to the Board on 1 June 2022.

<sup>3</sup> Resigned from the Board on 12 January 2023.

<sup>4</sup> Appointed to the Board on 1 March 2022.

## AUDIT COMMITTEE

The Audit Committee (AC) comprises non-executive members of the SC as shown in Table 2, who are appointed by the Board. The purpose, authority and responsibilities of the Audit Committee are set out in the Audit Committee Charter as approved by the Board. Essentially, the Audit Committee provides oversight of the SC's governance, risk management and internal control practices.

The Audit Committee has an oversight role over the internal audit function, including reviewing the outcome of audits and approving the annual internal audit plan. The Audit Committee is also responsible for the review of the external auditors' proposed audit scope, approach and performance, including reviewing all significant matters relating to the financial statements with Management and the external auditors. For the current financial year of 2022, the Audit Committee had convened 6 meetings.

**TABLE 2**  
Board Committees

Committee	Key responsibility	Members
<b>1. Audit Committee</b>	Review the effectiveness of the SC's risk management and internal control systems and review the annual financial statements.	<ul style="list-style-type: none"> <li>• Dato' Gooi Hoe Soon (Chairman)</li> <li>• Datuk Dr. Zunika Mohamed</li> <li>• Datin Rashidah Mohd Sies</li> <li>• Lynette Yeow Su-Yin</li> </ul>
<b>2. Issues Committee</b>	Review and decide on primary listings of corporations, business trusts and real estate investment trusts on the Main Market; acquisition of assets which results in a significant change in business direction or policy of a corporation or business trust listed on the Main Market; and secondary or cross-listings of foreign corporations or foreign business trusts on the Main Market.	<ul style="list-style-type: none"> <li>• Dato' Seri Dr. Awang Adek Hussin (Chairman)<sup>2</sup></li> <li>• Datuk Syed Zaid Albar (Chairman)<sup>1</sup></li> <li>• Datuk Zainal Izlan Zainal Abidin<sup>3</sup></li> <li>• Dato' Gooi Hoe Soon</li> <li>• Datin Rashidah Mohd Sies</li> <li>• Lynette Yeow Su-Yin</li> </ul>
<b>3. Take-overs and Mergers Committee</b>	Review take-over and merger-related applications of a novel and/or complex nature and matters relating to national policy.	<ul style="list-style-type: none"> <li>• Dato' Seri Dr. Awang Adek Hussin (Chairman)<sup>2</sup></li> <li>• Datuk Syed Zaid Albar (Chairman)<sup>1</sup></li> <li>• Datuk Zainal Izlan Zainal Abidin<sup>3</sup></li> <li>• Dato' Gooi Hoe Soon</li> <li>• Datin Rashidah Mohd Sies</li> <li>• Lynette Yeow Su-Yin</li> </ul>
<b>4. Licensing Committee</b>	Review and decide on applications for the grant of a new Capital Markets Services Licence (CMSL), new licensed representatives, appointments of directors, key management or compliance officers that are submitted together with a new CMSL application; and to consider any policy recommendations relating to licensing issues.	<ul style="list-style-type: none"> <li>• Dato' Seri Dr. Awang Adek Hussin (Chairman)<sup>2</sup></li> <li>• Datuk Syed Zaid Albar (Chairman)<sup>1</sup></li> <li>• Datuk Zainal Izlan Zainal Abidin<sup>3</sup></li> <li>• Dato' Gooi Hoe Soon</li> <li>• Datuk Dr. Zunika Mohamed</li> <li>• Tan Sri Mazlan Mansor<sup>4</sup></li> </ul>
<b>5. Nomination and Remuneration Committee (NRC)</b>	Assess and formulate the remuneration of the Chairman and Deputy Chief Executive (DCE) and make appropriate recommendations to the Minister of Finance.	<ul style="list-style-type: none"> <li>• Dato' Gooi Hoe Soon (Chairman)</li> <li>• Datuk Dr. Zunika Mohamed</li> <li>• Lynette Yeow Su-Yin</li> <li>• Tan Sri Mazlan Mansor<sup>4</sup></li> </ul>

<sup>1</sup> Resigned from the Board on 31 May 2022.

<sup>2</sup> Appointed to the Board on 1 June 2022.

<sup>3</sup> Resigned from the Board on 12 January 2023.

<sup>4</sup> Appointed to the Board on 1 March 2022.

## SHARIAH ADVISORY COUNCIL

The SAC is mandated to ascertain the application of Shariah principles on any matter relating to the ICM and plays an important role in the development of Malaysia's ICM. It advises the Commission on any Shariah issue relating to the ICM and issues rulings on the ICM which are published for the benefit of the industry. The 9 SAC members as listed in Table 3, serve for a 3-year period commencing 1 July 2020, as assented by the Yang di-Pertuan Agong under Section 31ZK of the SCMA.

## AUDIT OVERSIGHT BOARD

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

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

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

**TABLE 3**

Shariah Advisory Council members

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

**TABLE 4**

Audit Oversight Board members

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

Note:

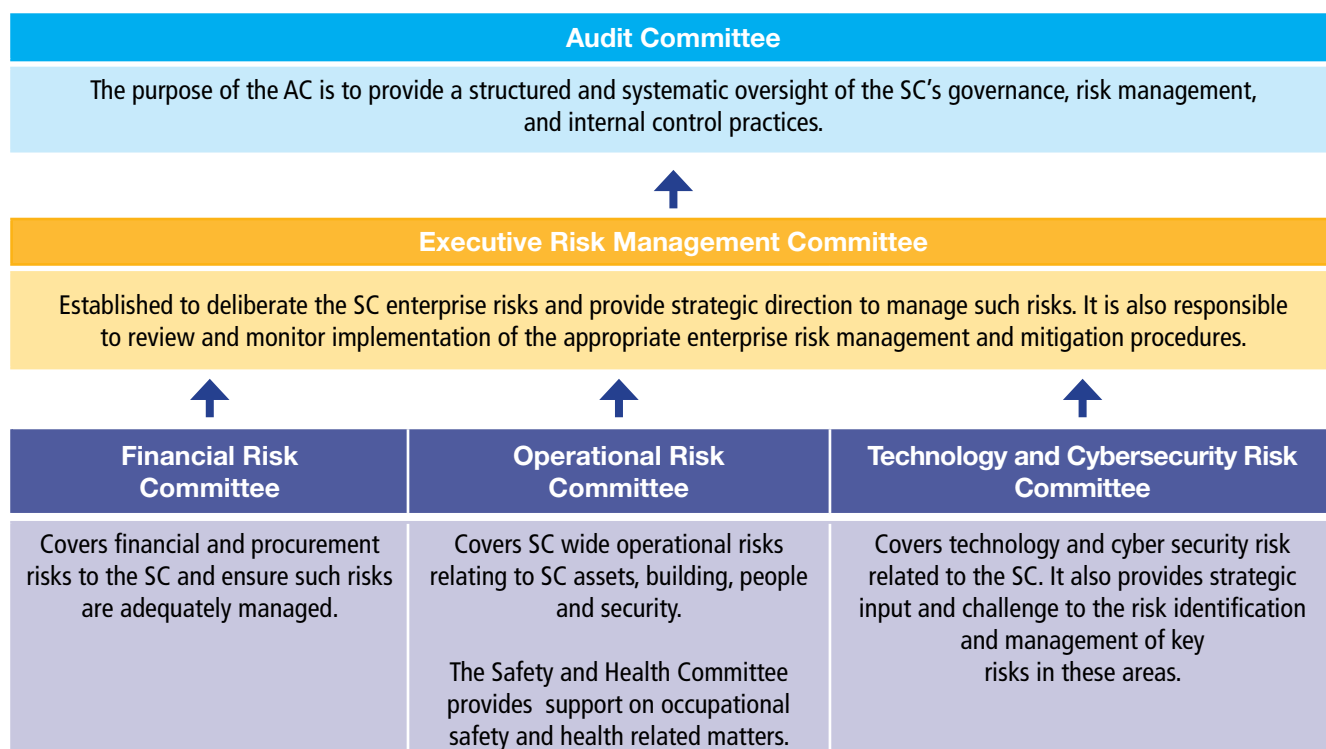
<sup>1</sup> Completed his term as Non-Executive Member on 5 October 2022.

<sup>2</sup> Appointed to the Board on 11 October 2022.

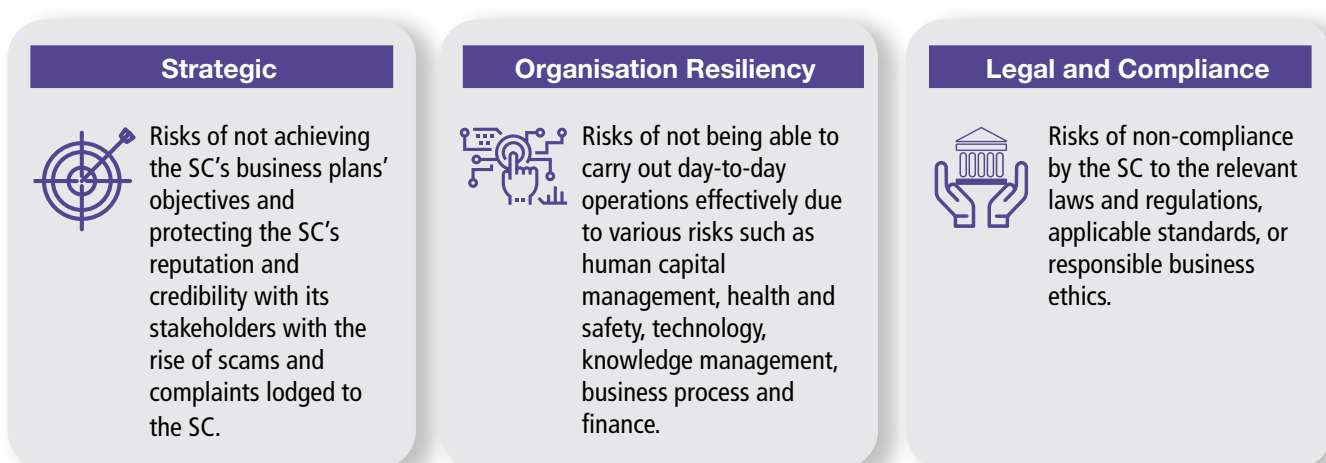
## Risk Management

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

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



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



## Business Continuity Management

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

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

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

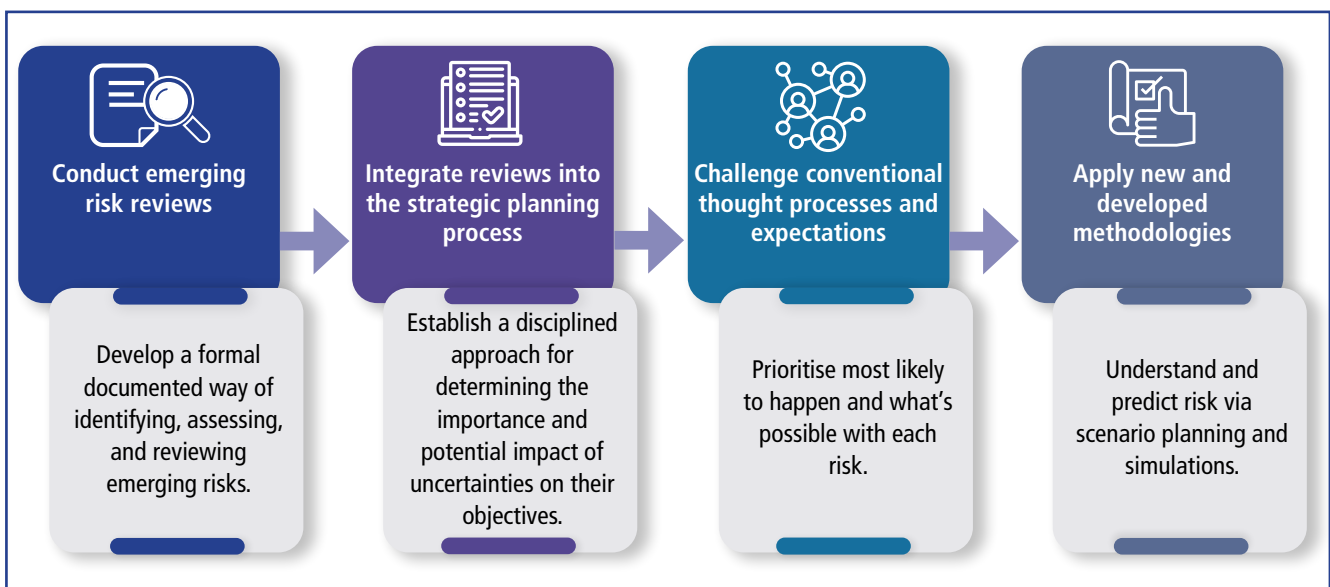
annual building evacuation drill and operational simulation. The BCM policy and framework are reviewed every 2 years to ensure relevancy and updated.

## Emerging Risks

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

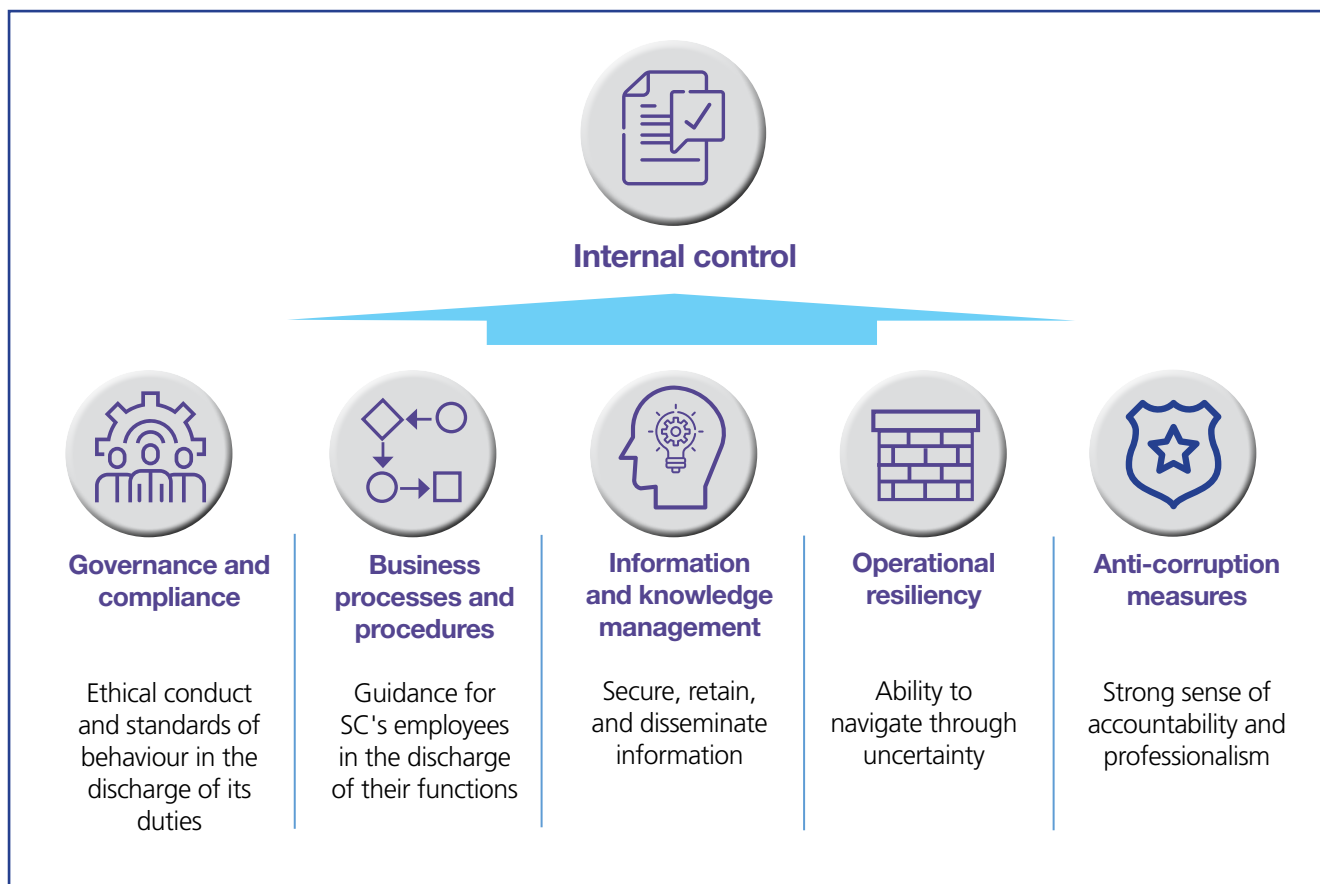
The SC has established an internal process to identify emerging risks on an annual basis. The methodology includes analysis of risk data points derived from leading and lagging key risk indicators; engagement with risk officers and relevant stakeholders; and environmental scan for emerging risk issues.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

FIGURE 1



## Internal Controls

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



## Governance and Compliance

The *Code of Conduct* was established:

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

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

## Business Processes and Procedures

- In promoting a transparent and knowledge sharing culture, the SC facilitates its employees' understanding of the SC's operations by making available Business Process Flows and other relevant business process guidance on the SC's intranet. These business process flows, and guidance documents are reviewed periodically by the respective business process owners to ensure they remain relevant.
- The *Procurement Policy and Guidelines* was established to ensure fair, transparent and orderly sourcing and acquisition of goods and services for the SC. It includes a procurement strategy outlining

proper guidance on the end-to-end procurement process as well as the reinforcement of good procurement governance and control.

- The *Asset Management Policy and Guidelines* ensures that the SC's assets provided its employees in discharging their functions are safe guarded and maintained in good working condition.

## Information and Knowledge Management

- The *Authorisation for Disclosure of Information Policy* governs the release of material non-public information to third parties. Requests for disclosure of such information will be referred to a committee consisting of senior management of the SC for decision.
- The *Data Loss Mitigation Guidelines* acts as a reference point for the SC's employees when handling both physical and electronic records containing sensitive information. The Guidelines ensures sensitive information is appropriately secured from unauthorised disclosure and protected from alteration, corruption, loss or misuse.
- The *Records Management Policy* was established to give clear guidance of the standards and procedures that need to be put in place to ensure that records are fit to be used as evidence and/or information by the SC, in carrying out business operations or legal obligations. Retention and dissemination process was improved to allow staff better access to knowledge and information to assist in their daily tasks.

## Operational Resiliency

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



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

### Anti-Corruption Measures

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

### INTERNAL AUDIT

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

IAD carries out its responsibilities by conducting reviews based on the internal audit plan as approved by the Audit Committee, which is developed using a risk-based methodology.

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

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

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

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

## EXTERNAL STAKEHOLDER AND PUBLIC COMMUNICATION

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

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

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

SIDREC is a body approved by the SC to handle capital market-related monetary disputes by investors against its members. SIDREC's members are licensed intermediaries and registered persons specified under Part 1 of Schedule 4 of the CMSA, carrying out dealings in securities, derivatives, PRS, and fund management in Malaysia. They comprise banks, stockbrokers, derivatives brokers, FMCs, unit trust management companies, PRS providers and distributors as well as 2 development financial institutions.

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

Under SIDREC's Mandatory Scheme for claims not exceeding RM250,000, SIDREC's members are required to participate in SIDREC's dispute resolution process. Services under the Mandatory Scheme are free to investors. Under its Voluntary Scheme, where both parties must agree to use SIDREC's expert services, SIDREC is able to accept claims exceeding RM250,000 for mediation and adjudication as well as court-referred mediation.

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