The background of the entire page is a dark blue color. It features a complex pattern of lighter blue lines that create a strong sense of perspective and depth. The lines are arranged in a way that they appear to recede into the distance, forming a series of nested, slightly irregular shapes that resemble a stylized 'V' or a series of parallel paths converging towards the top left. The overall effect is dynamic and modern.

PART 2
REGULATORY
PERFORMANCE AND
OUTCOMES

PART 2

REGULATORY PERFORMANCE AND OUTCOMES

INTRODUCTION

The SC's mission to promote and maintain a fair, efficient, secure and transparent capital market is operationalised through its regulatory functions, which consist of rulemaking, gatekeeping, surveillance, supervision, complaints handling and enforcement. This chapter provides an account of the SC's key regulatory activities in 2023, which were underpinned by proactive risk surveillance to identify priority areas and enable the SC to optimally focus its efforts and resources.

MONITORING AND MANAGEMENT OF SYSTEMIC RISK

Despite the improvement in global financial markets following lower energy prices and a slower pace of monetary tightening, the capital market remained sensitive to potential deterioration in economic fundamentals such as persistently elevated core inflation and lingering geopolitical tension. Against this backdrop, the SC remained vigilant of potential downside risks that may pose a threat to the systemic stability of the Malaysian capital market.

In 2023, the SC further enhanced its enterprise-wide risk governance framework to facilitate a more streamlined and structured approach. Under this framework, the Systemic Risk Oversight Committee (SROC) is supported by the Market Risk Committee (MRC) and Technology and Cybersecurity Risk Committee (TCRC) (Figure 1). SROC conducted regular engagements to deliberate areas of emerging concerns to pre-empt a build-up of systemic risk in the capital market.

The SC engaged other regulators such as Bank Negara Malaysia (BNM) and the Labuan Financial Services Authority (Labuan FSA) to identify systemic risk concerns which may impact the Malaysian capital market. Issues deliberated include the global banking turmoil in March 2023, persistent inflation and ESG risks. Such engagements

FIGURE 1
Systemic risk governance structure



enabled timelier and more co-ordinated inter-agency response, when required. The domestic equity and bond markets, foreign fund flows and trade participation were also monitored for potential stress points.

In 2023, the SC has reviewed its Crisis Management Framework to enhance operational processes and guidance aimed at better crisis response co-ordination within the SC. In view of the significant change in market dynamics post the COVID-19 pandemic, a three-day Capital Market Crisis Preparedness and Management Programme was jointly organised with the Toronto Centre to reinforce the SC's organisation-wide crisis preparedness. The programme aimed to ensure the adequacy and relevance of organisational crisis preparedness while identifying areas for enhancement in relation to market crisis response capabilities moving forward.

The SC also conducted several thematic assessments on topics such as the Silicon Valley Bank (SVB) collapse, Additional-Tier 1 (AT1) bonds, funds stress test and investor fund flows. In the first quarter of 2024, the SC will publish its second *Capital Market Stability Review* which contains an overall assessment of risks in the Malaysian capital market and a discussion on relevant drivers of systemic risk.¹

CAPITAL-RAISING

Equity

In 2023, equity fundraisings continued to register a higher number of equity applications submitted to the SC, compared to 2022.

TABLE 1
Equity applications

No. of applications	2023	2022
Received during the year	22	20
Considered	18	18
Approved	18	16

TABLE 2
Service charter performance – equity applications

Measure	Target	Results	
		2023	2022
No. of equity applications processed within time charter ²	90%	99%	100%

TABLE 3
Equity prospectuses and other documents

Equity applications	2023	2022
Prospectus	6	19
Abridged prospectus	11	15
TOTAL	17	34

Out of the 22 equity applications received by the SC in 2023, nine of which were for initial public offerings (IPOs), two in relation to a proposed acquisition resulting in a significant change of business direction or policy, and 11 for transfer of listings to the Main Market of Bursa Malaysia Bhd (Bursa Malaysia) (Table 1). A further seven applications had been brought forward from 2022 (Please refer to Table 1A on page 61 for Detailed Statistics).

Out of this total, 18 applications were considered while two were withdrawn and nine remained under review as at year-end. On average, five rounds of queries were raised per equity application considered, 99% of which were raised within time charter (Table 2).

The SC also registered 17 equity prospectuses in 2023, comprising six IPO prospectuses and 11 abridged prospectuses in relation to fundraising by listed corporations (Table 3).

Corporate Bonds and Sukuk

TABLE 4
Corporate bonds and sukuk lodgements

Lodgements during the year	2023	2022
No. of lodgements	64	62

TABLE 5
Corporate bonds and sukuk applications

Applications during the year	2023	2022
No. of applications	2	2
Considered	2	2
Approved	2	2

In 2023, the number of corporate bonds and sukuk lodgements³ remained stable with 64 corporate bonds and sukuk lodgements made with the SC compared to 62 lodgements in the previous year (Table 4). Sukuk accounted for 67% of the number of lodgements, as well as 57% of the nominal value in relation to ringgit-denominated instruments (sukuk RM98.26 billion; total

¹ The *Capital Market Stability Review* is available on <https://www.sc.com.my/resources/cmsr>.

² Based on number of queries issued:

(i) first round of query raised within 10 Market Days (MDs) from receipt of complete submission; and
(ii) subsequent queries raised within five MDs from receipt of complete replies.

³ Pursuant to the Lodge and Launch Framework for Unlisted Capital Market Products (LOLA Framework).

RM171.26 billion) and 80% of the nominal value for foreign currency-denominated instruments (sukuk US\$40.00 billion; total US\$50.00 billion) (Please refer to Table 4A on page 61 for Detailed Statistics).

The SC also received two corporate bonds applications with a nominal amount of RM0.22 billion in 2023, compared to two corporate bonds applications with a nominal amount of RM0.37 billion received in 2022 (Table 5). Both applications had been considered and approved as at year-end (Please refer to Table 5A on page 62 for Detailed Statistics).

TABLE 6
Corporate bonds and sukuk-related documents

No. of documents	2023	2022
Lodgement of trust deed/supplemental trust deed	107	70
Deposit of information memorandum/ lodgement of disclosure document	62	52
Lodgement of product highlights sheet	3	1
Registration of abridged prospectus	2	-

A total of 174 documents were received in 2023 compared to 123 documents received in 2022, representing a 41% increase in corporate bonds and sukuk related documents received by the SC (Table 6).

Take-overs and Mergers

TABLE 7
Take-overs, mergers and compulsory acquisitions

Applications and documents considered	2023	2022
Clearance of offer/scheme documents	10	18
Clearance of independent advice circulars (IACs)	13	25
Clearance of whitewash ⁴ circulars	4	3
Applications for exemption from mandatory offer obligation	19	11
Other applications	16	20
TOTAL	62	77

⁴ Whitewash refers to an exemption from mandatory offer obligation arising from the issuance of new securities, granted by the SC subject to fulfilment of the stipulated conditions including approval from independent holders at a general meeting.

⁵ Includes one application where extension of time was granted to submit an IAC to the SC and dispatch the same to shareholders.

⁶ Includes one application where extension of time was granted to dispatch the circular and independent advice letter for the scheme.

TABLE 8
Service charter performance – take-overs and mergers

Measure	Target	Results	
		2023	2022
Offer documents cleared within 21 calendar days from receipt of take-over offer notice	100%	100%	100%
IACs for take-over offers cleared within 10 calendar days from offer document dispatch date		100% ⁵	100%
Scheme document and independent advice letter for schemes cleared within 35 calendar days from date of announcement by offeree board to table the resolution for the scheme to shareholders for approval		100%	100% ⁶

The SC administers the *Malaysian Code on Take-overs and Mergers 2016 (Code)* and *Rules on Take-overs, Mergers and Compulsory Acquisitions (Rules)* to ensure that the acquisition of control takes place in an efficient, competitive and informed market. The SC also focuses on the conduct of relevant parties to ensure that shareholders of the offeree company are treated fairly, given the opportunity to decide on the merits of a take-over and are afforded equal treatment by an offeror.

The SC periodically reviews take-over policies to ensure that the requirements provide an orderly framework within which take-overs, mergers and compulsory acquisitions are conducted. To this end, public consultation or engagement with various interest groups are organised to seek feedback.

In 2023, the SC considered a total of 62 applications under the Rules compared to 77 applications in 2022. This was mainly due to the lower number of take-over offers/schemes and exemptions for the mandatory offer obligation pursuant to the whitewash procedures undertaken during the year (Table 7).

The SC cleared 10 offer documents involving a total offer value⁷ of RM5.53 billion or an average of RM553.43 million per offer. This represented an increase of RM3.43 billion against the previous year (2022: 18 offers with total offer value of RM2.10 billion, averaging RM116.93 million per offer). Three of the 10 offers were undertaken by way of schemes, similar to 2022.

The largest offer in 2023 was by Sime Darby Enterprise Sdn Bhd (a wholly owned subsidiary of Sime Darby Bhd) for the remaining shares in UMW Holdings Bhd. At RM2.27 billion in offer value, it accounted for 41% of the total offer value in 2023. Other notable offers in terms of offer value include the offers by Lembaga Tabung Angkatan Tentera (LTAT) for the remaining shares in Boustead Plantations Bhd at RM1.96 billion and in Boustead Holdings Bhd at RM703.25 million. The remaining offers were significantly smaller and comprised the offers for Ewein Bhd, Cyberjaya Education Bhd (formerly known as Minda Global Bhd), Damansara Holdings Bhd, Systech Bhd and MBf Corporation Bhd, NCB Holdings Bhd and Ajiya Bhd, all of which had offer values below RM100 million each.

Of the 10 offers in 2023, seven were in relation to offeree companies listed on the Main Market, one in relation to an offeree company listed on the ACE Market (Systech Bhd) and two in relation to an unlisted public company (MBf Corporation Bhd and NCB Holdings Bhd). There were fewer privatisation exercises with only three proposed in 2023 (2022: five privatisation exercises). Two of the companies have since been successfully delisted from the stock exchange as at 31 December 2023.

Sector-wise, the consumer products and services sector was the highest in terms of offer value with RM2.34 billion, representing 42% of the total offer value or 20% of the total number of offers and comprised the offers for UMW Holdings Bhd and Cyberjaya Education Bhd (formerly known as Minda Global Bhd). This was followed by the plantation sector with a total offer value of RM1.96 billion, representing 35% of the total offer value or 10% of the total number of offers, and comprised the offer for Boustead Plantations Bhd.

The SC also cleared 13 IACs, nine of which were in relation to take-over offers/schemes and four in relation to exemptions from the mandatory offer obligation pursuant to the whitewash procedures (2022: 25 IACs). Four whitewash circulars were also cleared in relation to exemptions from the mandatory offer obligation (2022: 3 whitewash circulars). Notwithstanding the moderation in take-over and merger activities compared to the preceding year, the number of applications for exemptions from having to undertake a mandatory take-over offer increased from 11 in 2022 to 19 in 2023. Six applications were related to whitewash exemptions while the remaining 13 applications involved acquisitions or transfer of shares within members of a group of persons acting in concert pursuant to succession planning or internal reorganisation exercises.

The SC also considered 16 applications for various matters under the CMSA and the Rules, including applications relating to appointment and/or resignation of directors of the offeree during the offer period and applications for extension of time to meet certain obligations under the Rules.

⁷ The value of the total number of securities subject to the offer/scheme based on the offer price.

INVESTMENT MANAGEMENT AND PRODUCTS

Collective Investment Schemes and Private Retirement Schemes

TABLE 9

Applications for collective investment schemes¹ and private retirement schemes

(i) Applications	Considered		Approved	
	2023	2022	2023	2022
Authorisation of collective investment schemes	22	40	22	40
– Unit trust funds	22 ²	39 ³	22	39
– Exchange-traded funds	-	-	-	-
– Real estate investment trusts	-	1	-	1
Authorisation of private retirement funds	4	16	4	16
Exemption/variation from guidelines	5	2	5	2
Other applications	20 ⁴	31 ⁵	20	30
Registration of prospectuses/disclosure documents	304	126	304	126
Registration of deeds	303	221	303	221
TOTAL	658	436	658	435

Note:

¹ Consists of unit trust funds, exchange-traded funds, real estate investment trusts and wholesale funds.² Includes 7 funds which were also qualified as SRI funds.³ Includes 6 funds which were also qualified as SRI funds.⁴ Includes 5 applications seeking qualification as SRI funds.⁵ Includes 20 applications seeking qualification as SRI funds.

In 2023, the SC considered 658 applications relating to collective investment schemes (CIS) and private retirement schemes (PRS), comprising applications to establish new funds, register prospectuses and disclosure documents, register deeds and other ancillary matters. This is an increase of 50.9% compared to 436 applications considered in 2022, primarily due to an increase in the registration of deeds, prospectuses and disclosure documents. The management companies of unit trust funds and exchange-traded funds, as well as PRS providers, updated these documents during the year, ahead of the end of the transitional period for compliance with certain provisions of the relevant CIS guidelines⁸ in 2023 (Table 9).

The SC also received 44 lodgements in relation to wholesale funds under the Lodge and Launch Framework for Unlisted Capital Market Products (LOLA Framework) for sophisticated investors, compared to 45 in 2022.

⁸ The SC had revised the *Guidelines on Unit Trusts Funds* in December 2021, *Guidelines on Private Retirement Schemes* and *Guidelines on Exchange-Traded Funds* in September 2022 to promote competitiveness and innovation within a balanced and proactive oversight regime.

TABLE 10
Service charter performance – CIS

Service	Measure	Target	Results	
			2023	2022
Authorisation of new unit trust fund	Decision issued within: <ul style="list-style-type: none"> 10 business days from the date of receiving the complete submission (for submission under the expedited approval process) 21 calendar days, excluding public holidays (for submission received under the standard authorisation process) subject to the management company having fully addressed all the SC's comments 	90%	99%	99%

Investment Products

TABLE 11
Structured warrants considered

Structured warrants	2023	2022
No. of eligible issuers	7	7
No. of base prospectuses registered	7	7
No. of supplementary prospectuses registered	20	22
No. of term sheets registered	1,515	1,456

In 2023, the SC registered 1,515 term sheets for the offering of structured warrants, representing a 4% increase from 1,456 term sheets registered in 2022 (Table 11). Further, one new eligible structured warrants issuer registered its first structured warrants term sheet in 2023. These developments highlight the structured warrants market's role in Malaysia's capital market ecosystem, offering investors a wide range of investment opportunities as investors continue to seek avenues for portfolio diversification and potential returns.

TABLE 12
Service charter performance – investment products

Service	Measure	Target	Results	
			2023	2022
Registering a base prospectus for the offering of structured warrants	Registration of base prospectus before the intended date of the base prospectus, upon receipt of a complete application at least 14 market days prior to the intended date of registration of the base prospectus	100%	100%	100%
Registering a supplementary base prospectus for the offering of structured warrants	Registration of supplementary base prospectus before the intended date of the supplementary base prospectus, upon receipt of a complete application at least three market days prior to the intended date of registration of the supplementary base prospectus		100%	100%
Registering term sheets for the offering of structured warrants	Registration of term sheet before the intended date of the term sheet, upon receipt of a complete application at least one market day prior to the intended date of registration of the term sheet		100%	100%

GATEKEEPING

The SC ensures that only fit and proper persons are licensed or registered to conduct capital market activities. A thorough assessment of each application will be made prior to its approval including conducting adverse checks with other regulators and authorities (Table 13 and Table 16). In 2023, all the Capital Markets Services Licence (CMSL) and Capital Markets Services Representative's Licence (CMSRL) applications were attended to within the service charter (Table 14).

There has been a significant increase in the number of approved new CMSL holders and registered entities compared to 2022. 44% of the approved CMSL holders were in relation to the regulated activity of fund management, while another 25% were for the regulated activity of financial planning. There were 13 new registered entities which includes three Digital Asset Custodians (DACs). As of 31 December 2023, 864 CMSRL applications were approved and the total number of CMSRL holders stood at 10,272.

TABLE 13
Status of licensing and registration applications

Application for new CMSL	2023	2022
New applications received	8	18
Brought forward from previous year	18	10
Approved	16 ¹	6
Returned or withdrawn	5	4
Application for new CMSRL		
New applications received	931	1,094
Brought forward from previous year	51	58
Approved	864	1,042
Returned or withdrawn	65	190
Application for registration ²		
New applications received	15	19
Brought forward from previous year	8	6
Approved	13	9
Returned or withdrawn	6	8

Note:

¹ Six approved-in-principle (AIP).

² Excluding recognised market operators (RMOs).

TABLE 14
Service charter performance – licensing of CMSL and CMSRL

Service	Measure	Target	Results	
			2023	2022
New CMSL application	Within six weeks of receiving complete application	100%	100%	100%
New CMSRL application	Within two weeks of receiving complete application		100%	100%

During 2023, there were three CMSL holders which had surrendered their licences as they were no longer in the business of the regulated activity(ies) for which they were licensed. In addition, 961 CMSRL holders had surrendered their respective licences and one CMSRL holder's suspension that was imposed pursuant to section 72(3) of the *Capital Markets and Services Act 2007* (CMSA) in 2022, had ended on 21 June 2023 (Table 15).

TABLE 15

License or registration ceased, revoked and suspended

CMSL holders	2023	2022
Ceased, revoked or suspended	3	3
CMSRL holders		
Ceased, revoked or suspended	962	1,068
Application for registration ¹		
Ceased, revoked or suspended	8	6

Note:

¹ Excluding RMOs.

In 2023, the SC registered nine RMOs, consisting of four e-services platform (ESP) operators, two ECF platform operators as well as one P2P platform operator, one digital asset exchange (DAX) and one general RMO.

The reopening of applications was announced on 31 October 2022 as part of several digital-focused initiatives to spur further growth in the capital market. It had resulted in an expansion in the breadth of choices available to investors and issuers in this segment with the number of registered RMOs increasing from 33 in 2022 to 42 in 2023.

TABLE 16

Status of recognised market operators

No. of applications	2023
Considered during the year	15
Registered	9
Returned	3
Withdrawn	3
For consideration	20*
Brought forward from previous year	3
Received during the year	17

Note:

* Include applications submitted by two entities seeking to be registered for two different activities.

SURVEILLANCE

The SC undertakes proactive surveillance across the various market segments under its purview to detect potential misconducts and identify vulnerabilities which allows emerging risks to be pre-empted through early engagements and interventions.

Detecting and Deterring Corporate Transgressions

The SC plays an important role in monitoring the conduct of public-listed companies (PLCs) through its surveillance efforts to ensure compliance with securities laws and regulations, with the aim to safeguard the interests of investors and maintain the integrity of the capital market. The SC's Corporate Surveillance Programme comprises a wide range of activities, including scrutinising corporate transactions, disclosures as well as the financial statements of PLCs to detect irregularities or potential misconduct.

PLC fundraising via share issuances and disclosures on corporate transactions remained a key priority of the SC's surveillance team in 2023. Surveillance reviews pertaining to 118 PLCs were undertaken based on, among others, announcements by PLCs, news in mainstream and non-mainstream media as well as complaints received to detect potential breaches of securities laws or non-compliance with financial reporting standards. As part of the reviews, the SC also engaged with the directors, officers, auditors and other

professionals of the PLCs involved for further fact-finding. These engagements also served to remind directors of the need to consistently act in the best interest of the companies and their shareholders.

The surveillance reviews undertaken highlighted some concerns relating to disclosures, utilisation of funds raised and the application of financial reporting standards. Where irregularities or possible securities law breaches were detected, they were escalated for formal investigation and/or enforcement action. Where relevant, Bursa Malaysia was also engaged in matters requiring closer scrutiny on their part as the frontline regulator.

In 2023, the SC strengthened its surveillance approach, targeting specific areas of concern for review, resulting in more effective and efficient detection of potential misconduct. As a result of a more targeted approach, 166 reviews of potential corporate misconduct were completed (2022: 317 reviews), with eight cases being referred for formal investigation (2022: 4 cases).

Fostering Compliance with Take-over and Merger Regulations

As part of its mandate, the SC also closely monitors compliance with the take-over requirements to detect misconduct and breaches which could jeopardise the interests of the investing public. In 2023, the SC had imposed sanctions comprising a directive to sell down shares, penalty of RM500,000 and reprimand against certain parties for failure to undertake a mandatory take-over offer following the acquisition of shares which exceeded the creeping threshold, i.e. exceeded 2.0% of the voting shares within a period of six months. In addition, the SC had also issued Infringement Notices for other non-compliances detected including for submitting the application for exemption after the mandatory offer obligation was already triggered and non-compliances relating to dealings in securities during the offer period and/or disclosure of information to the SC (Table 17).

TABLE 17
Surveillance outcomes

Surveillance outcomes	2023	2022
Administrative actions*	1	2
Infringement Notices*	5	5

Note:

* Statistics also reflected under the SC's administrative actions (Table 25) and Infringement Notices (Table 26).

Further, the SC seeks to pre-empt major issues in take-overs and other relevant transactions by encouraging early consultation to clarify the application of the Code/Rules governing such transactions. In 2023, consultations with the SC involved diverse aspects of take-over regulations including on ultimate offeror, joint offeror and concert party matters, triggering of the mandatory offer obligation and eligibility for exemption, conditions and pre-conditions to offers, favourable deals and frustration of offers, restrictions following offers and possible offers, disqualifying transactions in relation to whitewash procedures and other general enquiries. Through the consultation process, the SC fostered a conducive environment for the SC to provide relevant clarifications and guidance, with the aim to enhance stakeholders' adherence to the regulatory requirements for take-over and merger transactions.

During 2023, the SC and Bursa Malaysia also conducted several dialogues with the board of directors of companies to be listed on the Main Market or the ACE Market on pertinent requirements to be observed by listed companies, including the key take-over regulations, prior to the companies' listing. This initiative served as crucial forums for disseminating essential regulatory requirements and promoting a better understanding among newly listed companies.

Apart from the SC's interaction with advisers during the review of applications or consultations, the SC also engaged practitioners to discuss complex issues and to clarify expectations on compliance with take-over requirements. On 28 July 2023, a focus group meeting was held between the SC, Bursa Malaysia and 20 participating legal firms to discuss various corporate finance and investment-related matters, including take-overs and mergers. Further, on 5 October 2023, the SC hosted a dialogue on current take-over and merger issues, which was attended by representatives from 26 advisory firms and the Malaysian Investment Banking Association (MIBA). These engagements enabled the SC to remain vigilant and stakeholder-focused in ensuring that the regulation of take-over activities in Malaysia remains aligned with the evolving market landscape.

In summary, the SC's multifaceted approach involving proactive monitoring, consultations, educational dialogues and practitioner engagements demonstrates its commitment in maintaining a fair and well-regulated marketplace in Malaysia and underscores its effectiveness in regulating take-over activities.

Maintaining Fair and Orderly Markets through Proactive Surveillance

A central pillar of the SC's approach to market surveillance involves heightened monitoring of trading activities surrounding material corporate developments. This is essential for the detection of potential insider trading activities which undermines market integrity and equal access to information by the investing public. To achieve this, the SC actively stayed attuned to corporate developments from a broad spectrum of sources. The monitoring and assessment of company disclosures, complaints received and referrals from Bursa Malaysia as well as other information sources such as the media remained key surveillance priorities in 2023.

Additionally, the SC leveraged its automated trade surveillance system, complemented by in-house advanced analytics, to identify and analyse suspicious trading activities. This effectively facilitated timely detection of trading irregularities, including those surrounding periods of increased price and volume volatility which, in turn, enabled objective identification of potential market abuse matters and informed decision on appropriate follow-up regulatory actions.

Addressing Trading Anomalies at an Early Stage and Detecting Market Abuses for Further Investigation

The SC remained vigilant in addressing trading anomalies that could pose potential risks to the integrity of the market and collaborated closely with stakeholders, utilising a variety of enforcement tools to deter illegal and unethical activities in the capital market.

The SC's market surveillance activities in 2023 involved 1,405 assessments (2022: 1,333 assessments) on trading anomalies detected and in-depth analyses of market abuse cases including possible insider trading and market manipulation. Alongside such market surveillance assessments, regular engagements were conducted with Bursa Malaysia to ensure that co-ordinated regulatory responses by the frontline regulator are proportional to the risks and gravity of surveillance issues detected. Through such collaboration, swift regulatory actions were undertaken to curb abusive trading behaviour at an early stage. Such pre-emptive interventions include the issuance of Surveillance Notices by Bursa Malaysia requiring market intermediaries to promptly address irregularities and take immediate remedial actions.

The SC is committed to striking a healthy balance between the need to ensure orderly trading conduct and facilitating a vibrant marketplace, in line with the SC's dual mandates to develop and regulate the Malaysian capital market. To this end, the SC took into consideration diversity in trading strategies by market participants when reviewing trading activities.

The SC analysed trading patterns and behaviours to distinguish between speculative trading, which is an inherent element of market dynamics, and abusive conduct that would tantamount to market manipulation. Matters pertaining to prevailing areas of concern were prioritised and subjected to expedited review. Where elements of possible market abuse were substantiated, such cases were escalated for further investigation to be conducted.

Leveraging Technology and Advanced Analytics for Greater Efficiency

The SC continued to place strong emphasis on the adoption of Supervisory Technology (SupTech) and data analytics to enhance the efficiency of the SC's regulatory functions.

The SC embarked on initiatives to enhance the quality of trading data feed from Bursa Malaysia as well as the functionality of the SC's surveillance system and analytical tools to facilitate more granular analysis of trading activities. The enhancement is expected to enable the SC to gain greater insights and efficiency in the detection, analysis and decision making on market surveillance matters.

In addition to system-based detection of trading irregularities in the equities market, the SC has deployed SupTech capabilities to enhance its surveillance on unlicensed activities and monitoring of PLCs. A web surveillance tool is now being utilised to conduct ongoing and in-depth monitoring of unlicensed activities to ensure the SC remains vigilant, well-informed and equipped to respond effectively to issues arising from such activities. The SC has also built a platform with a holistic view of PLCs' key financial indicators and integrated SupTech tools to enable automated detection of PLCs' financial health and supervisory concerns. These insights aim to empower data-driven decisions as well as more targeted surveillance and supervisory reviews, to proactively address any concerns.

Strengthening Cross-Border Surveillance Co-operation

The SC continued to maintain close collaboration with international surveillance counterparts through informal channels of information sharing and exchange, and by engaging in dialogues on common surveillance issues during study visits to the SC. Such collaboration and engagements seek to achieve positive surveillance outcomes that mutually benefit the SC and capital market regulators from other jurisdictions.

In order to keep pace with surveillance issues arising in a fast moving market, the nature of co-operation has evolved beyond formal mutual legal assistance channels to informal exchanges of experience with regional surveillance counterparts. Regular contacts have resulted in reciprocity in sharing of experience, information and validation in dealing with certain market surveillance issues and challenges arising. These efforts ensured that the SC's approach on key surveillance concerns are relevant and in line with international best practices.

Ongoing Monitoring and Surveillance over the Corporate Bonds and Sukuk Market

In 2023, domestic bonds yields mostly trended sideways with the 10-year MGS ranging between 3.7% to 4.2%. BNM had increased the OPR by another 25bps in May 2023. Both Malaysia's and the US's Consumer Price Index (CPI) readings have declined as a result of rate hikes by central banks worldwide. From the SC's observations, these events did not have any major impact on domestic corporate bonds issuers' ability to raise funds at competitive rates throughout the year.

As part of the SC's continuous efforts to supervise the corporate bonds and sukuk market, the SC closely monitors corporate bonds issuers under credit stress. Presently, such corporate bonds issuers are minimal (less than 2% of the corporate bonds and sukuk market) and mainly originated from the energy and utilities, real estate and transportation sectors. These issuers have, for example, requested investors' indulgence for extension of time to meet agreed-upon financial ratios, delays in coupon or principal payment as well as other forms of refinancing.

The corporate bonds and sukuk market had witnessed one issuer default in 2023, amounting to RM200 million or only 0.02% of total outstanding corporate bonds and sukuk. Eight rating downgrades were also observed in 2023, compared to seven in 2022. Out of the eight rating downgrades, three were from the real estate sector, two from the financial sector, one from the information technology sector, one from the industrial sector and one from the energy and utilities sector. As for rating outlook, there were 10 issuers with downward revisions in the corporate bonds rating outlook in 2023 compared to 11 in 2022.

Strengthening Bond Market Surveillance Activity

In the corporate bonds and sukuk market, market participants play a very important role in maintaining market integrity, by ensuring compliance with regulations and protecting investors' interest. In this regard, the SC has engaged market participants such as credit rating agencies, bond pricing agency and bond and sukuk trustees throughout 2023, to exchange knowledge, offer insights, and discuss solutions to current and future challenges.

In July 2023, the SC conducted a closed-door discussion with a credit rating agency to exchange insights on the latest developments impacting the Malaysian bond and sukuk market. Among the issues discussed include the outlook post-pandemic, domestic and international interest rate expectations, probability of defaults, rating assignments and challenges and opportunities for the Malaysian bond market. The SC will continue to engage relevant market participants to keep abreast with latest market developments.

SUPERVISION

In addition to its authorisation regime for licensed and registered capital market entities, the SC also operationalises a comprehensive supervisory programme across its spectrum of regulated entities to foster ongoing compliance and enable a holistic assessment of emerging risks and vulnerabilities.

Supervision of Capital Market Intermediaries

The SC continues to adopt a risk-focused supervisory approach over its capital market intermediaries. Its efforts have been directed towards ensuring proper conduct and financial soundness of its intermediaries. To achieve this, the SC employs an array of tools ranging from ongoing desktop reviews that leverage analytics from regulatory submissions and information gathered from ongoing monitoring by its supervisors, structured supervisory assessments on selected intermediaries that are determined based on assessed risks factors, thematic reviews on emerging risks, as well as for-cause assessments which are investigative in nature and originate from complaints received, referrals and supervisory concerns with regards to misconduct (Table 18).

TABLE 18
Supervisory assessments on intermediaries

Assessment type	Number of completed assessments	
	2023	2022
Structured supervisory assessments*	28	41
For-cause assessments	113	70
Thematic industry reviews	2**	1***

Note:

* The number of intermediaries identified for these assessments are determined through the evaluation of predefined risk factors.

** The two reviews involved assessments on the adoption of the Guidance Note on Managing Environmental, Social and Governance Risks by Fund Management Companies and the state of preparedness of capital market intermediaries in complying with the Guidelines on Market Conduct and Business Practices for Investment Analysts. The two reviews covered 93 and 54 capital market intermediaries respectively.

*** This review involved an assessment on the standards and controls implemented by stockbroking companies in maintaining appropriate remuneration structures. The review covered all stockbroking companies.

Arising from its supervisory assessments, the SC issued a total of 41 communications to respective intermediaries on its regulatory concerns and expectations. These comprised both, Infringement Notices for breaches of securities law and/or SC Guidelines and supervisory letters for enhancement concerning controls and processes (Table 19).

TABLE 19
Supervisory outcomes

Supervisory outcomes	2023	2022
Referral for administrative enforcement action	4	1
Issuance of guidance notes	0	2
Industry communication/engagements	8	6
Issuance of Infringement Notices*	37	30
Issuance of supervisory letters	4	14

Note:

* Statistics also reflected under the SC's Infringement Notices (Table 26).

The SC recognises the importance of an intermediary's culture such as the shared values, beliefs, behaviours and practices that shape its conduct. Intermediaries with good culture demonstrate strong governance, promote fair treatment of customers and protect market integrity. This in turn would translate to intermediaries being less prone to misconduct. Towards this end, in 2023, the SC undertook a survey through issuance of a questionnaire to 286 capital market intermediaries towards better understanding as to culture and practices of these intermediaries. The SC intends to share its findings which include good governance structure and practices towards cultivating and promoting good culture.

In October 2023, the SC held a series of Anti-Money Laundering, Countering Financing of Terrorism/Proliferation (AMLCFT/PF) Workshops with Compliance Officers of stockbroking, derivatives broking and unit trust/fund management companies to emphasise the crucial role of Compliance Officers in ensuring these intermediaries not only comprehend but also effectively mitigate the risks associated with money laundering, terrorism financing, and proliferation financing. Case studies derived from the SC's enforcement efforts and red flags were also shared.

The workshop also featured engaging discussions on case study exercises, covering topics such as risk-based approach i.e. business-based and relationship-based risk assessment, identification of beneficial owner(s), and detection of red flags/unusual transactions. These exercises encouraged participants to share their practical experiences and perspectives, fostering a rich exchange of ideas and solutions.

Thematic Review on the State of Compliance of Capital Market Intermediaries with the Guidelines on Market Conduct and Business Practices for Investment Analysts and their Analysts

Intermediaries licensed for investment advice play an integral role in the capital market industry as they keep investors informed on valuable investment opportunities and challenges, via their research services conducted.

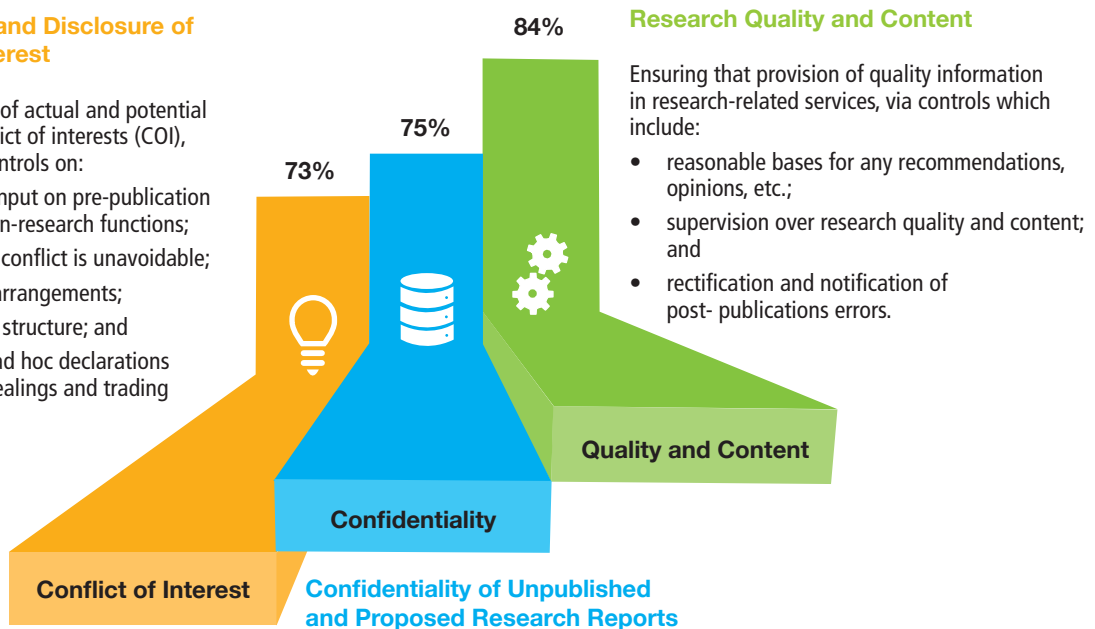
Considering their crucial role within the sector, the SC had issued *Guidelines on Market Conduct and Business Practices for Investment Analysts and their Analysts* (IA Guidelines) in December 2022 that detailed core principles and minimum standards to be observed by Investment Analysts (IA). Following up on the issuance of guidelines, an assessment was carried out to ascertain the current state of compliance of all CMSL IA holders with the requirements of the IA Guidelines.

The assessment which was carried out before the effective date of the IA Guidelines on 8 June 2023, revealed that the majority of CMSL IA holders have been working towards complying with the requirements of the IA Guidelines. However, compliance levels within the industry should be elevated further:

Management and Disclosure of Conflict of Interest

The management of actual and potential situations of conflict of interests (COI), which includes controls on:

- limitation of input on pre-publication reviews by non-research functions;
- events where conflict is unavoidable;
- chinese wall arrangements;
- remuneration structure; and
- periodic and ad hoc declarations of personal dealings and trading activities.



Research Quality and Content

Ensuring that provision of quality information in research-related services, via controls which include:

- reasonable bases for any recommendations, opinions, etc.;
- supervision over research quality and content; and
- rectification and notification of post-publications errors.

Regulating the flow of information relating to unpublished and proposed research reports and recommendations, which include controls on:

- information and physical barriers;
- management of material non-public information;
- clear review and approval process; and
- fair dissemination of reports.

These intermediaries' level of compliance will continue to be monitored via ongoing oversight.

Thematic Review on the Adoption of Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies

In June 2022, the SC issued the *Guidance Note on Managing Environmental, Social and Governance Risks for Fund Management Companies* (FMCS) (ESG Guidance Note) which sets the SC's expectation on practices in managing environmental, social and governance (ESG) risks in investment portfolio as well as on stewardship of investee companies. To assess FMCs' adoption of the ESG Guidance Note, in June 2023, the SC issued a questionnaire to all the FMCs in the industry for them to self-assess their own practices against the key expectations in the ESG Guidance Note.

Generally, FMCs' progress on the adoption of the ESG Guidance Note are at differing stages. Most FMCs with AUM of more than RM10 billion (hereinafter referred to as 'Large FMCs') represented that they have considerably adopted the practices recommended in the ESG Guidance Note. Large FMCs contributed 84% of the fund management industry's AUM of RM945 billion as of 30 June 2023. Among others, most Large FMCs represented that:

Governance	Board of Directors set strategic direction for responsible investment framework and it is implemented by senior management.
Policies	Responsible investment frameworks are in place and ESG factors are incorporated in investment processes, decision-making and active ownership.
Risk Management	Material ESG risks in investment portfolio are monitored, assessed and managed on a continuous basis.
Communication with stakeholders	<ul style="list-style-type: none"> Engagements with investee companies and voting rights are exercised on material ESG issues. Inter FMC collaborative engagements on ESG-related matters are held.
Capacity building	ESG-related training provided across various levels of personnel.
Disclosure	FMCs disclose their responsible investment-related objectives, strategies, practices and activities and the disclosures are validated to curb greenwashing risks.

Access to SRI-related resources, data and stewardship as well as sound understanding of relevant complex methodologies would act as catalyst in advancing FMCs' progress in their SRI journey. The SC acknowledges the efforts undertaken by FMCs thus far and will adopt a multi-pronged compliance approach on key recommendations in the ESG Guidance Note which will be announced in 2024.

Supervision of Exchanges and Financial Market Infrastructures

Under securities law, the SC is responsible for approving and supervising operators of securities and derivatives exchanges as well as financial market infrastructures such as clearing houses and central depositories (approved institutions).

As the sole integrated exchange group in Malaysia, Bursa Malaysia is subject to statutory requirements such as operating a fair and orderly market, acting in the public interest with particular regard for the protection of investors, ensuring prudent risk management as well as ensuring sufficient financial, human and other resources.

In 2023, the SC conducted regular supervisory engagements with Bursa Malaysia on issues including governance, risk management, internal audit and controls, commercial strategy, and the effectiveness of its frontline regulatory framework. Such engagements are complemented by ongoing reviews of regulatory submissions and onsite regulatory assessments (RA) on approved institutions.

In January 2023, the SC concluded its RA on the Bursa Suq Al-Sila (BSAS) platform operated by Bursa Malaysia Islamic Services Sdn Bhd (BMIS), a wholly-owned subsidiary of Bursa Malaysia. The assessment focused on processes and procedures in relation to the onboarding of participants, as well as the adequacy and effectiveness of controls in monitoring participants' ongoing adherence with the platform's rules and other applicable Shariah requirements.

While there were no immediate concerns regarding the integrity of the overall structure and system of BSAS, several recommendations were made to Bursa Malaysia, including enhancing BMIS' human resource management and succession planning, as well as strengthening and streamlining the processes for onboarding and supervising its participants.

In June 2023, the SC also conducted a high-level dialogue with the Bursa Malaysia board of directors. The engagement served as a platform for the leadership of both organisations to exchange insights on strategic issues and regulatory concerns.

Supervision of Recognised Market Operators

The regulatory framework for RMOs was designed to be commensurate with the value proposition of this market segment, counterbalanced against risk factors such as size, structure, range of products and services, as well as participant demographics.

The SC's supervisory approach aims to ensure that RMOs continue to operate in a fair and orderly manner in adherence with these regulatory expectations. Supervisory tools deployed include regular engagements with RMOs, reviews of regulatory submissions and assessment of complaints. Focus areas in 2023 include governance, risk management, client/issuer onboarding and due diligence, as well as cyber security and systems integrity.

In May 2023, the SC conducted a thematic review on RMOs' compliance with the SC's *Guidelines on Prevention of Money Laundering and Terrorism Financing for Reporting Institutions in the Capital Market* and the SC's *Guidelines on Implementation of Targeted Financial Sanctions relating to Proliferation Financing for Capital Market Intermediaries* (AML Guidelines).

The thematic review focused on the emerging risks of legal persons and legal arrangements as well as anti-bribery and corruption. The findings from this review provided the basis for several recommendations relayed by the SC to the RMOs during the annual supervisory engagements.

This exercise also formed part of the SC's continuous communication with the RMOs to enhance their understanding of the SC's supervisory expectations, which will facilitate their efforts to ensure ongoing compliance. Moving forward, the SC will continue to monitor the RMOs to ensure that any gap identified is addressed in a timely manner for effective mitigation and management of AMLCFT/PF risks.

Given the growth in the digital assets segment, the SC also intensified its oversight on operators of digital asset exchanges (RMO-DAX) to ensure that key elements of their business operations, including governance, policies and procedures, systems and actual practices, are aligned with applicable regulatory and supervisory requirements.

In 2023, the SC conducted an RA on an RMO-DAX, focusing on the adequacy and effectiveness of its ongoing due diligence framework *vis-à-vis* the SC's AML Guidelines. Arising from the assessment, the SC had identified several areas for enhancement including the need for greater consistency in the implementation of policies and procedures, formal documentation and record-keeping as well as more effective governance and oversight by the board of directors.

Supervision of Self-Regulatory Organization

The SC supervises the Federation of Investment Managers Malaysia (FIMM) in ensuring proper discharge of its regulatory mandate as a self-regulatory organization (SRO) for public interest and investor protection.

A proactive supervisory approach had been operationalised to facilitate effective supervision on FIMM through reporting obligations and engagements with FIMM's board of directors and senior management. The SC also participated in major programmes by FIMM which include the annual general meeting, industry regulatory briefing and FIMM's annual convention to observe supervisory issues and trends concerning marketing, distribution and sales practices involving unit trusts and PRS.

In 2023, it was observed that FIMM had implemented most of the recommendations from the SC's previous RA to further strengthen the effectiveness and efficiency of the registration, supervision and enforcement functions. Additionally, various efforts for industry development, education and financial literacy were also rolled out as part of FIMM's developmental mandate.

Supervision of the Private Pension Administrator

As a central administrator, the Private Pension Administrator (PPA) provides data repository services for members and providers as well as investor education on PRS. The SC's oversight on PPA aimed to ensure that it continued to adopt sound governance practices and discharge its functions effectively within a satisfactory operational framework.

In 2023, PPA continued to provide enrolment and top-up services via the PRS Online platform which remained a key utility for its members and the investing public. Given its role in investor education, PPA also introduced various marketing initiatives and promotional campaigns aimed to spur further growth of the PRS industry.

COMPLAINTS AND ENQUIRIES

To uphold investor protection, the SC has a structured process, system and dedicated resources to manage all complaints and enquiries received from the public.

The SC observed an increasing number of total complaints and enquiries in 2023, compared to the previous year. In 2023, the total number of complaints and enquiries received by the SC were 20% more than 2022. The increase of complaints and enquiries were mainly on scams and unlicensed activities (Table 20).

While the increase in the number of complaints and enquiries in these areas showed that there is greater awareness and scepticism among the public, the SC continued to increase its efforts to curb scams and unlicensed activities through adoption of a multi-pronged approach (Refer to *Special Feature 1, Towards Greater Protection of Investors*).

TABLE 20
Complaints and enquiries received

Outcome	2023	2022
Complaints		
Received	3,145	1,830
Nature of complaints		
– Scams and unlicensed activities	66%	62%
– Licensed or registered persons	6%	7%
– Market misconduct	0%	1%
– PLCs and directors	4%	6%
– Digital or RMOs	2%	3%
– Matters not under the SC's purview	10%	15%
– Others	12%	6%
Enquiries		
Received	2,173	2,606
Nature of enquiries		
– Legality of scheme involving scams and unlicensed activities	55%	51%
– Licensed or registered persons	4%	3%
– PLCs and directors	0%	1%
– Digital or RMOs	2%	2%
– Matters not under the SC's purview	12%	8%
– Others	27%	35%
TOTAL COMPLAINTS AND ENQUIRIES	5,318	4,436

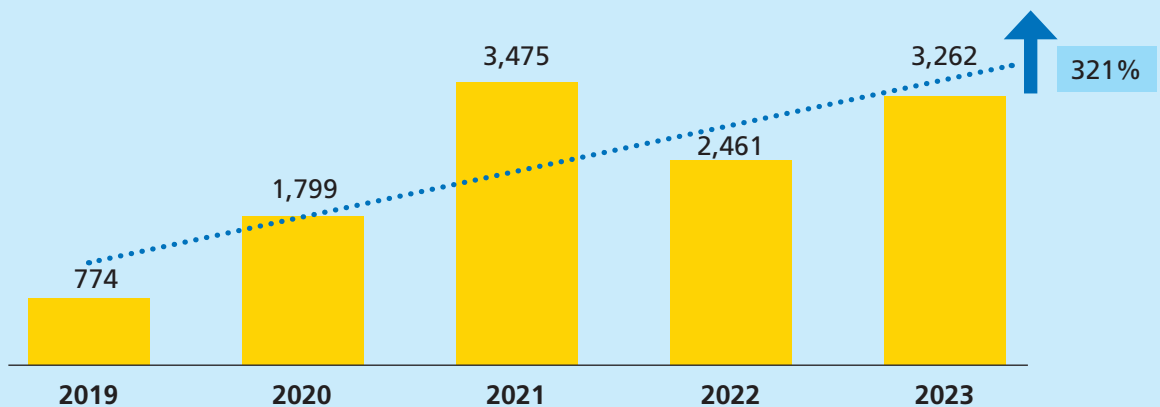
SPECIAL FEATURE 1

TOWARDS GREATER PROTECTION OF INVESTORS

Overview

Over the years, we have seen many occasions where individuals or entities were duped, misled, tricked, enticed and even pressured to part away with their monies and retirement savings by dishonest and fraudulent activities that promise unreal returns and benefits, that are too good to resist. Such activities are also reflected in the increasing number of complaints and enquiries received by the SC, namely on scams and unlicensed activities. In 2023, the SC received 3,262 complaints and enquiries on scams and unlicensed activities. This represents a significant increase of 321% for the past five years from 2019 to 2023.

Complaints and Enquiries on Unlicensed Activities and Scams



In addition to the various types of scams, including investment scams, and unlicensed activities, there were also increasing concerns observed involving the conduct of unlisted public companies (UPCs) and entities offering Cash Trust products.

Investment Scams

Investment scams involve the promotion of non-existent investment products. This occurs where scammers make false claims that the investment will be made into capital market products such as shares or cryptocurrencies, when in fact such investment opportunities or products does not exist.

The fraudulent investment would in most cases offer unusually high returns. In this regard, it is not uncommon, for example, for such schemes to promise 1,000% returns within 24 hours or even within a few hours. Such schemes also offer investment packages which can start from as low as RM300 to about RM1,000 only. In addition to this being seemingly legitimate, it would also enable the scammers to have a wider pool of potential victims, including those under the low-income bracket as such small sums would be more readily available. Further, given that the investment would generally be seen to be less risky with their relatively small investment amount, the target victims may unfortunately also tend to be less risk averse.

In most of these scams the perpetrators used fake websites, social media pages and mule bank accounts to promote and carry out their illegal activities. In many of these cases too, scammers falsely lend credence and legitimacy to their illegal activity by misusing the name of agencies such as the SC, BNM, the Companies Commission of Malaysia (SSM), licensed intermediaries and images of local celebrities and religious leaders. Many of these schemes also falsely claimed to be Shariah compliant to appeal to the sentiment of the Muslim investors.

A common trait noted was the prevalent use of mule bank accounts by scammers. A potential victim will be required to bank in monies into such a mule bank account, and immediately after a deposit is made, the victim will be notified that their investment has made a 'profit'. However, should one decide to withdraw the 'profits', the victims will be asked to make further payments disguised as BNM charges, income tax charges, administrative fees, upfront deposits, etc. These payments will typically be asked to be made into a different mule bank account.

In 2023, the use of social media platforms, particularly Facebook and Telegram, continued to be the primary mode for perpetrators to carry out their illegal activities. New modus observed in 2023, is the use of e-wallet and cryptocurrency as the mode of payment involving investment scams, as compared to mule bank accounts which were used previously. This may be designed to avoid easy detection and prompt interventions by the enforcement agencies.

In cognisance of the perpetrators evolving tactics, the SC continues to undertake ongoing monitoring and supervision to mitigate the risk of its regulated entities being potentially used as conduits for illicit activities.

The SC also observed the evolution of the common job and love scams which now have elements of investment scams as well.

Emerging Scam Trends

The SC continuously monitors and is cognisant of new emerging trends and MO on scams to ensure that appropriate and timely intervention is taken on investment scams. In this regard the following new trends were observed.

Example of Investment Scams Involving Cryptocurrency

The scam is generally offered through social media platforms (mainly Facebook) with an investment opportunity in cryptocurrency promising high returns over a short span of time. Interested clients are directed to open an account with the SC's registered DAX operator and purchase cryptocurrency. Subsequently the cryptocurrency is transferred to a wallet address controlled by the perpetrator. The victim never receives the promised returns and will be asked to make further payments in the form of cryptocurrency, to withdraw the initial investment.

By requesting the victims to transact through the SC's registered DAX operator, the perpetrators have falsely given the victim an impression of legitimacy of the scheme.

Example of Investment Scam Disguised as Job Opportunities

The perpetrator will generally scout for victims through social messaging platforms namely WhatsApp and Telegram. The victim will be paid a token to perform simple tasks such as writing reviews and 'liking' social media pages. Having garnered the victim's trust, the perpetrator will convince the victim to invest in a non-existent cryptocurrency or share scheme that promises high returns. Monies will be requested to be transferred into a mule bank account, which eventually will be dissipated.

Example of Investment Scam through Dating Apps

The perpetrator will normally befriend the victim through social media or dating sites. After luring the victim into a romantic relationship, the perpetrator will convince the victim to invest in a non-existent cryptocurrency or share scheme with guaranteed high returns. The victim will be asked to deposit the monies into a mule bank account. Eventually, the victim will realise that the relationship is a scam and monies investment have been misappropriated.

Unlicensed Activities

Unlicensed activities are regulated activities carried out by persons in Malaysia without the requisite licence or registration. Section 58(1) of the CMSA requires a person to hold a CMSL or be a registered person to carry on a business in any regulated activity or hold himself out as carrying on such business.

There are eight types of regulated activities, and they are contained in Schedule 2 of the CMSA which includes dealing in securities, dealing in derivatives, fund management, investment advice, etc.

Section 58(4) CMSA further provides that any person who carries on the business of regulated activity without a license or registration commits an offense and be liable to a fine not exceeding 10 million ringgit or to imprisonment for a term not exceeding 10 years or to both.

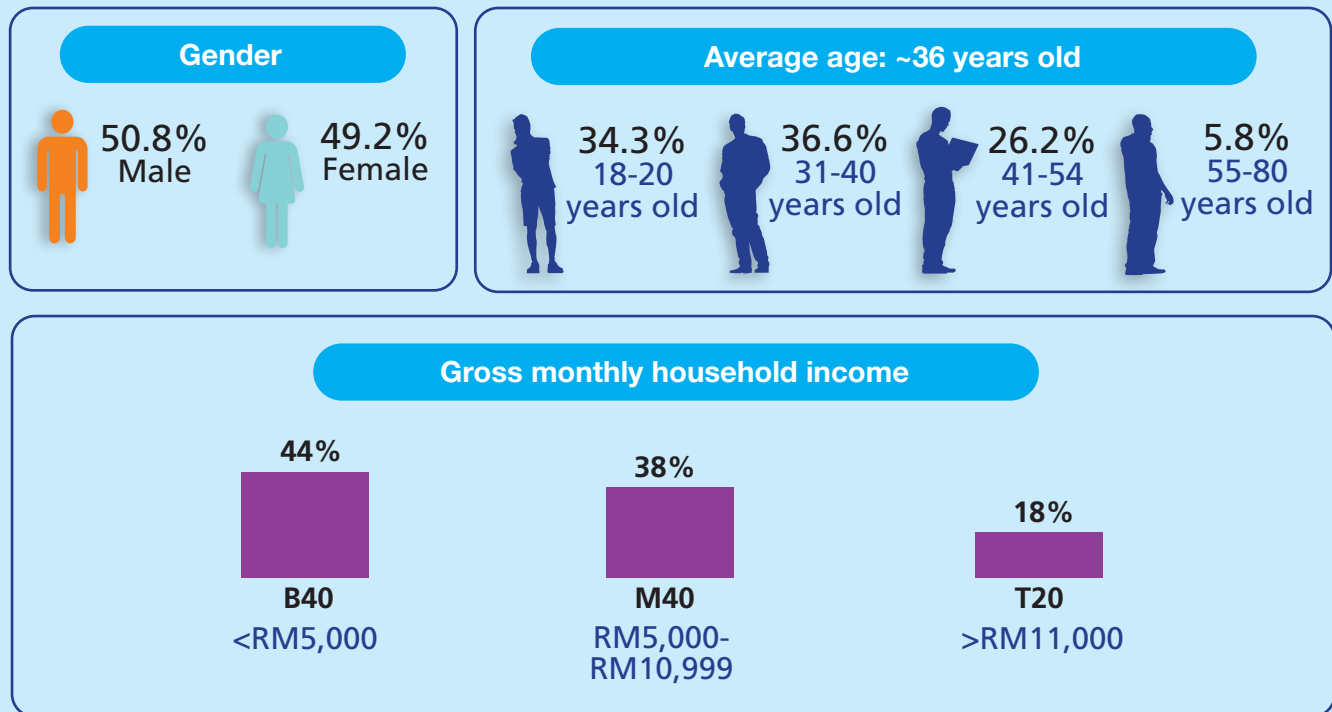
Separately, those who engage in operating a P2P financing platform, ECF, DAX or Initial Exchange Offering (IEO), must be registered as a recognised market operator with the SC under section 34 of the CMSA.

The SC regularly receives complaints and enquiries on operators of such unlicensed activities who may not necessarily be carrying out a scam. While some of the unlicensed activities are carried out locally by Malaysians with local presence, there are also foreign entities carrying on unlicensed activities in Malaysia. These foreign entities may be properly licensed or regulated by foreign regulators. However, they would still be breaching Malaysian laws if they carry out their activities in Malaysia, solicit Malaysian clients or have a local presence in Malaysia without the requisite license or registration from the SC.

Behavioural Analysis on Investor Vulnerability to Scams

With many investors now being at a greater risk of becoming victims of financial frauds and financial exploitation, the SC had in 2023 carried out a behavioural analytics study to assess investors' behaviour and attitude towards investment, challenges and capabilities in their investment journey and their vulnerability towards scams.

The study was done through a survey of 1,302 respondents comprising the following demographics:



Based on the sampling, the results showed that 384 out of 1,302 or 30% of the respondents were more susceptible to scams. From this susceptible group, the following observations were made:

- 59% were male;
- 34% were young adults aged 31 – 40 years;
- 44% belong to the B40 households; and
- 70% held at least a diploma qualification.

The study also showed that the vulnerable group relied on family and friends to make investment decisions rather than relying on their own judgment, experience, and knowledge. They were also more persuaded to invest in a scheme following the influence of unlicensed and unqualified individuals. These findings imply an increased willingness by this group to be exposed to investment opportunities that includes scams.

The findings from the study have assisted the SC to better understand the profile of the vulnerable investor group and served as an important input when formulating the necessary interventions through targeted outreach programmes.

Efforts Taken to Curb Scams and Unlicensed Activities

The SC adopts a multi-prong approach to curbing scams and unlicensed activities ranging from enforcement actions to investor education and awareness programmes.

Enforcement Actions

In 2023, the SC took enforcement action against several entities for carrying on unlicensed activities such as unlicensed Investment Advice, Fund Management and operating a recognised market without authorisation. Some of the notable actions taken were against Huobi Global Ltd for operating a DAX in Malaysia without registration. This is in furtherance to similar actions taken by the SC against unregistered DAX such as the enforcement actions taken against Binance and Remitano in 2021. Additionally, criminal charges were also preferred by the SC against Muhamad Fadzli Jamaludin for carrying on an unlicensed activity in fund management.

- Read more on media release ‘SC Charges Former Company Director for Unlicensed Capital Market Activities’
<https://www.sc.com.my/resources/media/media-release/sc-charges-former-company-director-for-unlicensed-capital-market-activities>
- Refer also to the box article, *Multi-Pronged Approach Adopted by the SC to Address the Regulatory Concern Arising from Proliferation of Unlicensed Investment Advice* on actions taken to address concern on unlicensed investment advice.

TABLE 1
Intervention efforts on scams and unlicensed activities

Intervention efforts	2023	2022
Commencement of enforcement action	4	7
Issuance of Notices of Cease and Desist*	5	6
Social media interventions	420	142
Inclusion in the SC’s Investor Alert List	315	304
Blocking of websites with assistance from Malaysian Communication and Multimedia Commission (MCMC)	146	185
Request to block Telegram accounts	153	114
Referrals to other agencies/foreign regulators	128	181
Lodgement of police reports	97	88
Geo-blocking of Facebook accounts	83	38
Blocking of Instagram accounts	12	9

Note:

* Statistics also reflected under the SC’s Infringement Notices.

Investor Alert List and Cyberspace related Interventions

The SC has and will continue to proactively disrupt the activities of the scammers and operators of unlicensed activity. In this regard, the SC included the names of entities and individuals found to be carrying on scams or unlicensed activities on the SC's Investor Alert List as soon as possible where in most cases this is done within 48 hours of receipt of complaints.

In addition, the SC also with the assistance from the Malaysian Communications and Multimedia Commission (MCMC) blocked websites that were found to be carrying out scams and unlicensed activities. Furtherance to this, the SC also collaborated with social media providers such as Meta Platforms Inc (Facebook), Google LLC etc. to geo-block offending social media pages.

Proactive Surveillance of Unlicensed Activities

In addition to taking actions based on complaints and enquiries received, the SC has a dedicated unit to proactively monitor and detect online unlicensed activities and scams offered to Malaysians.

As of 31 December 2023, a total of 569 URLs (2022: 382 URLs) have been detected involving various websites and social media platforms for potential breaches on offering unlicensed activities to Malaysians. Of these, 51% are from Telegram, 27% are from Facebook, 9% from Instagram and 13% from other sources such as websites, YouTube, TikTok, etc.

Investor Empowerment

The SC's investor empowerment initiative, InvestSmart®, carried out various activities to promote investment literacy and awareness on unlicensed activities and scams to members of the public. InvestSmart® continues to utilise various digital and online tools including social media channels like Facebook, Instagram, Twitter, TikTok and YouTube to reach out to the Malaysian public with timely alerts, reminders, and guidance to avoid unlicensed activities and scams. In designing the messaging and content, the InvestSmart® was guided by the insights and information gleaned from complaints and enquiries received as well as findings from the survey studies conducted.

In line with this, the InvestSmart® continued to carry out various anti-scam awareness initiatives in 2023 which includes the following:

- Regular postings (posters and videos) on social media platforms e.g. Facebook, Instagram, Twitter, TikTok and YouTube;
- Organise InvestSmart® webinars;
- Media releases;
- Speaking engagements;
- TV and radio interviews; and
- Public service announcements (PSA) in collaboration with the Malaysian Ministry of Communication.

Details of the SC's investor education initiatives are in Part 4.

Task Force on Scams and Unlicensed Activities

In early 2023, an internal Task Force on Unlicensed Activities/Scams was set up to provide greater focus on identified areas to suppress the proliferation of unlicensed activities/scams. Some of the notable outcomes of the Task Force were as follows:

- Enhancement to the SC's Investor Alert List page to make it more robust, dynamic and mobile friendly.
- Development of a tool within SC's website called the 'Investment Checker' which serves as a one-stop-center for the public to check and verify on the legitimacies of entities and individuals.
- Engagement with Jabatan Kemajuan Islam Malaysia (JAKIM) to include anti-scam themed Friday sermon '*Jerat Serupa Jerami*' for mosques in the Federal Territory which was live telecasted on Radio Televisyen Malaysia (RTM).
- Development of 'Scam Meter' page within the SC's website to help identify and increase awareness of common scam indicators in investment opportunities.
- Four radio and two TV interviews were done to spread awareness on scams and unlicensed activities.

Heightened Concerns on Activities by Unlisted Public Companies and Entities Offering Cash Trust Products

In addition to scams and unlicensed activities, the SC also observed certain possible adverse conduct by UPCs that typically offers preference shares and entities offering Cash Trust products. The SC's review suggests that there are concerns on possible breaches of the securities laws including offering of shares by UPCs to retail investors without registering a prospectus with the SC.

In this regard, several investigations have been initiated by the SC involving UPCs and entities offering Cash Trust products. These include possible breaches of section 58 (requirement for capital market services license), section 232 (requirement to register the prospectus in relation to securities) and section 179 (use of manipulative and deceptive devices) of the CMSA.

Specifically on UPCs, the SC is also concurrently reviewing its current regulatory framework to consider introducing the requirement for assessment and due diligence to address any gaps that is detrimental and harmful to the investors.

Multi-Pronged Approach Adopted by the SC to Address the Regulatory Concern Arising from Proliferation of Unlicensed Investment Advice

In 2023, the SC meted out several enforcement actions against unlicensed investment advisers. This was in response to the regulatory concerns arising from the increase in the proliferation of such self-styled investment gurus since 2020. The *modus operandi* of these unlicensed investment gurus is to give out investment advice in the form of stock tips in seminars, WhatsApp groups or Telegram groups. Interested members of the public would need to pay subscription fees to join exclusive support groups where the operator would disseminate the investment advice. These include buy, sell, and cut-loss calls with target price of specific counters.

In April 2023, the SC reprimanded and imposed a fine of RM303,376.00 against Logeswaran Balasubramaniam for breach of section 58 of the CMSA for carrying on a business in a regulated activity of providing investment advice to others concerning securities without holding a CMSL. Similar enforcement actions were also taken in 2023 against Asma Nasarudin and Andrew Ng Gim Meng where they were reprimanded and imposed fines of RM257,000 and RM248,140 respectively.

These outcomes are part of, and continuance of the enforcement actions and other interventions initiated since 2020, when there was a notable surge in the number of complaints received by the SC on unlicensed investment advisers which typically employ the *modus operandi* described above. This increase coincided with the surge in interest from retail investors to participate in the stock market in that year where it was reported that there was a 236% increase in the retail participation on Bursa Malaysia compared to 2019 with 167% increase in the number of new Central Depository System (CDS) accounts opened.

Prior to the actions in 2023 as above, in November 2022, the SC also charged four individuals namely Muhamad Afiq Md Isa, Natasha Mohamed Taufek, Tan Soon Hin and Teh An See in court for breach of Section 4(1)(b) of *Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001* (AMLATFPUAA) for receiving and transferring proceeds from unlawful activity, namely unlicensed investment advice. In addition concurrent enforcement actions were also taken against these individuals, where in 2023, the SC reprimanded and imposed a fine of RM1,975,570.88 against Muhamad Afiq Md Isa, RM6,579,922.75 against Teh An See and RM517,500.00 against Tan Soon Hin, for breach of section 58 of the CMSA for carrying on a business in a regulated activity of providing investment advice to others concerning securities without holding a CMSL.

From 2020 to 2023, the SC also took various other interventions against the operators of such schemes such as issuance of 31 cease and desist notices, blocking of 29 websites and inclusion of 53 names on the *Investor Alert List*.

The proliferation of unlicensed investment advisers raises several concerns. The obvious one would be that the investing public would be receiving investment advice from unqualified individuals. Investment advice rendered needs to be underpinned by cogent and sound reasoning based on research carried out by experts in the field. SC imposes strict requirements on those who wish to obtain an investment advice license. They will be required to possess certain qualification, pass stringent examinations, and must be assessed to be fit and proper before they can be issued with a license. In the hands of an unlicensed investment adviser, these objectives would not be met and consequently be detrimental to the investing public. Further, investors who deal with these unlicensed investment advisers would have limited access to legal recourse in the event of a dispute.

Other than receiving advice from unqualified individuals and having limited access to legal recourse, certain unlicensed investment advisers may use their influence to carry out a 'pump and dump' scheme. They could urge their followers to trade in a particular counter in order to create an interest to manipulate the market for their benefit. This way, unsuspecting investors may unwittingly be made victims to a market manipulation scheme or securities fraud.

These multi-pronged actions by the SC had alleviated the concern in this space where the number of complaints and enquiries received on such unlicensed investment advisers has significantly decreased. In 2021 the number of complaints received against unlicensed investment adviser stood at 75. Due in part to the regulatory actions taken by the SC, the number of new complaints received in 2022 and 2023 has dropped to only eight and nine cases respectively.

The SC will continuously monitor and take swift actions should the trend show any new increase in this area.

ENFORCEMENT

The SC deploys a broad range of enforcement tools to address identified breaches of securities law, foster good conduct and lawful behaviour among capital market participants as well as ensure credible deterrence.

TABLE 21

Key enforcement outcomes

Key outcomes	2023	2022
Preliminary investigation		
No. of cases reviewed for enforcement action	43	35
No. of offences reviewed	76	53
Investigation		
No. of investigations commenced	19	13
No. of active investigations	55	49
No. of raids conducted	10 locations	2 locations
Criminal actions		
New criminal actions commenced	2 persons (involving 12 charges)	6 persons (involving 47 charges)
No. of criminal actions completed with no pending appeal	7 (involving 14 persons)	3 (involving 5 persons)
No. of ongoing criminal cases	21 (involving 32 persons)	21 (involving 33 persons)
No. of persons convicted/conviction affirmed	5	10
Custodial sentences imposed	One day to three years	One day to two years
Total value of fines imposed by the Court	RM8.675 million	RM12.958 million
Compounds		
No. of compounds issued	2 (Involving 2 persons)	6 (involving 5 persons)
Total compounds imposed	RM269,900	RM16 million
Civil actions		
No. of civil actions commenced including issuance of Letter of Demands	15	8
No. of civil actions completed	3 (involving 15 defendants)	3 (involving 3 defendants)
No. of ongoing civil cases	11 (involving 21 defendants)	15 (involving 23 defendants)
No. of civil actions completed successfully	3 (involving 15 defendants)	3 (involving 3 defendants)
Total value of civil penalties imposed by the Court	RM4,813,123	RM33,741,544

TABLE 21 (continued)

Key outcomes	2023	2022
Regulatory settlements		
No. of regulatory settlements (before the commencement of any court action)	6 (Involving 6 persons)	6 (involving 6 persons)
Total disgorgement	RM13.83 million	RM4.58 million
Restitution		
No. of investors restituted	119	284
Amount restituted	RM301,208	RM1,532,294.70
Administrative actions		
No. of sanctions imposed:		
• Penalties	140 (44)	118 (39)
• Reprimands	(80)	(72)
• Directives	(16)	(4)
Total value of penalties imposed	RM19.530 million	RM11.999 million
Infringement Notices		
No. of Infringement Notices issued	124	76

Arising from the SC's active surveillance, supervision, and complaints received, various breaches of securities law were reviewed in 2023. 41% of these offences relate to the SC's enforcement priorities namely disclosure breaches, securities fraud and unlicensed activities (Table 22).

Accordingly, the SC's investigation efforts remain focused on cases related to offences involving unlicensed activities, securities fraud and disclosure breaches, which constitutes more than 50% of the investigation commenced in 2023.

Details of the SC's Active Investigation Cases

The SC continues to unwaveringly pursue its investigation efforts. Apart from the raids conducted at 10 locations in 2023, the SC deploys various methods and tools in its evidence gathering to establish the securities law breaches being investigated. Generally the SC receives good co-operation from persons involved in its investigation.

As of 31 December 2023, the breakdown of the 55 active investigations cases by the nature of offence are reflected in Chart 1.

TABLE 22
Breaches of securities law reviewed

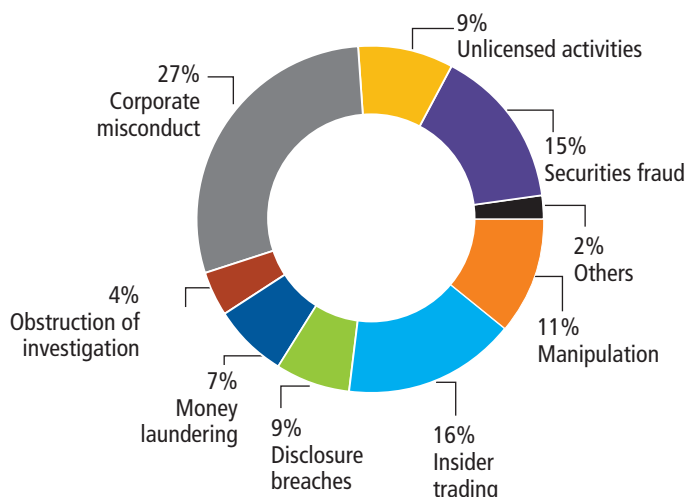
Nature of offence	No. of breaches reviewed
Breaches related to disclosure	14
Breach of the SC's LOLA Guidelines	14
Securities fraud	12
Corporate misconduct*	8
Breach of Bursa Rules, Directive or Listing Requirements	5
Unlicensed activities	5
Breach of SICDA	4
Breach of the SC's other Guidelines#	4
Breach of the SC's <i>Licensing Handbook/ Condition</i>	3
Market manipulation	2
Abetment	2
Non-compliance of Investigating Officer's Notice	2
Insider trading	1
TOTAL	76

* Breach of s.317A CMSA only.

Guidelines on the Registration of Venture Capital and Private Equity Corporations and Management Corporations, Guidelines on Advertising for Capital Market Products and Related Services, Guidelines on Conduct for Capital Market Intermediaries and Guidelines on Sales Practices of Unlisted Capital Market Products.

CHART 1

Breakdown of active investigation cases



The SC's investigation process ensures that investigation activities are conducted thoroughly, objectively, and effectively following the due process. In 2023, more than 1,600 notices were issued to compel individuals and entities to either appear before an SC's Investigating Officer for examination or to produce specific documents and information to an SC's Investigating Officer, for the purpose of fact finding and evidence gathering. A series of raids have also been carried out at various locations in Malaysia to facilitate the ongoing investigations of several cases. Details of which are provided in Figure 2.

Mitigating Risk of Money Laundering

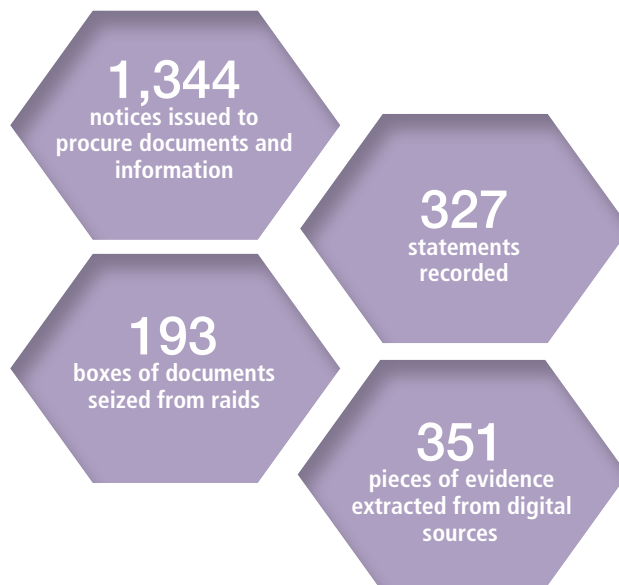
In 2023, the SC took steps under the AMLATFPUAA, to freeze and seize cash and shares amounting to approximately RM100 million, which are suspected to be proceeds of unlawful activities. This action is part of an ongoing money laundering investigation, and the freezing and seizing of the said funds aim to prevent the dissipation of funds, while the investigation is still ongoing.

Leveraging the SC's Digital Forensic Unit

The increased utilisation of digital communication and digital devices has undeniably heightened the complexity of the SC's investigation of securities offences. Following the establishment of the SC's in-house Digital Forensics (DF) unit in 2020, there has been significant improvement of timely extraction and preservation of digital evidence.

FIGURE 2

Breakdown of investigation works carried out



With the proliferation of mobile technology, the SC has since continuously invested in mobile forensic tools that facilitates efficient extraction as well as e-Discovery tools to perform in-depth analysis of large volumes of data extracted from digital evidence, to expedite the process of identification and evidence gathering.

In 2023, the DF unit had preserved evidence from 351 digital sources including from physical sources (computers, mobile phones and tablets) as well as online sources (email accounts and cloud storage). A quarter of the digital evidence were extracted and preserved on-site upon identification. The preservation of digital evidence such as emails and text messages is crucial for establishing the modus operandi of criminal activities involving securities fraud, corporate misconduct and disclosure breaches. The integration of digital forensic capabilities enhances investigative efficiency by facilitating the analysis of preserved digital evidence in criminal cases.

Effective Collaboration with Other Law Enforcement Agencies and Foreign Supervisory Authorities

Collaboration with other law enforcement agencies is paramount for the SC to carry out its regulatory functions. The SC continuously works closely with other enforcement agencies and regulatory authorities within Malaysia, in its efforts to collaborate and gather evidence for purpose of establishing breaches investigated under securities law. These include among others, the Royal Malaysia Police, BNM and the Malaysian Anti-Corruption Commission (MACC).

TABLE 23
Requests for investigative assistance to IOSCO members

Jurisdictions	No. of requests
Hong Kong	9
Singapore	6
Australia	3
United Kingdom	3
British Virgin Island	2
United States	2
Canada	1
Denmark	1
Ireland	1
Japan	1
Pakistan	1
TOTAL	30

For cases that involve cross-border investigation, the SC mainly leverages the IOSCO Multilateral Memorandum of Understanding (IOSCO MMOU) for purpose of gathering information and/or evidence in the respective jurisdictions. In 2023, the SC made 30 requests for investigative assistance to 11 foreign supervisory authorities (Table 23). Most of these requests were made to seek assistance in procuring documentary evidence such as banking documents and documents related to securities transactions, as well as to record statements from witnesses located abroad. Such documents and statements are pivotal to the SC's investigation to help identify the beneficial owners and controllers of the banking and securities transactions. This is particularly important in cases involving insider trading and market manipulation offences.

Conversely, the SC also renders investigative assistance to IOSCO members. In 2023, the SC assisted three foreign supervisory authorities, in gathering necessary information and/or documents for purpose of their ongoing investigation.

Ongoing Criminal and Civil Cases at Various Courts

In addition to the SC's ongoing criminal enforcement efforts which are undertaken with the Public Prosecutor's consent, the SC initiated 15 civil actions (including the issuance of letters of demand) for the year 2023. Additionally, the total disgorgement and civil penalties obtained by the SC in 2023 amount to RM18.6 million, and will be utilised in accordance to law which includes to compensate aggrieved investors. The amount disgorged by the SC in 2023 via its civil enforcement actions represent an increase of three times more than year 2022 at RM13.38 million (Table 21).

For year 2023, there were 32 ongoing cases in court at first instance or appeal stages, involving 53 individuals as listed in Table 24.

The nature of these cases includes corporate misconduct, insider trading, securities fraud, market manipulation, unlicensed activities as well as money laundering offences.

TABLE 24
Ongoing criminal and civil cases

Types of actions	Court	No. of cases	No. of individuals
Criminal Action	Sessions Court	8	13
	High Court	7	10
	Court of Appeal	6	9
Civil Action	High Court	9	19
	Court of Appeal	1	1
	Federal Court	1	1
TOTAL		32	53

Efforts to Restitute Investors

The SC remains committed in protecting investors. Following the outcome of the SC's successful civil suits and regulatory settlements entered, the SC has restituted 119 investors in 2023 in the amount of RM301,208. Additionally, a further RM4,586,915.35 has been earmarked for restitution involving 658 investors.

Highlights of the SC's Successful Enforcement Cases

Former investment banker deceives 10 investors with non-existent securities

On 29 March 2023, the Sessions Court convicted Chua Yi Fuan (Charles) for one charge of securities fraud while taking into consideration another 16 charges for securities fraud, which were all offences under section 179(b) of the CMSA.

Charles pleaded guilty and was sentenced to a three year imprisonment term and was fined RM1 million where his failure to pay the fine will result in 12 months' imprisonment.

The 17 charges of securities fraud that Charles faced were for deceiving 10 investors into believing that they were investing in purported investment schemes involving subscription of non-existent securities which caused 10 investors to suffer losses amounting to RM1,738,292.

Read more on media release 'Former Investment Banker Jailed Three Years For Deceiving Investors'.

<https://www.sc.com.my/resources/media/media-release/former-investment-banker-jailed-three-years-for-deceiving-investors>

RM2.36 million disgorgement for insider trading

On 13 April 2023, the SC successfully proved its case in the civil suit against Toh Kai Fatt (Toh) for committing insider trading. The High Court ordered Toh to pay a sum of RM2.36 million being an amount equal to three times the profit made by him as a result of the insider trading, to pay the SC a civil penalty of RM250,000 and barred him from being a director of any PLC for a period of five years. Toh was also restrained from trading in any securities for a period of five years.

Read more on media release 'SC Wins Insider Trading Civil Suit'.

<https://www.sc.com.my/resources/media/media-release/sc-wins-insider-trading-civil-suit>

Conviction and sentence for failure to appear before the SC's Investigating Officer affirmed by the High Court and Court of Appeal

Amirruddin Nin

On 28 June 2023, the High Court affirmed the conviction and sentence of Amirruddin Nin (Amirruddin) on one charge under section 32(8)(a) of the AMLATFPUAA for failing to comply with written order to appear before an Investigating Officer of the SC in 2017. The High Court also affirmed the sentence of one day imprisonment and a fine of RM100,000 for the said charge. However, the High Court set aside the conviction and sentence for the second and third charges together with the daily fine of RM2,000 which was imposed by the Sessions Court.

The SC initially charged Amirruddin with three charges on 19 February 2020 at the Kuala Lumpur Sessions Court. After a full trial, the Sessions Court convicted Amirruddin on all three charges and sentenced him to one day imprisonment, RM100,000 fine for each of the three charges and also imposed a daily fine of RM2,000 for 979 days for the continuing offence.

Read more on the SC's updates on criminal prosecution in 2023.

<https://www.sc.com.my/regulation/enforcement/actions/criminal-prosecution/updates-on-criminal-prosecution-in-2023>

Ong Kar Kian

On 11 September 2023, the Court of Appeal affirmed the conviction of Ong Kar Kian on three charges under section 32(8)(a) of the AMLATFPUAA for failing to comply with written orders to appear before an Investigating Officer of the SC in 2018. The Court of Appeal also affirmed the sentence of one day imprisonment and a fine of RM25,000 for each charges. However, the Court of Appeal affirmed the High Court's decision to set aside the daily fine of RM1,500 which was imposed by the Sessions Court.

The SC had initially charged Ong Kar Kian with the three charges on 10 December 2020 at the Kuala Lumpur Sessions Court. At the end of the defense case the Sessions Court judge convicted Ong Kar Kian and imposed a one day imprisonment, RM25,000 fine for each charge and also imposed a daily fine of RM1,500 for 673 days for continuing offence. The total amount of fine imposed was RM1,084,500.

Read more on media release 'Court of Appeal Upholds Conviction and Jail Term of Asia Media Group's Former Accountant'.

<https://www.sc.com.my/resources/media/media-release/court-of-appeal-upholds-conviction-and-jail-term-of-asia-media-groups-former-accountant>

Carrying on fund management activities without licence

Muhamad Fadzli Jamaludin

On 9 November 2023, Muhamad Fadzli Jamaludin (Fadzli) was charged with a total of three counts under section 58(1) of the CMSA by holding himself out as carrying on a business in the regulated activity of fund management without holding a CMSL. The alleged offences took place between November 2018 and April 2020 in Kuala Lumpur and Melaka.

Read more on media release 'SC Charges Former Company Director for Unlicensed Capital Market Activities'

<https://www.sc.com.my/resources/media/media-release/sc-charges-former-company-director-for-unlicensed-capital-market-activities>

Subsequently on 29 November 2023, Fadzli was charged with a total of nine counts of money laundering under section 4(1)(b) of the AMLATFPUAA for receiving proceeds of unlawful activity involving over RM1.23 million between August 2018 and April 2020.

The unlawful activity was in relation to unlicensed fund management activities by Fadzli.

Read more on media release 'SC Charges Former Company Director for Money Laundering Offences Involving Over RM1.23 million'

<https://www.sc.com.my/resources/media/media-release/sc-charges-former-company-director-for-money-laundering-offences-involving-over-rm123-million>

Removal of ACE Holdings Bhd as a Controller of Apex Securities Bhd

On 23 November 2023, the SC concluded its civil action against Apex Securities Bhd (Apex Securities) and Apex Equity Holdings Bhd (Apex Equity) at the High Court of Malaya at Kuala Lumpur through a consent judgment entered between the parties. A salient term of the consent judgment is that no person who has any prior relationship, interaction and/or connection with ACE Holdings Bhd (ACE) or any related companies with ACE may be appointed to the Board of Directors of Apex Equity.

The SC had initiated the civil action to remove ACE as a controller (within the meaning of Section 60(7)(b) and/or (c) of the CMSA) of Apex Securities, a CMSL holder. Apex Equity is the parent company of Apex Securities. The SC was of the view that ACE is not a fit and proper person to be a controller of Apex Securities as ACE was subjected to administrative sanctions by the SC on 11 December 2018, for issuing Information Memorandums that contained false or misleading information.

In the course of the civil action, ACE had divested its entire shareholdings in Apex Equity and key individuals who the SC contended were nominees linked to ACE, had ceased to remain as Apex Equity's Board of Directors.

The SC's enforcement actions demonstrate the SC's commitment to ensure strict compliance of the fit and properness of a controller of a CMSL holder.

Leveraging the SC's Administrative Actions

Apart from initiating criminal or civil actions, the SC also leverages its statutory powers for administrative actions, which provides a full spectrum of sanctions and remedies against the persons in breach (Table 25).

In 2023, a total penalty of RM19.53 million has been imposed against 40 persons for their misconduct and breaches under the securities laws and guidelines issued by the SC as follows:

- Nine licensed intermediaries for delay in submitting the annual report and/or investment returns for the relevant wholesale funds;
- Eight individuals who had breached provisions under *Securities Industry (Central Depositories) Act 1991* (SICDA), including causing and/or permitting his/her shares to be deposited and/or maintained in a third-party's trading account and who had effected trades in his/her shares in a third-party's trading account;
- Four individuals who carried on a business in a regulated activity of providing investment advice without licence;
- Three individuals who engaged in transactions which involved proceeds of unlawful activities;
- One entity and its director who failed to seek recognition by the SC in relation to making available, offer for subscription or purchase, or issue an invitation to subscribe for or purchase of foreign securities and failure to register a disclosure document and prospectus;
- One entity and four of its directors who submitted false information pertaining to the validity of its Qualified Persons' status to the SC (via Annual Declaration) and Bursa Malaysia (via Listing Application);
- One entity who failed to submit true, complete and accurate information to the SC and who failed to promptly report potential breaches of securities laws to the SC;
- One group of persons acting in concert for failing to undertake a mandatory offer; and
- Two entities, comprising a Private Equity Management Corporation and its Private Equity Fund, together with their respective directors, failed to register a prospectus with the SC for making available, offer for subscription or purchase, or issue an invitation to subscribe or purchase the Private Equity Fund's Cumulative Redeemable Preference Shares to non-sophisticated investors alongside with other breaches of securities laws.

TABLE 25

Administrative sanctions imposed

Type of persons	Sanctions imposed					
	Reprimand	Penalty	Restitution	Directive	Revocation of licence	Suspension of licence
Persons acting in concert	11	1	-	1	-	-
Registered persons	18	2	-	2	-	-
Directors of registered persons	6	2	-	-	-	-
Licensed persons	10	16	-	1	-	-
Other entities/ individuals	35	23	-	12	-	-
TOTAL	80	44	-	16	-	-

Redress via Infringement Notices

In carrying out the SC's surveillance, gatekeeping and supervisory functions, the SC also utilises its non-statutory enforcement tools, to address breaches of securities laws or guidelines that do not warrant the initiation of any formal enforcement actions.

In such instance, the SC may issue the following Infringement Notices to the relevant parties concerned:

- Supervisory letters with infringement – issued pursuant to the exercise of the SC's supervisory function or the conduct of an examination under section 126 of the *Securities Commission Malaysia Act 1993* (SCMA).
- 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. Warning letters may be issued to licensed, registered persons or other professionals or experts.
- Non-compliance letters – issued pursuant to the discharge of the SC's gatekeeping function for minor breaches.
- Notice of Cease and Desist – issued to immediately halt and prevent further violation of any

obligations under the securities laws. Failure to comply with the *Notice of Cease and Desist* may attract formal enforcement action by the SC.

In 2023, 124 Infringement Notices have been issued by the SC, with the breakdown as in the Table 26. There has been an increase in the overall issuance of Infringement Notices by the SC from 2022 to 2023. This increase was partly attributable from various non-compliances detected by the SC against Shariah advisers under the SC's *Guidelines on Islamic Capital Market Products and Services*. In addition, the SC also detected non-compliances by licensees under the requirements of the securities laws and the SC guidelines, particularly the *Licensing Handbook*.

TABLE 26
Type of Infringement Notices

Type of Infringement Notices	No. issued	
	2023	2022
Supervisory letters with infringement	40	33
Warning letters	59	13
Non-compliance letters	20	24
Notice of Cease and Desist	5	6
TOTAL	124	76

DETAILED STATISTICS

TABLE 1A

Equity applications (*detailed*)*

No. of applications	2023	2022
For consideration	29	27
Received during the year	22	20
Brought forward from previous year	7	7
Considered during the year	18	18
Approved	18	16
Not approved	-	2
Returned	-	-
Others	11	9
Withdrawn	2	1
Lapsed (exceeded 6-month validity period)	-	1
Carried forward to next year	9	7

TABLE 4A

Corporate bonds and sukuk lodgements (*detailed*)*

Ringgit-denominated	No. of lodgements		Nominal amount (RM billion)	
	2023	2022	2023	2022
Lodgements for the year	61	60	171.26	186.90
Corporate bonds	20	15	73.00	19.03
Sukuk	41	43	98.26	147.87
Combination	-	2	-	20.00
Foreign currency-denominated	No. of lodgements		Nominal amount (US\$ billion)	
	2023	2022	2023	2022
Lodgements for the year	3	2	50.00	38.00
Corporate bonds	1	1	10.00	3.00
Sukuk	2	1	40.00	35.00
Combination	-	-	-	-

Note:

* Refer to Capital-Raising section.

TABLE 5ACorporate bonds and sukuk applications (*detailed*)*

No. of applications	Corporate bonds		Sukuk	
	2023	2022	2023	2022
Nominal amount (RM billion)	0.22	0.37	-	-
For consideration	2	2	-	-
Received during the year	2	2	-	-
Brought forward from previous year	-	-	-	-
Considered during the year	2	2	-	-
Approved	2	2	-	-
Not approved	-	-	-	-
Returned	-	-	-	-
Others	-	-	-	-
Withdrawn	-	-	-	-
Carried forward to next year	-	-	-	-

Note:

* Refer to Capital-Raising section.