

Tokenisation presents new possibilities for capital market innovation, including the creation of programmable assets, fractional ownership of traditionally large ticket and illiquid instruments, and enhanced transparency and efficiency.

In view of the growing interest of existing capital market participants in exploring the use of blockchain technology and the issuance of tokens, through the *Capital Markets and Services (Prescription or Securities) (Digital Currency and Digital Token) (Amendment) Order 2025*, the SC has recognised and provided regulatory clarity that any tokenised securities shall be subject to the same underlying regulations applicable to conventional securities regardless of its technology.

Understanding the need for regulatory clarity to enable innovative adoption of blockchain technology while managing the regulatory expectations on risk management for investor protection, the SC published a *Consultation Paper on the Proposed Regulatory Framework for Offering and Dealing in Tokenised Capital Market Products* highlighting key risk areas for capital market participants to consider while exploring tokenisation of securities such as technology and cybersecurity risks, operational risks especially towards the record of ownership, legal risks towards the enforceability of rights and obligations and possible money laundering risks with the misuse of anonymity features.

Beyond regulatory clarity, the SC has been participating in various projects towards building a broader and deeper understanding within the industry and capital market participants through consultations and roundtable discussions.

Regulatory Sandbox: Enabling Responsible Innovation in Capital Market

Launched during the SCxSC Fintech Summit 2024, the SC introduced the Regulatory Sandbox to promote responsible innovation in the capital market. This initiative provides a controlled environment for testing new products and services, enabling market players to experiment while ensuring regulatory oversight. It also fosters collaboration between the SC and industry participants, helping to shape more effective and responsive regulatory frameworks.

In February 2025, the SC published the *Guidelines on Regulatory Sandbox*, detailing eligibility criteria and

application requirements. Operated on a cohort basis, the Regulatory Sandbox requires potential applicants to undergo a pre-consultation session with the SC to discuss their proposed business models and testing plans.

The initiative has garnered strong industry interest:



These participants are exploring innovations across several domains:



The successful participants will be provided with a testing period of approximately 12 months to deploy and assess their proposed solutions in accordance with the defined testing parameters and requirements.

BUILDING A MORE INCLUSIVE CAPITAL MARKET

In 2025, the SC intensified efforts to advance inclusivity across Malaysia's capital market, ensuring that opportunities for wealth creation and financing are accessible to a broader spectrum of participants. Initiatives focused on lowering entry barriers, empowering informed decision-making and strengthening participation among retail investors, MSMEs and underrepresented groups.

Key measures included introducing new access mechanisms in the securities and derivatives markets, enhancing advisory practices to incorporate sustainability preferences, expanding capital-raising avenues for MSMEs and MTCs, and scaling up ESG disclosure capabilities across local and regional SMEs.

Through these initiatives, the SC continues to build a more inclusive capital market that enables meaningful participation and supports Malaysia's long-term economic resilience.

Expanding Access and Participation Across the Securities and Derivatives Markets

Efforts to promote market inclusivity across the securities and derivatives markets centred on expanding access and participation across different segments of investors. The SC worked closely with market intermediaries and exchanges to introduce initiatives that lower entry barriers and encourage broader retail engagement. This included the introduction of the Bursa Malaysia Shares2U Scheme and Mini FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures (FKLM) Contract. Collectively, these measures aim to foster a more inclusive capital market by making investing more accessible, flexible and affordable.

Introduction of Bursa Malaysia Shares2U scheme

The Shares2U scheme was introduced as a new initiative to encourage greater retail participation in the Malaysian capital market by promoting investment in domestic shares. The scheme enables participating organisations (PO) to offer free Bursa-listed shares to their clients as marketing rewards, which may include campaigns for account openings, reactivation of accounts, fund deposits, trade executions, referral or loyalty programmes.

POs are required to establish a designated Investment Trading (IVT) account to purchase the shares intended to be gifted to their clients, coupled with a transfer limit of 1,000 units of shares per client account. These measures help maintain transparency and ensure the scheme effectively supports its objective of fostering greater retail engagement in the domestic securities market.

Shares2U was launched on 22 May 2025 with the initial participation of seven POs.

Introduction of Mini FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures (FKLM) Contract

In line with efforts to enhance retail participation and accessibility in the derivatives market, the SC has granted approval in principle for the introduction of FKLM on BMD. The FKLM is a smaller-sized version of the existing FKLI contract, with its contract size reduced to one-fifth of the FKLI. This proportional reduction in contract value and margin requirements lowers the capital outlay needed for participation, making derivatives trading more attainable for a wider segment of investors.

By offering a more flexible and cost-effective avenue for retail investors to participate in derivatives trading, its introduction therefore supports the broader goal of fostering a vibrant and inclusive derivatives marketplace by further democratising market access.

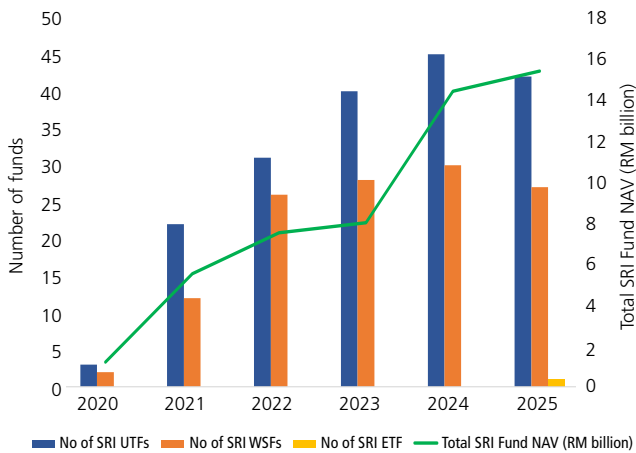
The contract is targeted to be introduced by 26 January 2026.

Incorporating Sustainable and Responsible Investment into Advisory Practices

The SC recognises that one of the key pathways to meaningful and inclusive participation is ensuring that investors are not only able to access opportunities, but also to make informed and purposeful decisions. This is especially evident among younger investors, who increasingly want their investments to reflect not only their financial goals, but also their values. Insights from the Institute for Capital Market Research (ICMR) show that over 70% of millennials and Gen Z investors are more likely to invest in products that promote sustainability and good causes.

This growing investor interest is reflected in the strong performance of Malaysia's SRI fund segment, which has expanded nearly tenfold between 2020 and 2024 from RM1.46 billion to RM14.44 billion in net asset value (NAV). As at 31 December 2025, there were 70 funds qualified as SRI funds, comprising 42 unit trust funds, 27 wholesale funds and one ETF with a total NAV as at 31 December 2025 of RM15.38 billion (2024: RM14.44 billion).

CHART 1
SRI Funds – NAV and no. of funds



Source: SC

Against this backdrop, unit trust and PRS consultants, as well as financial planners, play a transformative role in bridging investor intent and action. By helping clients navigate the growing range of sustainable and responsible investment options, consultants can ensure that portfolios reflect both financial aspirations and personal values. In doing so, they also strengthen their own value proposition, as the ability to serve clients with greater insight and relevance offers a distinct competitive edge.

Findings from a recent FIMM members survey highlighted that there is a need for a clear framework to incorporate sustainability preferences into client recommendations. Respondents also indicated that a structured reference guide would help them provide more consistent and informed advice to investors.

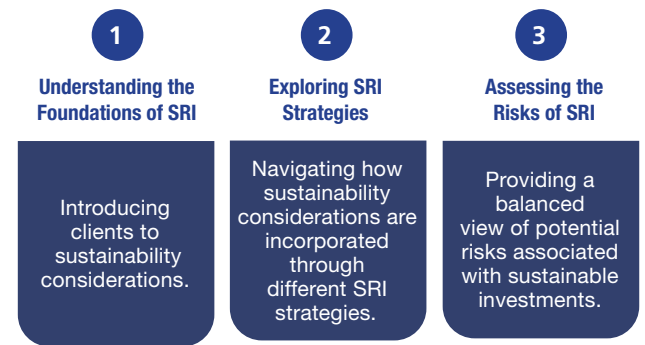
70% FIMM respondents surveyed indicated they do not have an existing guide to help incorporate sustainability preferences of investors

95% FIMM respondents surveyed indicated a guide would help Consultants provide better guidance to investors in making informed decisions in sustainable investing

To support consultants in providing values-aligned investment advice, the SC, in collaboration with FIMM, developed the *Guide for Assessing Investors’ Sustainability Preferences for Sustainable and Responsible Investment (SRI) Funds in 2025*. The Guide offers a clear and practical framework to help

consultants incorporate sustainability considerations into advisory conversations, from understanding what clients value, to documenting their preferences and identifying suitable SRI fund options.

The Guide also introduces a structured approach to embed sustainability preferences within advisory practices. It outlines key steps to help consultants explain fundamental SRI concepts to clients, assess their sustainability motivations, recommend suitable SRI products, and formally record these preferences as part of advisory documentation. This ensures a consistent, transparent, and client-centric process that enhances advisory quality and strengthens investor confidence in sustainable investment decisions.

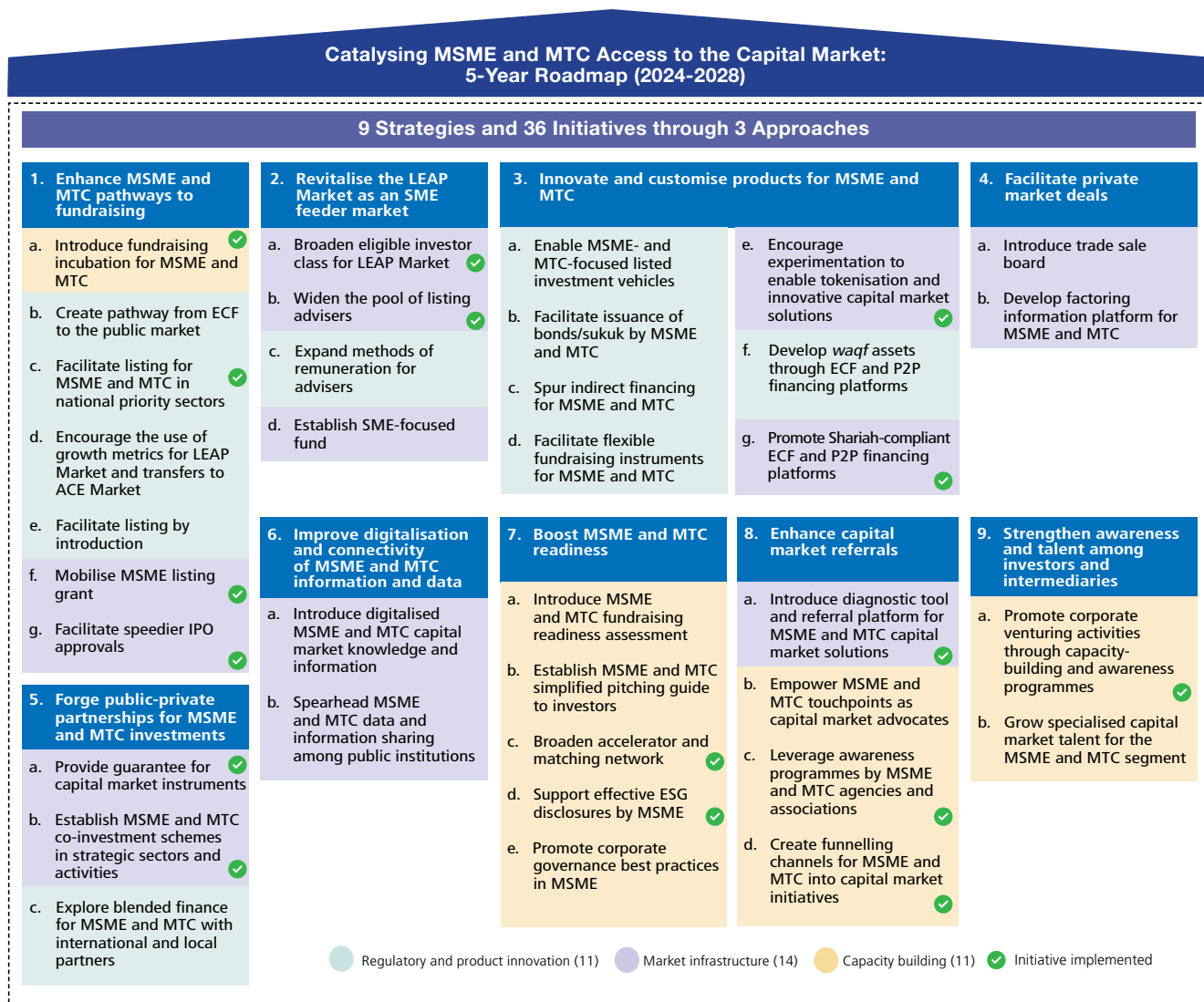


Broadening Capital Market Access for MSMEs and MTCs

Following the launch of the *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap 2024-2028* (MSME and MTC Roadmap) in May 2024, the SC continued to strengthen efforts in 2025 to position the capital market as an attractive and viable source of financing for MSMEs and MTCs. The MSME and MTC Roadmap charts a five-year plan to mobilise RM40 billion in market-based financing for MSMEs and MTCs in 2028.

As of 31 December 2025, just under two years from the launch of the MSME and MTC Roadmap, 16 out of the 36 MSME and MTC Roadmap initiatives (44%) have been launched or implemented. Further, in 2025, RM10.4 billion has been fundraised, compared with RM7.2 billion in 2024.

Implementation of the MSME and MTC Roadmap’s initiatives are organised across three key approaches, regulatory and product innovation, market infrastructure, and capacity building.



Scan QR code to access the MSME and MTC Roadmap

These categories reflect a holistic approach to enhancing the MSMEs and MTCs ecosystem, strengthening regulatory foundations, improving market connectivity, and building the readiness of MSMEs and MTCs, their touchpoints, investors and intermediaries.

Strengthening Market Infrastructure for MSMEs and MTCs

Capacity Building

To enhance MSMEs and MTCs readiness for fundraising, the SC focused on awareness, education and leadership development. Key programmes include:

- **Elevate Programme**

Capital Markets Malaysia (CMM) launched the Elevate Programme as an executive leadership initiative to strengthen the fundraising readiness of MTCs and high-growth SMEs. The four-month programme is structured across three phases, comprising 10 full days of training.

The key objective of the programme is to ensure that companies on a steady growth trajectory can successfully scale their businesses by equipping them with the necessary set of competencies and expertise required for sustainable business growth.

Recognising that taking a successful company to the next level of growth will require significant funding, the Elevate Programme supports the growth of these companies by enhancing their capabilities and readiness to access the capital markets, specifically equipping them with the guidance and preparation required for an IPO or private equity investment.

Since its inception, six cohorts comprising a total of 120 MTCs and medium sized companies have successfully completed the Elevate Programme. In 2025, the SC partnered with Khazanah Nasional and TERAJU Bumiputera Corporation (TERAJU) to scale up the Elevate Programme, enabling more companies to benefit from the programme.

- ***Bumiputera participation through the Elevate – TERAJU Cohort***

In October 2025, the SC signed an MOU with TERAJU to strengthen the fundraising readiness and leadership capacity of bumiputera companies, in line with efforts to enhance inclusivity within Malaysia's capital market.

Under this two-year collaboration, CMM will lead the implementation of targeted capacity-building initiatives, including the creation of the Elevate-TERAJU Cohort. The programme aims to build a pipeline of investment-ready bumiputera enterprises, improve access to equity and alternative financing, and encourage adoption of sustainability practices through the SC's SEDG.

On 25 September 2025, 20 bumiputera companies from the manufacturing, healthcare, engineering and technology sectors were selected for the inaugural Elevate-TERAJU Cohort, marking a milestone under this collaboration to expand bumiputera participation in Malaysia's capital market.

Simplified ESG Disclosure Guide for SMEs in Supply Chains

The SEDG for SMEs in Supply Chains, developed by CMM, continues to play a key role in promoting practical ESG reporting among SMEs in Malaysia. The guide helps SMEs track and disclose their sustainability practices in alignment with global frameworks such as the Global Reporting Initiative (GRI), and International Finance Reporting Standards (IFRS S1 and S2) by the International Sustainability Standards Board (ISSB

Standards), while also referencing Malaysian standards including Bursa Malaysia's Sustainability Reporting Guide, the FTSE4Good Index and the Malaysian Code on Corporate Governance (MCCG).

To further strengthen Malaysia's ESG disclosure ecosystem, CMM released Version 2 of the SEDG in July 2025. The revised SEDG expanded the total number of disclosures from 35 to 38, across 15 ESG topics, featuring clearer definitions, improved usability and alignment with global standards, while maintaining consistency with ASEAN sustainability frameworks.

Complementing the revised SEDG, CMM launched the SEDG GHG Emissions Calculator, a free digital tool that enables SMEs to estimate and report their greenhouse gas emissions using operational data in line with the Greenhouse Gas Protocol. The calculator provides a practical means for SMEs to report their carbon footprint, supporting Malaysia's broader efforts to strengthen climate data and disclosure readiness.

Since its introduction, the SEDG has gained strong traction with over 50 adopters and an estimated 5,000 SMEs are now using the SEDG to structure their ESG disclosures and strengthen their sustainability reporting practices.

investED: Building a Future-Ready and Inclusive Capital Market Workforce

The investED initiative is a key platform for strengthening Malaysia's capital market talent pipeline through two complementary pathways: the investED Capital Market Graduate Programme (2023 to 2025) which supports new fresh graduates as part of its objective to build future talent pool and investED for Returning Women (2025) which enables experienced women to re-enter the workforce.

investED Capital Market Graduate Programme 2023-2025

The investED Capital Market Graduate Programme 2023-2025 was officially launched by the Prime Minister of Malaysia, YAB Dato' Seri Anwar Bin Ibrahim. The initiative is implemented by the SC in collaboration with the Ministry of Higher Education (MOHE), key capital market players, and academic institutions, with strong support from the Ministry of Finance (MOF).

This programme reflects a national commitment to developing future-ready talent by bridging the gap between academic institutions and industry needs. It aims to enhance graduate employability and ensure a steady pipeline of skilled professionals for the capital market sector. Outcomes from the three-year programme are as in Table 1.

TABLE 1
Programme Outcomes by Year

Programme Component	Year 1 (2023)	Year 2 (2024)	Year 3 (2025)	Total (3 Years)
Career Talks	24	21	6	51
Total Participants	8,586	4,945	729	14,260
Career Fairs	7	6	7	20
Total Attendees	38,631	58,506	78,380	175,517
Foundation Programme (enrolled)	809	1,013	896	2,718
Leadership Programme (trainees)	171	199	211	581

Empowering Women Returnees (2025)

Under Budget 2025, the SC introduced investED for Returning Women targeting mid-career women resuming employment after career breaks. The programme provides a structured pathway through two stages: a Refresh Phase to rebuild workplace confidence and readiness followed by a Reskill Phase providing technical upskilling and sector exposure. With a target of 100 participants and an expected placement rate of 60% to 70%, the programme is supported by key partners including the 30% Club, LeadWomen, PwC Malaysia, SIDC and TalentCorp.

Together these pathways reflect the SC’s commitment to a skilled, diverse and inclusive capital market workforce by preparing new graduates and re-engaging experienced women talent to support long-term industry capability.

CONTINUING AND EVOLVING SUCCESS IN CO-INVESTMENT FOR MSMEs AND MTCs

The mobilisation of risk capital remains crucial for broadening access to financing for micro, small and medium enterprises (MSMEs) and mid-tier companies (MTCs), which form the backbone of Malaysia’s economic growth. Against this backdrop, the Malaysia Co-Investment Fund (MyCIF), established in 2019, has established itself as a successful public-private partnership model that channels capital into these segments by co-investing alongside private investors on Equity Crowdfunding (ECF) and Peer-to-Peer (P2P) financing platforms.

Since its inception under Budget 2019, MyCIF has co-invested over RM1.5 billion in more than 11,500 MSMEs, helping to crowd in more than RM6 billion in private investment through more than 80,000 co-invested campaigns. This blended finance approach not only amplifies government support but also strengthens investor confidence, enhances market-based financing channels and addresses financing gaps for enterprises that may not have access to traditional bank lending.

Building on this legacy of impact, 2025 saw the launch of the NIMP 2030 Strategic Co-Investment Fund (CoSIF) – a collaboration between the Ministry of Investment, Trade and Industry (MITI) and the SC. Designed as a government co-investment fund with an initial allocation of RM131.5 million, CoSIF adopts a similar public-private co-investment mechanism to support strategic and high-impact industrial projects and enterprises, particularly in manufacturing and priority sectors identified under the NIMP 2030 framework.



By co-investing alongside private investors at predetermined ratios through ECF and P2P financing platforms, CoSIF enhances the attractiveness of capital market financing for MSMEs and MTCs, which often face higher perceived risk due to limited financial track records or unfamiliar business models. In its first year of implementation, CoSIF disbursed RM30 million across 59 campaigns in 2025, supported by targeted roadshows in Penang, Johor and the Klang Valley to generate deal flow, engage industry clusters and raise awareness of capital-market-based financing alternatives.

The strategic alignment of CoSIF with the SC’s *Catalysing MSME and MTC Access to the Capital Market: 5-Year Roadmap 2024-2028* reflects a whole-of-nation approach that leverages structured co-investment to deepen access to market-based financing and promote broader participation in the capital market. Through sector-specific co-investment ratios, CoSIF supports a wide range of sectors, including NIMP 2030 priority sectors such as aerospace, chemicals, electrical and electronics, pharmaceuticals and medical devices, as well as new growth sectors such as advanced materials, electric vehicles, renewable energy, and carbon capture, utilisation and storage (CCUS).

MyCIF’s continued track record and the introduction of CoSIF underscore how co-investment mechanisms can advance a more inclusive capital market by widening access to market-based financing. By crowding in private capital and lowering barriers for MSMEs and MTCs, particularly those that may face constraints in accessing traditional financing, these initiatives help democratise fundraising opportunities and broaden participation in the growth economy. The co-investment model also enables smaller investors to participate alongside government support through regulated ECF and P2P financing platforms, strengthening confidence and widening reach. As both funds scale and evolve, they will continue to support a more inclusive and accessible capital market ecosystem that enables a broader range of enterprises and communities to benefit from sustainable economic development.

